QUAYSIDE
HOLDINGS

Annual Report | **2020**

Contents

The Quayside Group

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

Quayside was established in 1991, when it acquired from Council, a holding of 55% of the Port of Tauranga Limited ("the 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 current market value of $3,175 million at 30 June 2020. In addition to growing an asset base, Quayside has also been able to provide distributions of over $300 million for the benefit of Council, including a $32.1 million distribution for the year ending 30 June 2020. These distributions are used by Council to fund their work across the region that otherwise would need to funded by rates or not undertaken at all.

In 2008, Council issued $200 million of Perpetual Preference Shares in Quayside to investors. The share issue resulted in a significant contribution by Council towards key infrastructure projects across the region. The Perpetual Preference Shareholders receive an annual dividend from Quayside. The current dividend rate of return is 2.46%, having been reset on 12 March 2020.

Our Mandate

Quayside's objective is to effectively and efficiently manage investment assets for commercial return, providing sustainable growth and income to regional stakeholders. Quayside takes a responsible, commercially focused and collaborative approach to investment, with its structure providing the agility required to take advantage of new opportunities. Since 2002, Quayside has also had a focus on identifying and investing in strategic projects that support economic and social development aspirations for the benefit of Bay of Plenty communities.

Quayside aims to return 80% of its cash profit as a dividend to its shareholders, which includes Council. Around 20% of Quayside's profits are retained to support long-term growth that exceeds inflation and thereby assist the Council to meet demands associated with population growth. It has a focus on diversifying its portfolio to ensure a more stable dividend and provide a buffer against market fluctuations. Our highlights section case studies some of the investments that Quayside is currently involved in.

Quayside sets annual performance targets with Council annually through its Statement of Intent, (available on Quayside's website at www.quaysideholdings.co.nz) and progress in meeting performance targets and strategic updates is provided to Council four 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.

Value for our Community

Quayside is unique in a New Zealand context, in that it is a Council investment organisation that also makes new commercial investments into its community.

The value of Quayside to the region can be seen through a number of lenses:

- Dividends to Council: In 2020 Quayside provided over $32 million to the Bay of Plenty Regional Council for its operating purposes. Quayside has provided over $300 million of dividends to Council over its life to the benefit of the Bay of Plenty region.
- Asset Protection: The Port is a strategic asset for the Bay of Plenty Regional Council. Quayside has provided stable ownership and has protected the Port from undue political influence. The Port has flourished under this mixed ownership model to become an asset with a market value of over $5.1 billion and a significant local employer.
- Leverage: Council has raised through the issue of Preference Shares $200 million to invest into capital projects in the Bay of Plenty including flood resilience. Quayside continues to fund this leverage as part of its annual operations.
- Expertise: Quayside, while 100% owned by Bay of Plenty Regional Council, operates as an independent entity with the majority of board members being independent. This has allowed Council to get the benefit of investment and governance expertise across the broader Council Group.
- Local Investment: Quayside as part of its non-port investment portfolio holds over $100 million of investments in the Bay of Plenty. This includes land development, direct private equity investments, horticulture, and commercial properties.
- Insurance: Quayside acts as a form of insurance for the Council. The non-port investment portfolio will act as a buffer for Council income should the Port have a less successful financial year.

Chair and Chief Executive Report

R McLeod
Chairman

Scott Hamilton
Chief Executive

“The global coronavirus pandemic has set a challenging backdrop for global investment markets”

Quayside Holdings Limited and subsidiaries (“the Group”) is pleased to report and share with you the highlights of the 29th Annual Report for the year ended 30 June 2020.

The global coronavirus pandemic has set a challenging backdrop for global investment markets. Despite this challenge, the Group has delivered against its mandate, providing shareholders the anticipated dividend streams while continuing to diversify its portfolio of assets. The Port of Tauranga has fared remarkably well, showing the benefits of being a strong export port with a diversified range of cargo.

Their result, while down slightly, shows the underlying strength of the Port of Tauranga offering. Quayside’s diversified portfolio also delivered a strong result, with outstanding achievements across its equity and property portfolios. The new property development on Fenton St, Rotorua, is an example of new investment in the Bay of Plenty Region. In a year where cash flows and dividends have become tighter, the Group was pleased to provide net distributions of $32.1 million to Council and $5.6 million to Perpetual Preference Shareholders. All dividends were fully imputed.

Group Performance

Quayside’s diversified portfolio fared well despite the obvious impacts that Covid-19 had on the general economy.

Covid-19 has provided us a set of circumstances like no other in Quayside’s 29 years of reporting. The lockdown of the New Zealand economy during March and April proved an incredibly difficult trading environment for both Quayside’s operating and investing business units.

The Port of Tauranga was well positioned to support the New Zealand recovery once lockdown was lifted. Container volumes were up slightly during the year, showing the value of the primary industry and strategic relationships that the Port has. In 2020 the Port extended its strategic relationship with Kotahi by seven years to 2031, ensuring significant future volumes of Fonterra product are exported via Tauranga. The Port had a modest decline in net profit after tax of 10.5% to $90.0 million.

Quayside’s diversified portfolio fared well despite the obvious impacts that Covid-19 had on the general economy. Investment portfolios suffered heavily in March, but recovered much of their lost ground by the June year-end. The portfolio is still in its infancy, with a blend of mature investments and early development assets. Quayside was pleased to record a moderate increase in net profit after tax to $18.8 million.

	30 June 2020 $000	30 June 2019 $000	% Change
Port Operations – NPAT	90,027	100,577	- 10%
Quayside Operations	19,999	18,070	+ 11%
Subvention Payment	- 1,152	- 3,004	+ 62%
Group Profit	108,874	115,643	- 6%
Less Minority Interest	- 40,674	- 45,440	+ 10%
Profit Attributable to Quayside	68,200	70,203	- 3%

Group Results

Diversified Investment Assets

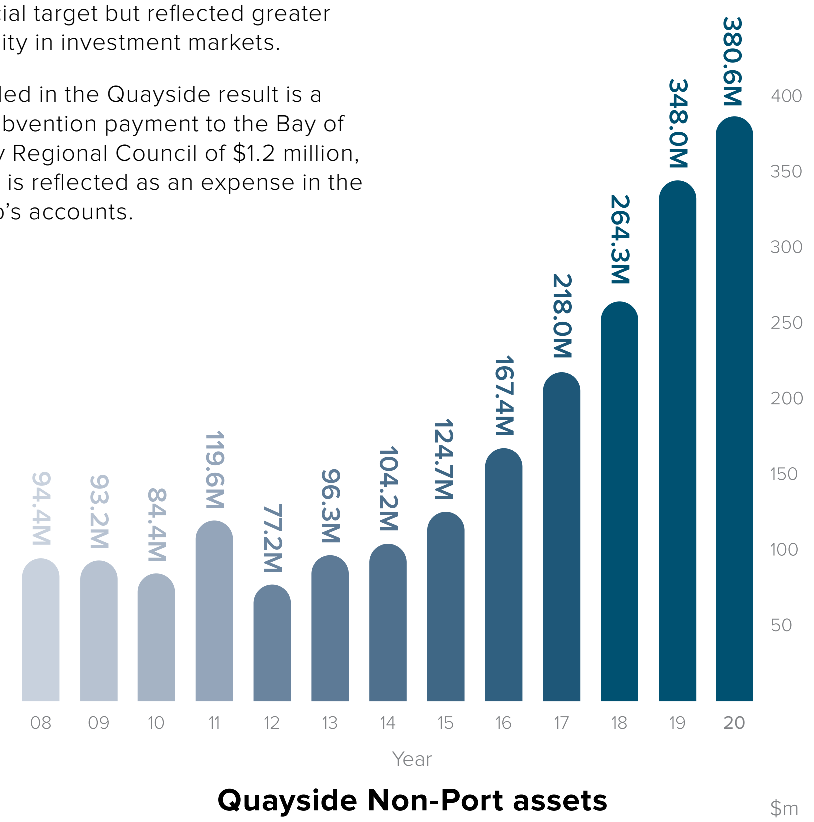
Quayside recognises the long-term, strategic importance of the Port investment for the Bay of Plenty economy and its shareholders but is also securing its financial future by diversifying its income earning asset base.

The non-port component of the Quayside balance sheet continues to develop and grow, up 9.4% in the past year, to $380 million. This growth represents a combination of capital growth, retained earnings and debt to support further asset diversification. The Group strategically continues to seek alternate investments as it looks to enhance the earning contribution from non-port sources.

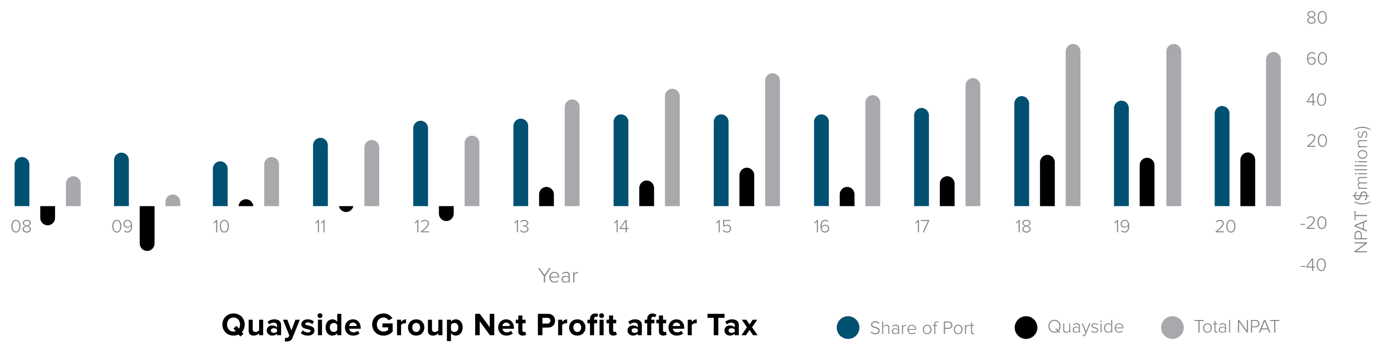
The year was not without its challenges. The impact of Covid-19 in February and March delivered the fastest bear market in history. This also showed uncertainty across other sectors of the Quayside portfolio, including questions around whether NZ primary produce could get to market with severe disruption in global logistics networks. The response in the second quarter of 2020 was equally surprising in terms of how markets recovered, particularly stock exchange indexes. Quayside had deliberately not targeted retail, hospitality and tourism assets across its portfolio, and has benefited from that investment decision.

Quayside's own operations, returning an $18.8 million profit, is therefore very pleasing in the current environment. The result was also in excess of our financial target but reflected greater volatility in investment markets.

Included in the Quayside result is a tax subvention payment to the Bay of Plenty Regional Council of $1.2 million, which is reflected as an expense in the Group's accounts.



Quayside Non-Port assets



Quayside Group Net Profit after Tax

Quayside – Reflecting on a Story Worth Telling

As Quayside enters its thirtieth year, it is worth reflecting back on the journey and decisions that have shaped where Quayside is today

What is our history?

Bay of Plenty Regional Council, QHL Holdings Ltd ('QHL'), Quayside Properties Ltd (QPL), Port of Tauranga ('POT'), Bay of Plenty ('BOP'), Perpetual Preference Shares ('PPS'), Opotiki Pack & Cool ('OPAC')

1989	Council established, receives 77% shares in POT from disestablished BOP Harbour Board
1991	QHL established as commercial investment arm of Council
	QHL borrows $53,000,000 to acquire POTL shares from Council
1992	POT lists on NZX, QHL shareholding reduces to 55%
1997	QHL achieves 1st year as a viable entity in its own right
1998	QHL pays first dividend to Council of $1,290,000
1999	1st diversification opportunity for QHL when POT provides unimputed special dividend of $8,400,000
2001	QHL net assets exceed $250,000,000
2003	QHL establishes QPL to enable diversification into property
2005	QPL purchases 162ha of land at Rangiuru for business park
2008	Consent gained by QPL for development of Rangiuru business park
	QHL raises $200,000,000 through issue of PPS to retail investors, tradable on NZX. Proceeds held by Council for infrastructure projects
2010	QHL appoints first full time Chief Executive
2011	QHL net assets exceed $500,000,000
2012	Strike at Ports of Auckland increases container volumes via POT resulting in 40% increase in dividends
	New QHL policy of holding surplus profits for new opportunities
	NZ Productivity Commission attributes part of POT's success as top performing NZ port to the QHL/Council structure
2013	QHL net assets exceed $1,000,000,000
2014	QHL establishes QHL Investment Trust, a wholly owned portfolio investment equity trust
	QHL founding shareholder in Tauranga tech incubator, WNT Ventures
2015	POT enters Kotahi JV with Fonterra and Silver Fern Farms, QHL shareholding reduces to 54.14%
	QHL & Te Tumu Paeroa (the Maori Trustee) invest into OPAC, the largest seasonal employer in Opotiki
	Council formalises QHL strategy to retain 20% of cash profit, fostering further economic and regional development
2016	QHL underwrites the concept of a BOP-based mid-tier private equity firm and becomes cornerstone investor in Oriens Capital
	QPL purchases 53 Spring St, Tauranga and develops a regional investment hub (The Vault) with aligned organisations/businesses as tenants
2017	Huakiwi Services Ltd founded, a JV between QHL and Te Tumu Paeroa
	Huakiwi invests in new kiwifruit orchards in BOP on Maori freehold land
2018	QHL net assets exceed $2,000,000,000
	QHL creates JV Tauranga Commercial Development Limited, acquiring commercial site in Tauranga for future development
2019	QHL creates JV Lakes Commercial Development Limited, acquiring commercial site in Rotorua for future development of Council office
2020	QHL net assets exceed $3,000,000,000
	Provincial Growth Fund funding received to advance the Rangiuru Business Park.

Governance

The board of directors ("board") were pleased to report to the Bay of Plenty Regional Council that its objectives under the 2019-20 Statement of Intent had been fully achieved.

During the term Mr Rob Tait retired from the board after seven years as a director, while Ms Keiran Horne joined the board and was appointed as the Chair of Audit and Risk.

The board was also pleased to make a record total net distribution of $37.7 million to Council and Perpetual Preference Shareholders during the year. We wish to thank Council and the Perpetual Preference Shareholders for their ongoing support.

R McLeod
Chairman

A S Hamilton
Chief Executive

Port of Tauranga

Quayside acquired its stake in the Port of Tauranga in 1991 for $53 million from Council. Quayside's first role was to act as an effective intermediary, separating the Ports operating role from the Council's regulatory role. As a majority investor in the Port of Tauranga Quayside has the privilege of ensuring we act on behalf of all shareholder investors.

The benefit of this role was identified in the 2012 Productivity Commission report on the port sector where it acknowledged the Port of Tauranga as New Zealand's best port for three key reasons

1. *Operating model* – the strategy of the port and its contestable operations model
2. *Ownership structure* – the value of commercial expectations through NZX listing
3. *Owner behaviour* – cornerstone shareholder behaviouras an investor

Today the Port of Tauranga is New Zealand's hub port to the world and widely recognised as the best port in New Zealand. The value of the Port has grown for all shareholders, with the New Zealand Exchange valuing it at $5.1 billion, of which Quayside's investment is market valued at $2.8 billion..

We are pleased to see the Port's on going focus not only on the return for its shareholders, but also the pristine environments in which it operates.

Highlights

Some highlights of an excellent 2020 for the Port included:

- Annual operating revenue of $302.0 million (2019: $313.3 million)
- Group Net Profit After Tax of $90.0 million (2019: $100.6 million)
- Subsidiary and Associate Companies' earnings of $14.1 million (up 18.5% from $11.9 million in 2019).
- Final dividend of 6.4 cents per share (total ordinary dividend of 12.4 cents per share)
- Average annual compounding Total Shareholder Return of 23.34% over the last decade
- Total trade of 24.8 million tonnes (2019: 26.9 million tonnes)
- Container volumes: 1,251,741 TEUs (up 1.5% from 1,233,177 TEUs)
- Transhipped containers remained nearly a third of total containers handled
- Imports decreased 7.8% to 9.0 million tonnes
- Exports decreased 8.0% to 15.8 million tonnes
- Reduced our overall carbon emissions by 15.3%
- Continued improvement in safety culture and safety performance with our Combined Port of Tauranga and Contractor Total Recordable Injury Frequency Rate (TRIFR) dropping 26% to 4.5 (2019: 6.1)
- Remaining Australasia's most productive container terminal with Average Net Crane Rate for the year increasing 8.8% to 35.8 moves per hour

Strategy success

The Port extended its strategic alliance with Kotahi, New Zealand's largest containerised freight exporter. The renewed agreement extends Kotahi's freight volume commitment to Port of Tauranga for an additional seven years, through to mid-2031. Kotahi manages freight on behalf of more than 40 of New Zealand's importers and exporters, including its shareholders Fonterra and Silver Fern Farms. The alliance has already bought significant benefits to New Zealand. When it was established in 2014 it paved the way for the introduction of the next generation of larger, more efficient container ships to New Zealand – and with them a lower carbon supply chain.

Financial Performance

The diversity of cargoes and income streams, its strong balance sheet and ongoing vigilance regarding costs helped the Port through the initial impact of the Covid-19 pandemic. As an essential service it continued trading through all Government alert levels.

For the financial year ended 30 June 2020, Port of Tauranga handled a total of just over 24.8 million tonnes of cargo, a decrease of 7.9% on the previous year. Containerised cargo grew 1.5% in volume, to more than 1.25 million TEUs.

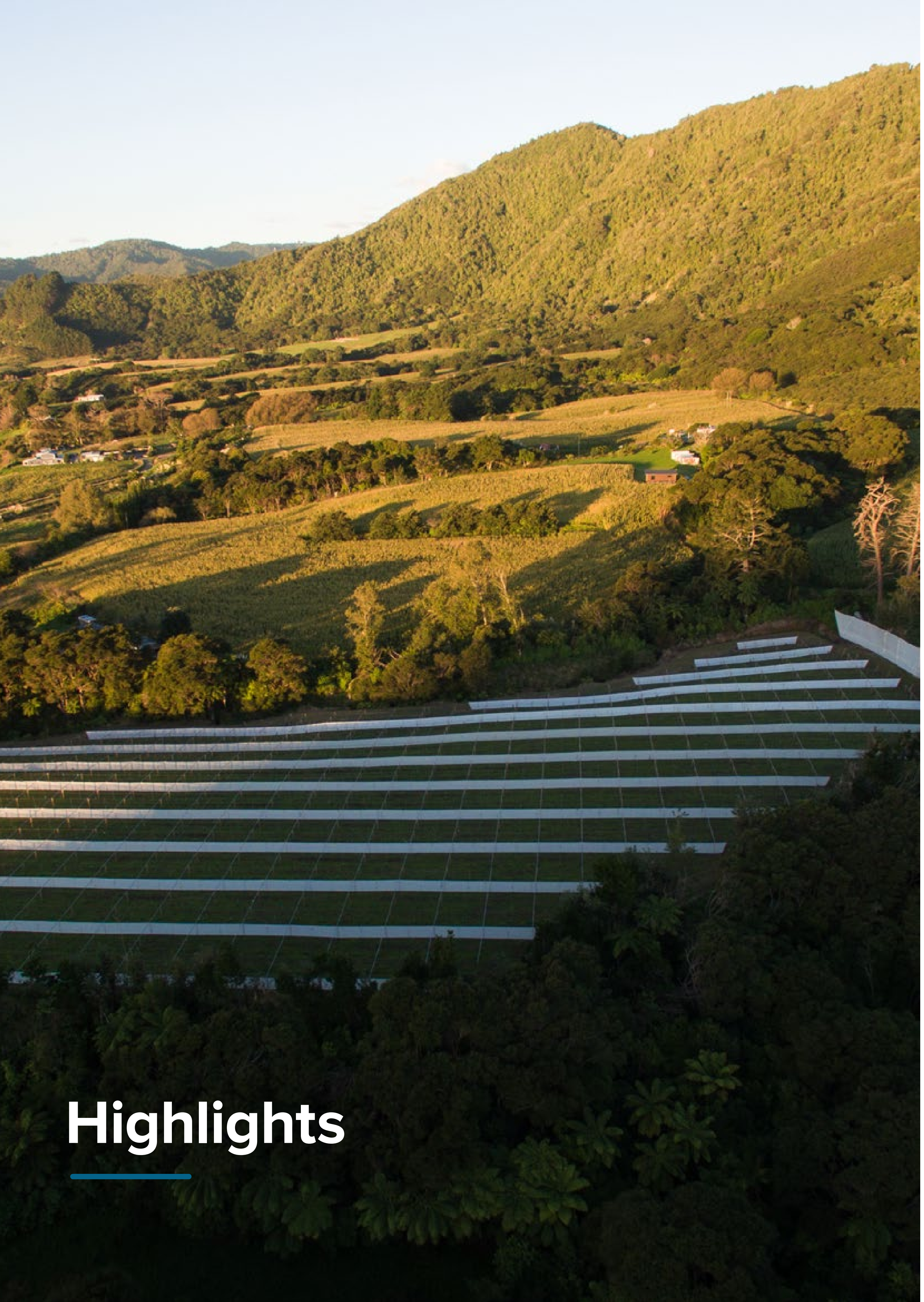
Group Net Profit After Tax was $90.0 million, compared with $100.6 million in 2019. The Port declared a final dividend of 6.4 cents per share.

Inland port in Hamilton

The Port of Tauranga and Tainui Group Holdings are forming a 50:50 joint venture to bring the Ruakura Inland Port at Hamilton to fruition within two years. The project is of national scale and significance and will add to Port of Tauranga's strong and growing capacity to serve the Auckland, Waikato and Bay of Plenty regions. It will also unlock significant environmental and economic benefits for freight customers using the rail-connected inland port. The facility will cover approximately 30 hectares, with 192 surrounding hectares earmarked for logistics and industrial uses.

Carbon emissions cut

The Port has placed a big focus on measuring, understanding and reducing its carbon emissions and cut its overall emissions by 15.3% in comparison with the previous financial year. A lot of the decrease came through a waste minimisation programme that reduced the volume of waste going to landfill from the Mount Maunganui wharves by 48.5%. More waste is instead being recycled and the Port believes it can further improve in this area. The Port's emissions are certified through the Certified Emissions Measurement and Reduction Scheme (CEMARS) and audited by Toitu Envirocare.



Highlights

Rotorua Property Development

Lakes Commercial Developments, a joint venture between Quayside Properties Limited and TPB Properties Limited, this year completed its first property development.

The building on the corner of Fenton and Pukaki Streets, Rotorua is the latest in a series of new commercial developments, enhancing Rotorua's streetscape.

The building is home to lawyers Morrison Kent, the Bay of Plenty Regional Council and a café.

Another Quayside joint venture, Tauranga Commercial Developments is targeting similar opportunities in Tauranga.

Bay of Plenty's Investment Eco-system

"WNT has successfully supported over ten companies through investment through the subsequent period."

Quayside has been an active participant over the years in creating a sustainable investment ecosystem in the Bay of Plenty. This has included active participation in creating WNT Ventures and Oriens Capital.

Quayside is a twenty percent shareholder and one of 9 founding shareholders in WNT Ventures, a technology focused start up incubator.

In 2014 WNT was one of three entities supported nationally by Callaghan Innovation as a technology incubator. Being based out of Tauranga, WNT was the only regionally based incubator, with the others being Auckland and Christchurch based.

WNT has successfully supported over ten companies through investment through the subsequent period.

In 2019, WNT was one of four entities, and the only original incubator, supported by Callaghan Innovation with a contract for the next eight years. This support endorses the model created in the Bay of Plenty and continues to provide an important rung in the ladder of capital entities in the region.

Developing the Maori Economy

The 2017 announcement of a partnership between Quayside Holdings Limited and Te Tumu Paeroa to develop kiwifruit on Maori land was a significant milestone. That 2017 partnership is Huakiwi Services Limited (Huakiwi).

The two investors recognised the value that was locked in productive Maori land across the Bay of Plenty that could be suitable for horticulture or other development. Both parties also recognised the social change that can result from capital investment into that land, and the benefit that can be derived for future generations once that operating investment is returned. One example was that set by Opotiki Packing and Coolstorage Ltd (OPAC) and fellow investors in the early 1990's in to the Te Kaha region of the East Cape.

Huakiwi now has five operating orchards and three in development across the Bay of Plenty. We have enjoyed seeing the community involvement and local employment created when the orchards are being developed. On Matakana Island we had a significant portion of the local population employed in the development of these first orchards. The year to 2020 provided Huakiwi Services Limited with the first small production crops. We look forward to the next season where we expect five orchards to be near full production.

"The year to 2020 provided Huakiwi Services Limited with the first small production crops."

Rangiuru Business Park

Rangiuru Business Park is an industrial zone of almost 150 net hectares, twenty minutes east of Tauranga. The land is bordered by the NZTA Tauranga Eastern Link expressway and the KiwiRail East Coast Main Trunk line.

Rangiuru has access to a population of over 250,000 within 45 minutes' drive, reaching from Whakatane in the east, to Tauranga in west, and inland to Rotorua and Kawerau.

Quayside first invested into land at Rangiuru in 2004 and then set about rezoning the land as industrial. The industrial designation was approved around the time of the global financial crisis.

In the interim, Quayside has organised several work streams, resource consents and further plan changes. Rangiuru is now recognised as an industrial zone in the Western Bay of Plenty District Plan.

In the 2020-year Quayside acquired two additional land blocks in Stage 1 of the industrial development as part of presenting Rangiuru as a shovel ready development.

On 31 July 2020, just after financial year end, Quayside was delighted to receive the announcement by Regional Economic Development Parliamentary Under-Secretary Fletcher Tabuteau of a contribution of $18 million towards the interchange for the Rangiuru Business Park. The interchange is lead infrastructure for the Rangiuru development.

"Quayside first invested into land at Rangiuru in 2004 and then set about rezoning the land as industrial."

Perpetual Preference Shares

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

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

The shares are subject to a rate reset every three years, at the three-year swap rate, on the day plus a margin of 1.70%. On 12 March 2020 the preference shares rate was reset for the next three years. The rate on that date was set at 2.46%. The next reset will occur in March 2023.

Quayside distributed a gross return of $7.7 million to Perpetual Preference shareholders during the year. An example of Bay of Plenty Regional Council's use of the funds is the partnership with Tauranga City Council to create a marine precinct to support the boat building and servicing industry in the Bay of Plenty.

Ordinary Shares

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

The Group consists of several entities, including:

QHL Quayside Holdings Limited (an investment holdings company)

QSL Quayside Securities Limited (a corporate trustee company)

QUT Quayside Unit Trust (a port holding trust)

QPL Quayside Properties Limited (a property investment company)

QIT Quayside Investment Trust (portfolio investment entity)

CTL Cibus Technologies Limited (a shell company)

ACL Aqua Curo Limited (macro algae for bioremediation purposes)

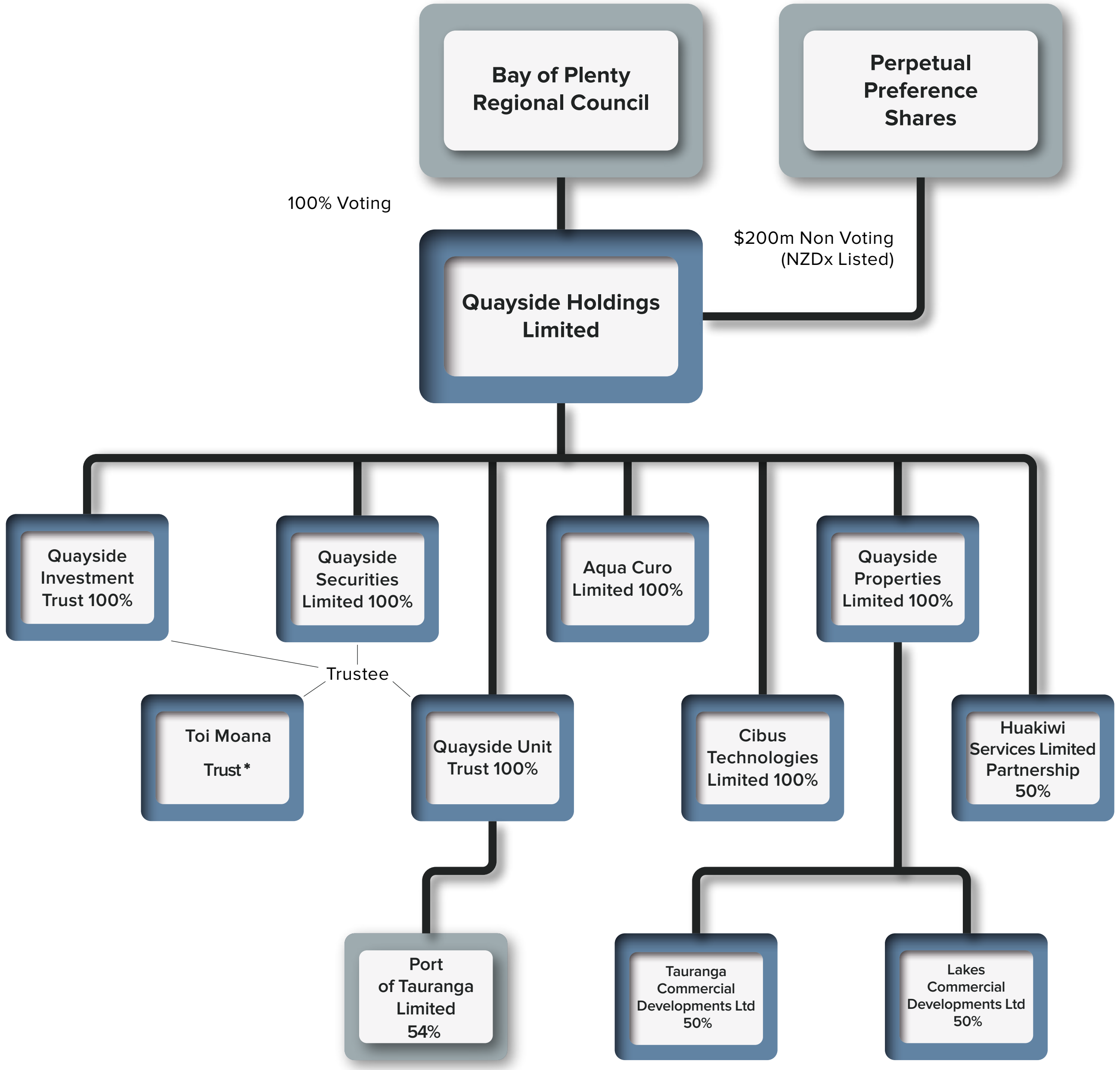
Statement of Intent

Quayside prepares a Statement of Intent for all group entities and this is presented to Council annually. The Group achieved all nine objectives in its 2019-2020 Statement of Intent.

The Group has submitted its 2020/2021 Statement of Intent to Council, in accordance with the requirements of the Local Government Act 2002.

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

Group Structure



**Quayside Securities Ltd is the Trustee for theToi Moana Trust. Bay of Plenty Regional Council holds the majority of units.*

Board and Executive Team

Sir Robert McLeod
Independent Director
and Chair

Rob was appointed to the board in November 2016 and became chair in November 2017. He is also an ex-officio member of the Audit and Risk and the People, Culture and Safety committees. Rob is a tax lawyer and chartered accountant, and the former CEO and chair of Ernst & Young in both Australia and New Zealand. Rob is Ngati Porou. Currently Chair of Sanford Limited and a director of the Port of Tauranga Limited, he has also been a director of ANZ National Bank, Sky City Entertainment Group and Telecom. Rob was honoured as a Knight Companion of the New Zealand Order of Merit for services to business and Maori on 31 December 2018.

Stuart Crosby
Director

Stuart was appointed to the board in November 2018 and is a member of the Audit and Risk Committee. He is an elected member of Bay of Plenty Regional Council and a member of their Risk and Assurance Committee, Operations and Monitoring Committee, SmartGrowth Leadership Group and Deputy Chair of the Policy and Strategy Committee. Stuart has held a number of governance roles both in the private and public sector and was Mayor of Tauranga from 2004 until 2016. He is President of Local Government New Zealand and is a trustee of Summerhill Charitable Trust. Stuart was made an Officer of the New Zealand Order of Merit in 2017.

Brett Hewlett
Independent Director

Brett was appointed to the board in November 2017 and is a member of the Audit and Risk Committee. He is also Independent Director and Chair of Comvita; Independent Director of Bluelab Holdings, and chair of economic development organisation, Priority One. Brett is the former CEO of Comvita and prior to this he held several senior roles with global packaging firm, Tetra Pak.

Keiran Horne
Independent Director

Keiran was appointed to the board in 2019 and is chair of the Audit and Risk Committee. She is a full-time professional director with a background in accountancy, business rescue and insolvency across both the public and private sectors. Keiran is currently on the board of the New Zealand Lotteries Commission and University of Canterbury, as well as a range of SMEs in the health sector. She also provides independent audit and risk governance expertise to various councils. Keiran is a chartered accountant and a chartered member of the Institute of Directors.

Fiona McTavish
Director

Fiona was appointed to the board in June 2018. Fiona was the General Manager of Strategy and Science at the Bay of Plenty Regional Council for over six years before being appointed as the Chief Executive in June 2018. Fiona is a director of BOPLASS and Executive Board Member of Priority One. Fiona is also the Chair of Otumoetai Intermediate School board and a trustee at Tauranga Girl's College.

Dr Warren Parker
Independent Director

Warren was appointed to the board in 2015 and is chair of the People, Culture and Safety Committee. He is the former CEO of Crown Research Institutes Scion and Landcare Research and is currently chair of Landcorp Farming Ltd (Pamu) and director of Farmlands Cooperative Trading Society, Predator Free 2050 Ltd and Focus Genetics. Warren chairs the Forestry Ministerial Advisory Group and the Advisory Board for Griffith Enterprises (the commercialisation arm of Griffith University) and is a member of the board of Genomics Aotearoa.

Paula Thompson
Director

Paula was appointed to the board in 2012 and is a member of the People, Culture and Safety Committee. She is an elected member of Bay of Plenty Regional Council where she chairs the Strategy and Policy Committee and is a member of the Komiti Māori and Monitoring and Operations Committee. Paula is a former CEO of Tauranga City Council and previously chaired both Bay Trust and Sport Bay of Plenty.

Scott Hamilton
Chief Executive

Scott joined Quayside as Chief Executive in 2010 and has led Quayside's growth and diversification programme. He joined Quayside having held senior roles in investment, finance, and funds management with organisations like ASB Group Investments and Barclays Global Investors. Scott is a director on the Opotiki Packing and Cool Storage, WNT Ventures, and Huakiwi Services boards. Scott is a Chartered Accountant and member of the Institute of Directors. He is also Chair of Pillans Point Primary School board.

Corporate Governance

Role of the board

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

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

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

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

An important objective is to monitor the performance of Port of which it was a 54.14% shareholder as at 30 June 2020.

Board Composition

The board must have at least five directors, with a minimum of two being independent. At 30 June 2020, the board was comprised of seven members, including four independents.

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

Mr R B Tait retired from the board as director and chair of the Audit and Risk Committee, in October 2019. Ms K Horne was appointed to the board in September 2019 and as Chair of the Audit and Risk Committee in November.

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

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

Sir R A McLeod is the chair of the board.

Board Diversity

Quayside has a diversity and inclusion policy.

Appointments to the board of Quayside are made in accordance with the Council's "Policy for the Appointment and Remuneration of Directors to 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.

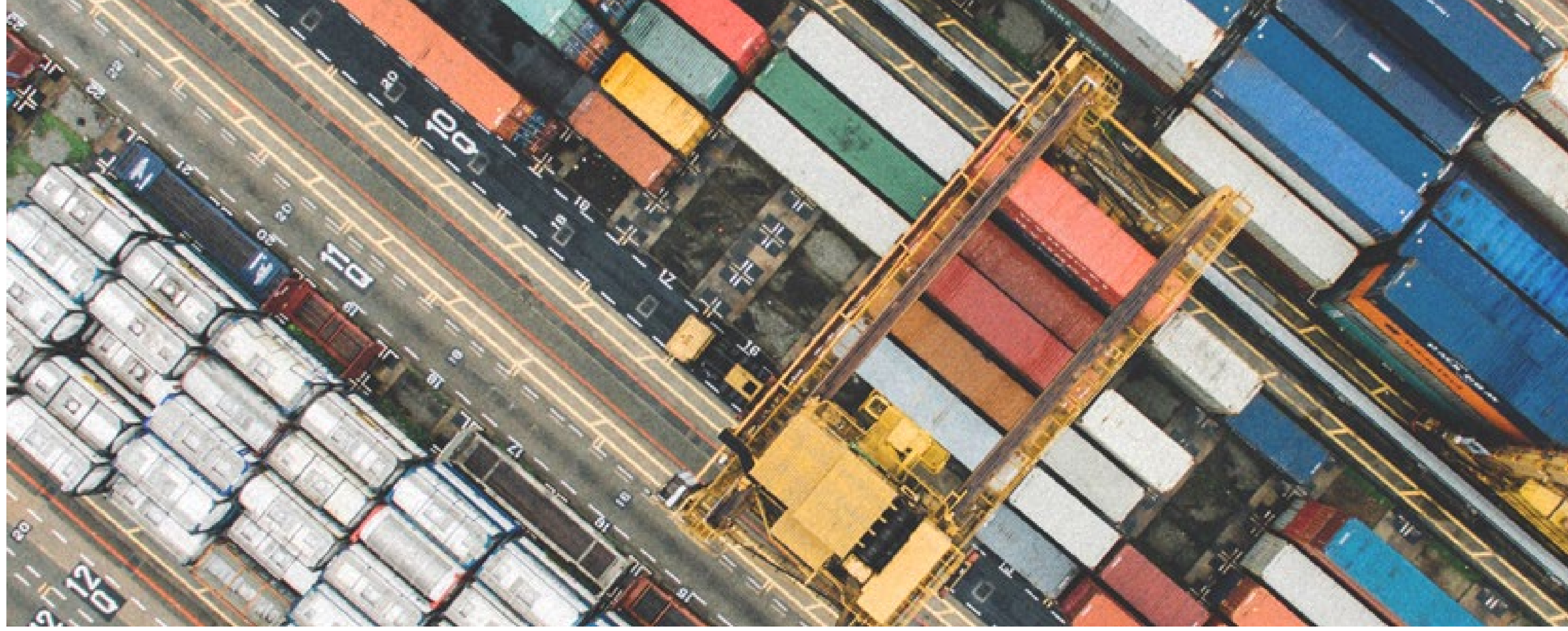
For the purpose of this disclosure, Mr A S Hamilton as Chief Executive is deemed the sole officer of Quayside.

	Female	Male
30 June 2018	3	5
30 June 2019	2	6
30 June 2020	3	5

Director remuneration

The Council'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.

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



Board and Committees

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

The directors of QHL met formally nine times during the year (adapting to the use of videoconference meetings in response to the Covid-19 restrictions), while the board's committees met as required.

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

The Annual Report of the Group and the audited financial statements for the period ended 30 June 2019, together with an unmodified Audit Certificate, were presented to the voting shareholder in October 2019.

The Annual Report incorporating the audited statements for the year ended 30 June 2020, is presented with this report.

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

		Board Committees	
	Full Board	ARC	PCS
Sir R A McLeod	9	7	2
S A Crosby	9	7	-
B Hewlett	9	5	-
K Home	7	4	-
F C McTavish	7	-	-
W J Parker	9	-	2
R B Tait	2	1	-
P J Thompson	8	1	1
Total Meetings Held	**9**	**7**	**2**

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

Audit and Risk Committee

The Audit and Risk Committee Charter sets out the responsibilities of the committee.

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

The audit and risk committee members at 30 June 2020 are K Horne (Chair), S A Crosby, B Hewlett, and Sir R A McLeod (ex-officio).

The Audit and Risk Committee Charter was updated in July 2020.

People, Culture and Safety Committee

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

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

The committee members for the period were W J Parker (Chair), P J Thompson and Sir R A McLeod (ex officio).

The People, Culture and Safety Committee Charter was updated in July 2020.

Board Charter and Code of Ethics

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

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

Share Trading

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

Other Matters

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

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

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

The website facilitates communication of annual and interim reports to the Perpetual Preference Shareholders, as well as the Group's 2019-20 Statement of Intent.

Quayside Holdings Limited and Subsidiaries

Annual Financial Statements

For the year ended 30 June 2020

Quayside Holdings Limited and Subsidiaries
For the year ending 30 June 2020

Contents

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 2020

The Auditor-General is the auditor of Quayside Holdings Limited (the company) and group. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the 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 10 to 88, that comprise the statement of financial position as at 30 June 2020, 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 the accounting policies and other explanatory information; and
- the performance information of the group on pages 89 to 94.

In our opinion:

- the financial statements of the company and group present fairly, in all material respects the financial position of the company and group as at 30 June 2020, 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; and
- the performance information presents fairly, in all material respects, the group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the group's objectives for the year ended 30 June 2020.

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 for the audit of the company and group financial statements* section of our report.

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

We are independent of the company and group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International 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.

Other than in our capacity as auditor we have no relationship with, or interests in, Quayside Holdings Limited or any of its subsidiaries.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements and the performance information of the current period. In applying our professional judgement to determine key audit matters, we considered those matters that are complex, have a high degree of estimation uncertainty, or are important to the public because of their size or nature. During the period, the COVID-19 pandemic significantly impacted the company and group. The effect of the COVID-19 pandemic has been disclosed by the group in the annual report and we make reference to those disclosures where they are relevant to our key audit matters.

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

Key audit matter	How did the audit address this matter
Property, plant and equipment recorded at fair value	
Refer to note 10 of the financial statements. The group has property, plant and equipment of $1,592 million. The group has a policy of valuing Land; Buildings; Wharves and Hardstanding and Harbour Improvements at fair value (Revalued PP&E). Full valuations are obtained (by an independent valuer) on an annual basis for Land and Buildings and every 3 years on Wharves and Hardstanding, and Harbour Improvements, unless there is an indicator that the fair value has changed significantly. Prior to this financial year the last full independent valuation on Wharves and Hardstanding, and Harbour Improvements were carried out on 30 June 2018. The independent valuers have undertaken their valuations with reference to Covid-19 and the valuation uncertainty involved in assessing the fair value of the assets in the current economic	Our procedures focussed on the appropriateness of the group's assessment as to whether the carrying values of Revalued PP&E materially represent their fair values, and if a revaluation of a class of asset was required, that the revalued assets have been accurately reflected in the financial statements. Our procedures by major category included: • For Land and Buildings: ○ Considering the competence, objectivity and independence of the valuer where valuation expert(s) were engaged; ○ Assessing whether the evidence used by the valuer was based on appropriate comparable properties and benchmarks; and

Key audit matter	How did the audit address this matter
environment. (Refer to Note 2 on page 22 and 23.) The assumptions that have the largest impact on the valuations are: • The impact on the capitalisation rate, rental growth rate and terminal yield impacting the value of land and buildings. • The estimated future cash flows and expected rate of return from the land and buildings. The revalued PP&E is considered a key audit matter due to the judgement involved in the assessment of the fair value. The judgement in the current financial year also relates to the assessment of whether the carrying values of assets not revalued materially represent their fair values. Covid-19 has created significant additional risks across the business, particularly in the valuation of property, plant and equipment. All forward looking assumptions are inherently more uncertain during these unprecedented times. While this key audit matter is consistent with last year, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.	○ Assessing whether uplifts in value were appropriately reflected in the reported carrying values of respective assets, where increases in value were recognised. • For Wharves and Hardstanding, and Harbour Improvements: ○ Assessing whether the capital goods price indices or relevant data used by the Group were appropriate and agreeing to observable data points; ○ Testing the accuracy of the Group's calculation of the impact of these changes; and ○ Challenging management's assessment of the estimated fair value movements in each asset class. • We also considered the appropriateness of the accounting policies and disclosures in the financial statements. We found that the land and buildings valuations adopted by the group were supportable, used approaches consistent with our expectations and that disclosures about valuation uncertainty were adequate. We found the group's assessment that the carrying values of Wharves and Hardstanding and Harbour Improvements were not materially different to fair value reasonable and supportable.
Investment in Coda	
Refer to note 14 of the financial statements. The group's investments in equity accounted investees include an investment in the Coda Group Limited Partnership (Coda) at a carrying value of $40.7 million. As mentioned in Note 2 on page 22 and 23, the group identified an indicator of impairment in relation to its investment in Coda, as a result of the impact of Covid-19. The group therefore performed an impairment test, utilising a detailed cash flow model that discounted the next five years of Coda's cash	Our procedures included the following: • We challenged the basis for determining the assumptions used in estimating the future cash flows of the Coda business. We compared the cash flow forecasts to approved budgets and where possible we corroborated information for inputs against historical results and third-party contracts; • We performed sensitivity analysis on the key assumptions used, risk weighting

Key audit matter	How did the audit address this matter
flows and applied a terminal growth rate to the cash flows expected in Year 5. As a result the Group has recorded an impairment charge of approximately $7 million against the carrying value of its investment in Coda. The investment in Coda is considered a key audit matter because of the judgement involved in determining the future cash flows of the business and the impact any impairment may have on reported profit.	those assumptions with higher estimation uncertainty; • We used our valuation specialists to assess the discount rate and terminal growth rate used in the cash flow model; • We assessed whether the approach to estimating the future cash flows was reasonable and in accordance with the relevant accounting standard; • We considered the impact of Covid-19 on the estimates used within the valuations; and • We read and assessed the disclosures made in the financial statements in relation to the group's investment in Coda. We found the group's approach to impairment testing of Coda to be appropriate.
Quayside Holdings Limited's investments in associates, joint ventures, unlisted equity investments and venture capital managed funds	
Refer to notes 14 and 17 of the financial statements. The company has direct investments of $34.8 million in associates and joint ventures. These are either audited to a different balance date to the group, or are not subject to annual audit, or the latest annual audit is not yet completed. Equity accounting is therefore based on unaudited management accounts, which have been reviewed by management. In addition, management have reviewed for impairment indicators and where these are identified performed an impairment test. The company also has direct investments of $20.1 million in unlisted equity investments and venture capital managed funds, which are accounted for at fair value. These are either audited to a different balance date to the group or do not have an annual audit. Management have assessed fair value for the managed funds based on the latest quarterly reports from the fund managers and for the unlisted equity investments based on the	Our procedures for associates and joint ventures included the following: • We assessed management's and the Board's processes for assessing for impairment indicators (including the impact of Covid-19) and reviewing and approving impairment tests; • We confirmed the equity accounting results for the period to the information from the associates and joint ventures and the inputs into impairment testing to supporting evidence; • We considered the extent to which the results for the period had been subject to audit and considered the audit reports where available; • We compared the associate and joint venture financial results for unaudited periods to our expectations for the period and sought evidence to support our expectations and any significant or unusual variances; and

Key audit matter	How did the audit address this matter
latest management accounts using valuation techniques as disclosed in note 17. Covid-19 has caused increased uncertainty in the carrying value of these investments, including potential impairment of associates and joint ventures and impact on the fair value of the unlisted equity investments and venture capital managed funds. These investments are considered a key audit matter because of the judgements required in assessing value and impairment for unlisted investments (particularly those in the nature of venture capital) and because of the increased uncertainty caused by Covid-19.	• We reviewed post-balance date information from the associates and joint ventures for any evidence of impairment at balance date. Our procedures for investments in unlisted equity investments and venture capital managed funds included the following: • We assessed management's and the Board's processes for reviewing and approving valuations; • We assessed the appropriateness of the chosen valuation techniques; • We confirmed inputs into the valuations and the valuation calculations; • We obtained fund managers' valuation policies and assessed for consistency with industry practice (including the International Private Equity and Venture Capital Valuation (IPEV) Guidelines) and the group's accounting policies; • We considered the extent to which the reporting from the funds had been audited by fund auditors and considered the audit reports where available; • We reviewed the latest information from the unlisted equity investments and venture capital managed funds and assessed how management had considered the impact of Covid-19 on the valuations; and • We reviewed the overall valuation changes and obtained explanations for any significant or unusual changes in value. We considered the adequacy of the disclosures particularly in relation to uncertainty and the impact of Covid-19. We found the carrying values to be consistent with the group's accounting policies and the disclosures about valuation uncertainty adequate.
Valuation of Investment Property	
Refer to note 24 of the financial statements.	Our audit procedures included the following:

Key audit matter	How did the audit address this matter
The group's investment property portfolio comprises of commercial, industrial, residential, rural and industrial investments throughout the Bay of Plenty region. Investment properties are revalued annually by independent valuers. The value of the portfolio is $54.5 million as at 30 June 2020. The value of the portfolio continues to grow as acquisitions are made and progress is made towards the Rangiuru land being developed into an industrial park. Significant judgements and assumptions in the valuation of investment property include the highest and best use of the Rangiuru land and also the impact of Covid-19 on the valuation. Further information regarding the judgements involved in determining fair value is contained in note 24. Due to the market disruption caused by Covid-19 and lack of transactional data, the valuer has reported that a greater degree of uncertainty is attached to the valuation. We consider this a key audit matter due to the significance of the carrying value and fair value gains, and because of the judgements involved in determining fair value.	• We read the valuation reports, and met with the valuers to discuss the valuations. We assessed the valuers' expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships; • We obtained representations from the valuers that the valuation was in accordance with accepted professional valuation standards; • We confirmed our understanding of the valuation methodology and key assumptions. We assessed them for compliance with the requirements of the applicable financial reporting standards and evaluated their reasonableness based on our experience and knowledge of other valuations; • We obtained an understanding of the market data sources used by the valuer and the reliability of this data. • We engaged a property valuation specialist to assist with the assessment of the methodologies applied and critique and challenge the key assumptions used by the valuers, including the appropriateness of the assumptions made for Covid-19 impacts; • We reviewed the overall valuation changes and obtained explanations from the valuers for any significant or unusual changes in value; and • We considered the adequacy of the disclosures particularly in relation to the key assumptions and judgements and the greater uncertainty in value as a result of Covid-19. We found the valuations adopted by the group were reasonable and supportable and the disclosures about valuation uncertainty were adequate.

Other information

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

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

Directors' responsibilities for the company and group financial statements

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

The directors' responsibilities arise from the Financial Markets Conduct Act 2013 and the Local Government Act 2002.

Auditor's responsibilities for the audit of the company and group financial statements

Our objectives are to obtain reasonable assurance about whether the company and group 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 company and group 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 company and group 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 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the company and group financial statements and the performance information, including the disclosures, and whether the company and group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
24 November 2020

Quayside Holdings Limited and Subsidiaries
Income Statement
For the year ended 30 June 2020

		Group		Parent	
	Note	2020 $000	2019 $000	2020 $000	2019 $000
Income					
Trading revenue	4(a)	**307,942**	317,988	**-**	-
Other income	4(b)	**4,837**	6,259	**105,528**	79,952
Other gains	4(c)	**41,217**	29,851	**1,084**	701
Operating income		**353,996**	354,098	**106,612**	80,653
Expenses					
Employee benefit expenses	5	**(41,324)**	(39,296)	**(1,214)**	(1,021)
Trading and other expenses	6(a)	**(105,149)**	(108,989)	**(1,085)**	(1,897)
Other losses	6(b)	**(21,265)**	(14,724)	**(968)**	(1,206)
Operating expenses		**(167,738)**	(163,009)	**(3,267)**	(4,124)
Results from operating activities		**186,258**	191,089	**103,345**	76,529
Depreciation and amortisation	10, 11, 12	**(30,592)**	(28,270)	**(75)**	(35)
Impairment of property, plant and equipment		**-**	(499)	**-**	-
Reversal of previous revaluation deficit		**175**	-	**-**	-
Operating profit before finance costs, share of profit from equity accounted investees and taxation		**155,841**	162,320	**103,270**	76,494
Finance income	7(a)	**1,678**	2,078	**1,691**	1,672
Finance expenses	7(b)	**(20,421)**	(20,513)	**(1,581)**	(1,919)
Net finance costs		**(18,743)**	(18,435)	**110**	(247)
Impairment of investment in equity accounted investees	14	**(7,846)**	-	**(860)**	-
Share of profit/(loss) from equity accounted investees	14	**9,494**	7,075	**(1,963)**	(1,323)
Profit before income tax		**138,746**	150,960	**100,557**	74,924
Income tax benefit/(expense)	8	**(29,872)**	(35,317)	**235**	(123)
Net profit after tax		**108,874**	115,643	**100,792**	74,801
Attributable to:					
Equity holders of the parent		**68,200**	70,203	**100,792**	74,801
Non controlling interest		**40,674**	45,440	**-**	-
		108,874	115,643	**100,792**	74,801

Quayside Holdings Limited and Subsidiaries
Statement of Comprehensive Income
For the year ended 30 June 2020

		Group		Parent	
	Note	2020 $000	2019 $000	2020 $000	2019 $000
Net profit after tax		**108,874**	115,643	**100,792**	74,801
Other comprehensive income					
Items that will be reclassified to profit or loss when specific conditions are met:					
Cash flow hedge - changes in fair value*		**(7,555)**	(8,942)	**-**	-
Cash flow hedge - reclassified to profit or loss*		**2,341**	1,629	**-**	-
Share of net change in cash flow hedge reserves of equity accounted investees	14	**(186)**	(308)	**-**	-
		(5,400)	(7,621)	**-**	-
Items that will not be reclassified to profit or loss:					
Investment in subsidiaries revaluation	13	**-**	-	**481,707**	435,839
Bearer plant revaluation, net of tax *		**(1,841)**	1,619	**-**	-
Kiwifruit licence revaluation, net of tax *		**685**	255	**-**	-
Asset revaluation, net of tax*		**36,876**	72,129	**-**	-
Share of net change in revaluation reserve of equity accounted investees	14	**286**	591	**70**	143
		36,006	74,594	**481,777**	435,982
Total other comprehensive income		**30,606**	66,973	**481,777**	435,982
Total comprehensive income for the period		**139,480**	182,616	**582,569**	510,783
Attributable to:					
Equity holders of the parent		**84,487**	107,829	**582,569**	510,783
Non controlling interest		**54,993**	74,787	**-**	-
		139,480	182,616	**582,569**	510,783

* 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 2020

	Share capital $000	Hedging reserve $000	Revaluation reserve $000	Retained earnings $000	Non controlling interest $000	Total equity $000
GROUP						
Balance at 1 July 2018	200,011	(5,066)	521,189	115,051	505,550	1,336,735
Adjustment on adoption of IFRS-9	-	-	-	(150)	(124)	(274)
Profit after tax	-	-	-	70,203	45,440	115,643
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	(4,902)	-	-	(4,040)	(8,942)
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	893	-	-	736	1,629
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	(169)	-	-	(139)	(308)
Net change in share of Equity Accounted Investee's revaluation reserve	-	-	389	-	202	591
Asset revaluation, net of tax	-	-	39,541	-	32,588	72,129
Bearer plant revaluation, net of tax	-	-	1,619	-	-	1,619
Kiwifruit licence revaluation, net of tax	-	-	255	-	-	255
Total Comprehensive Income	-	(4,178)	41,804	70,203	74,787	182,616
Non-controlling interest adjustment	-	-	-	27	(29)	(2)
Revaluation surplus transferred to retained earnings on asset disposal	-	-	-	25	20	45
Decrease in share capital	-	-	-	(547)	(450)	(997)
Equity settled share-based payment accrual (Note 16c)	-	-	-	-	2,038	2,038
Dividends to shareholders (note 16b)	-	-	-	(37,421)	(56,122)	(93,543)
Balance at 30 June 2019	**200,011**	**(9,244)**	**562,993**	**147,188**	**525,670**	**1,426,618**
Balance at 1 July 2019	**200,011**	**(9,244)**	**562,993**	**147,188**	**525,670**	**1,426,618**
Profit after tax	-	-	-	68,200	40,674	108,874
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	(4,142)	-	-	(3,413)	(7,555)
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	1,283	-	-	1,058	2,341
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	(102)	-	-	(84)	(186)
Net change in share of Equity Accounted Investees'revaluation reserve	-	-	188	-	98	286
Asset revaluation, net of tax	-	-	20,216	-	16,660	36,876
Bearer plant revaluation, net of tax	-	-	(1,841)	-	-	(1,841)
Kiwifruit licence revaluation, net of tax	-	-	685	-	-	685
Total Comprehensive Income	-	(2,961)	19,248	68,200	54,993	139,480
Non-controlling interest adjustment	-	-	-	28	(27)	1
Decrease in share capital	-	-	-	(386)	(319)	(705)
Shares issued upon vesting of management LTI plan (Note 16c)	-	-	-	405	(405)	-
Equity settled share-based payment accrual (Note 16c)	-	-	-	-	1,167	1,167
Dividends to shareholders (Note 16b)	-	-	-	(37,651)	(57,062)	(94,713)
Balance at 30 June 2020	**200,011**	**(12,205)**	**582,241**	**177,784**	**524,017**	**1,471,848**

Quayside Holdings Limited and Subsidiaries
Statement of Changes in Equity
For the year ended 30 June 2020

	Share capital $000	Subsidiaries revaluation reserve $000	Revaluation reserve $000	Retained earnings $000	Total equity $000
PARENT					
Balance at 1 July 2018	200,011	1,967,606	100	(77,642)	2,090,075
Profit after tax	-	-	-	74,801	74,801
Investment in subsidiaries revaluation (Note 13)	-	435,839	-	-	435,839
Net change in share of equity accounted investees' revaluation reserve	-	-	143	-	143
Total comprehensive income	-	435,839	143	74,801	510,783
Dividends to shareholders	-	-	-	(37,421)	(37,421)
Balance at 30 June 2019	**200,011**	**2,403,445**	**243**	**(40,262)**	**2,563,437**
Balance at 1 July 2019	**200,011**	**2,403,445**	**243**	**(40,262)**	**2,563,437**
Profit after tax	-	-	-	**100,792**	**100,792**
Investment in subsidiaries revaluation (Note 13)	-	**480,523**	-	**1,184**	**481,707**
Net change in share of equity accounted investees' revaluation reserve	-	-	**70**	-	**70**
Total comprehensive income	-	**480,523**	**70**	**101,976**	**582,569**
Dividends to shareholders	-	-	-	**(37,651)**	**(37,651)**
Balance at 30 June 2020	**200,011**	**2,883,968**	**313**	**24,063**	**3,108,355**

Quayside Holdings Limited and Subsidiaries
Statement of Financial Position
As at 30 June 2020

		Group		Parent	
		2020	2019	2020	2019
	Note	$000	$000	$000	$000
ASSETS					
Current assets					
Cash and cash equivalents		**72,330**	66,987	**30,022**	15,337
Receivables and prepayments	15	**59,839**	64,134	**4,845**	683
Inventories		**1,461**	1,538	**-**	-
Other financial assets	17	**-**	25,000	**-**	25,000
Current taxation		**-**	-	**6**	-
Held for Sale - Investment Property	24	**905**	-	**-**	-
Total current assets		**134,535**	157,659	**34,873**	41,020
Non-current assets					
Intangible assets	12	**22,294**	21,515	**-**	-
Property, plant and equipment	10	**1,592,636**	1,542,217	**118**	112
Investments in subsidiaries	13	**-**	-	**3,037,302**	2,520,488
Investments in equity accounted investees	14	**166,632**	168,668	**34,788**	31,454
Investment property	24	**53,561**	27,886	**-**	-
Biological assets	25	**502**	390	**-**	-
Other financial assets	17	**202,651**	178,520	**67,294**	51,217
Right-of-use assets	11	**25,011**	-	**131**	-
Deferred tax asset	9	**-**	-	**229**	-
Receivables		**-**	12	**-**	-
Total non-current assets		**2,063,287**	1,939,208	**3,139,862**	2,603,271
Total assets		**2,197,822**	2,096,867	**3,174,735**	2,644,291
LIABILITIES					
Current liabilities					
Trade and other payables	21	**35,218**	39,407	**1,544**	2,752
Revenue received in advance		**93**	260	**-**	-
Loans and borrowings	18	**259,000**	322,000	**-**	-
Lease liability	11	**592**	-	**38**	-
Employee benefit provisions	5	**724**	2,178	**-**	-
Derivative financial instruments	19	**-**	1,138	**-**	-
Current taxation		**8,992**	10,378	**-**	-
Total current liabilities		**304,619**	375,361	**1,582**	2,752
Non-current Liabilities					
Loans and borrowings	18	**294,164**	202,315	**64,706**	78,102
Lease liability	11	**24,810**	-	**92**	-
Employee benefit provisions	5	**3,157**	1,783	**-**	-
Deferred tax liabilities	9	**69,865**	69,895	**-**	-
Derivative financial instruments	19	**29,359**	20,895	**-**	-
Total non-current Liabilities		**421,355**	294,888	**64,798**	78,102
Total liabilities		**725,974**	670,249	**66,380**	80,854
NET ASSETS		**1,471,848**	1,426,618	**3,108,355**	2,563,437

Quayside Holdings Limited and Subsidiaries
Statement of Financial Position
As at 30 June 2020

		Group		Parent	
		2020	2019	2020	2019
	Note	$000	$000	$000	$000
EQUITY					
Paid up capital	16(a)	**200,011**	200,011	**200,011**	200,011
Reserves	16(c)	**570,036**	553,749	**2,884,281**	2,403,688
Retained earnings		**177,784**	147,188	**24,063**	(40,262)
Total equity attributable to equity holders of the parent		**947,831**	900,948	**3,108,355**	2,563,437
Non controlling interest	16(e)	**524,017**	525,670	**-**	-
TOTAL EQUITY		**1,471,848**	1,426,618	**3,108,355**	2,563,437

These financial statements have been authorised for issue by the Board of Directors on 24th November 2020.

Director

Director

Quayside Holdings Limited and Subsidiaries
Statement of Cash Flows
For the year ended 30 June 2020

	Note	Group 2020 $000	Group 2019 $000	Parent 2020 $000	Parent 2019 $000
Cash flows from operating activities					
Receipts from customers		**327,039**	320,373	**-**	-
Dividends received		**4,742**	5,975	**105,259**	79,443
Interest received		**1,822**	1,724	**1,795**	1,416
Other income		**140**	81	**380**	268
Payments to suppliers and employees		**(156,537)**	(156,148)	**(2,192)**	(2,445)
Taxes refunded		**66**	9	**6**	9
Taxes/subvention paid		**(38,295)**	(35,147)	**(408)**	-
Interest paid		**(20,173)**	(19,751)	**(2,064)**	(1,529)
Net cash flow from operating activities		**118,804**	117,116	**102,776**	77,162
Cash flows from investing activities					
Proceeds from sale of investments		**107,702**	42,289	**37,569**	2,003
Purchase of investments		**(93,761)**	(62,204)	**(12,578)**	(31,531)
Finance lease payments received, including interest		**13**	13	**-**	-
Repayment of advances from equity accounted investees		**-**	1,000	**-**	-
Advances to equity accounted investees		**(4,991)**	-	**(4,491)**	-
Investment in equity accounted investees		**(7,065)**	(15,401)	**(6,965)**	(11,216)
Investment in subsidiaries		**-**	-	**(35,107)**	(13,000)
Distributions from equity accounted investees		**10,115**	10,113	**19**	273
Advances of intercompany loans		**-**	-	**(23,803)**	(6,264)
Repayment of intercompany loans		**-**	-	**8,355**	2,000
Purchase of intangible assets		**(587)**	(1,058)	**-**	-
Purchase of biological assets		**-**	(485)	**-**	-
Purchase of investment property		**(19,412)**	(2,415)	**-**	-
Improvements to investment property		**(80)**	(66)	**-**	-
Purchase of property, plant and equipment		**(38,305)**	(41,157)	**(66)**	(32)
Proceeds from sale of property, plant and equipment		**95**	58	**27**	-
Interest capitalised on property, plant and equipment		**(451)**	(274)	**-**	-
Net cash flow from investing activities		**(46,727)**	(69,587)	**(37,040)**	(57,767)
Cash flows from financing activities					
Proceeds from borrowings		**137,040**	94,250	**6,775**	50,000
Repurchase of shares		**(716)**	(1,386)	**-**	-
Repayment of lease liabilities		**(472)**	-	**(38)**	-
Repayment of borrowings		**(108,174)**	(21,408)	**(20,170)**	(18,408)
Dividends paid	16	**(94,713)**	(93,543)	**(37,651)**	(37,421)
Net cash flow from financing activities		**(67,035)**	(22,087)	**(51,084)**	(5,829)
Effects of exchange rate changes on cash and cash equivalents		**301**	(143)	**33**	2
Net increase in cash and cash equivalents		**5,343**	25,299	**14,685**	13,568
Cash and cash equivalents at the beginning of the year		**66,987**	41,688	**15,337**	1,769
Cash and cash equivalents at the end of the year		**72,330**	66,987	**30,022**	15,337

Quayside Holdings Limited and Subsidiaries
Statement of Cash Flows
For the year ended 30 June 2020

	Note	Group 2020 $000	Group 2019 $000	Parent 2020 $000	Parent 2019 $000
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the period		**108,874**	115,643	**100,792**	74,801
Items classified as investing/financing activities:					
Finance lease interest revenue	7a	**(2)**	(2)	**-**	-
Net (gain)/loss on investments		**(19,684)**	(15,278)	**(116)**	507
Loss on sale of property, plant and equipment		**68**	40	**-**	-
		(19,618)	(15,240)	**(116)**	507
Non cash and non operating items:					
Depreciation and amortisation	10, 11, 12	**30,629**	28,270	**75**	35
Impairment of property, plant and equipment	10	**-**	499	**-**	-
(Decrease)/Increase in deferred taxation expense	9	**(3,987)**	(126)	**(235)**	123
Ineffective portion of change in fair value of cash flow hedge		**(1)**	1	**-**	-
Amortisation of interest rate collar premium		**86**	86	**-**	-
Reversal of previous revaluation deficit		**(175)**	-	**-**	-
Share of net profit after tax retained by equity accounted investees	14	**(9,494)**	(7,075)	**1,963**	1,323
Equity investments - share rights issued for no consideration		**-**	(208)	**-**	(208)
Impairment of investment in equity accounted investees		**7,846**	-	**860**	-
Increase in equity settled share based payment accrual		**1,167**	2,038	**-**	-
		26,071	23,485	**2,663**	1,273
Movements in working capital:					
Change in trade receivables and prepayments		**9,221**	(11,309)	**317**	(285)
Change in inventories		**77**	(828)	**-**	-
Change in taxation payable		**(1,380)**	296	**-**	-
Change in trade, other payables and revenue received in advance		**(4,140)**	4,926	**(847)**	868
Changes in foreign cash deposits		**(301)**	143	**(33)**	(2)
		3,477	(6,772)	**(563)**	581
Net cash flow from operating activities		**118,804**	117,116	**102,776**	77,162

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2020

1 Company Information

Reporting Entity

Quayside Holdings Limited (referred to as the "Parent" company) is a company domiciled in New Zealand and registered under the Companies Act 1993.

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

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

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

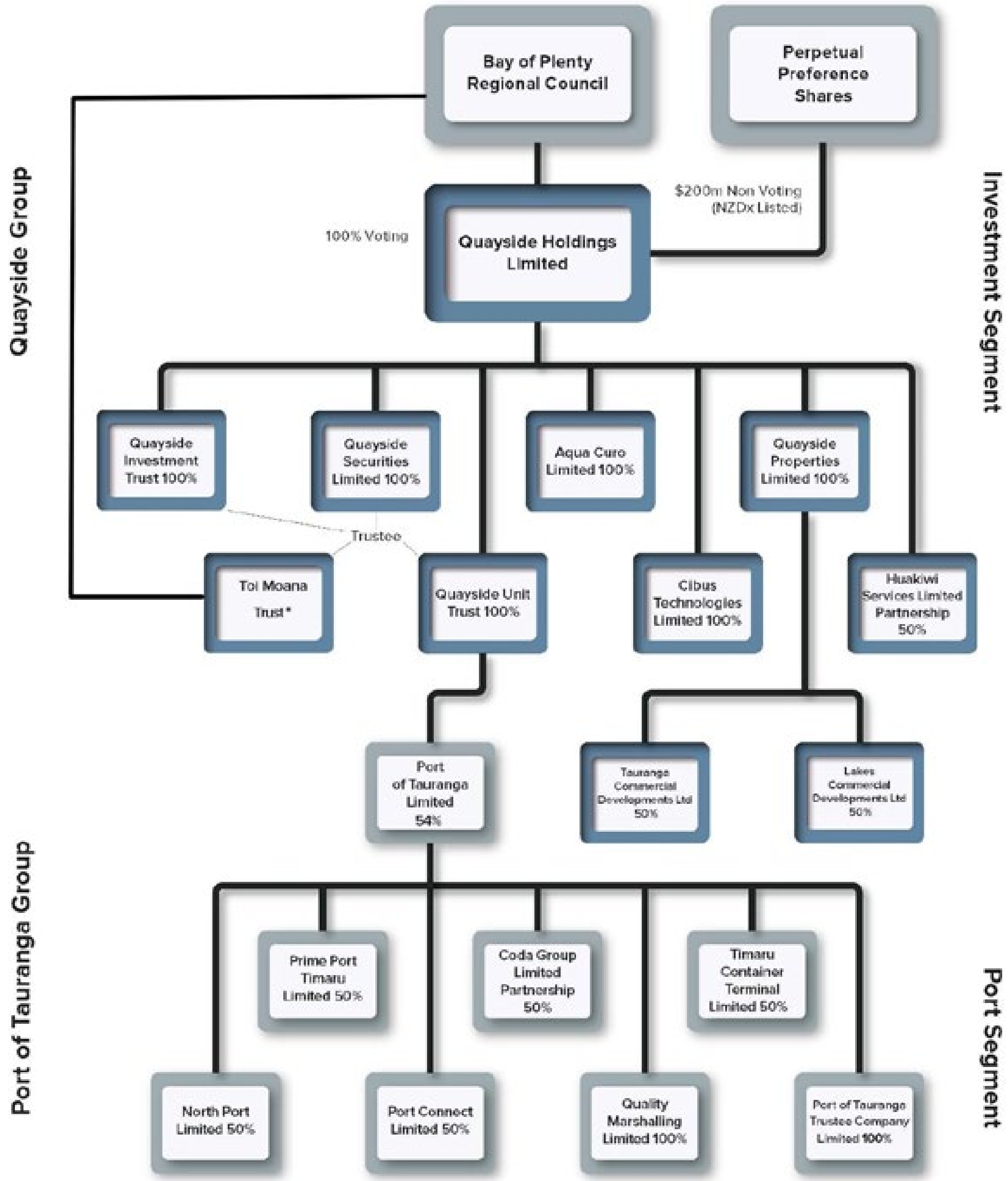
Financial statements for the Parent and consolidated financial statements are presented. The consolidated financial statements comprise the Parent, its wholly owned subsidiaries (Quayside Properties Limited, Quayside Securities Limited, Quayside Investment Trust, Quayside Unit Trust, Aqua Curo Limited and Cibus Technologies Limited), its interests in Equity Accounted Investees, Port of Tauranga Limited (54.14% owned) and the Port's subsidiaries and interests in Equity Accounted Investees (together referred to as "the Group"). Although Toi Moana Trust comes under the governance of the Quayside Group, through Quayside Securities Limited being the appointed Trustee, it is beneficially owned and controlled by Bay of Plenty Regional Council and is therefore not consolidated by Quayside Holdings Limited. These financial statements often reference the two governance structures being:

- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust, Quayside Properties Limited, Aqua Curo Limited, Cibus Technologies Limited and its equity accounted investees. Quayside Group has investments in equities, shares and other assets.
- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and its equity accounted investees. The Port group is owned 54.14% (2019: 54.14%) by the Quayside Group.

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

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

Group Structure



*Quayside Securities Ltd is the Trustee for theToi Moana Trust. Bay of Plenty Regional Council holds the majority of units.

2 Basis of Preparation

Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Financial Markets Conduct Act 2013, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

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

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

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

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

Other significant accounting policies not disclosed elsewhere are as follows:

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

The financial statements were authorised for issue by the Board of Directors on 24[tht] November 2020.

Accounting estimates and judgements

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

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

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

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (refer to note 10);
- assessment of significant influence or joint control in relation to Equity Accounted Investees (refer to note 14);
- valuation of derivative financial instruments (refer to note 19);
- trade receivables includes an estimated sale price for kiwifruit sold (note 15);
- valuation of bearer plants (note 10);
- valuation of biological assets (note 25);
- impairment assessment of intangible assets (refer note 12);
- impairment assessment of investments in equity accounted investees (refer to note 14);
- valuation of share rights granted (refer to note 23); and
- valuation of investment properties (refer to note 24).

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.

2 Basis of Preparation (continued)

Classification of property

The Group owns several properties, which have been purchased for long term capital appreciation and/or rental rather than for short term sale in the ordinary course of business. The current carrying value of this investment property is $54.5m (2019: $27.9m). In the case of the industrial land held by Quayside Properties Limited for development as Rangiuru Business Park, the revenue derived from operating the land as kiwifruit orchards and leased grazing is incidental to holding these properties and provides short-term benefit in the form of cash returns to the Group whilst the land is developed. These incidental cash flows are independent of the cashflows generated by other assets held by the Group. The kiwifruit bearer plants on the land are classified as property, plant and equipment – refer to note 10, while the underlying land is classified as investment property.

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

Fair value hierarchy

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

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

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

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

Financial Instruments

Financial Assets – Classification and Subsequent Measurement

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

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

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

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

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

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

Financial Liabilities – Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2 Basis of Preparation (continued)

New and amended accounting standards adopted

NZ IFRS-16 Leases was adopted by the Group with effect from 1 July 2019. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low value assets. Refer to Note 11 for further information on the impact of adopting this standard.

New accounting standards and interpretations not yet adopted

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

COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March 2020 to 27 April 2020 and remained in lockdown at Alert Level 3 thereafter until 13 May 2020. The Group has considered the potential impact of COVID-19 as part of its impairment testing of assets on its statement of financial position.

The Port of Tauranga Group's services are considered essential services and as such, the Port of Tauranga Group continued trading throughout all alert levels, including through the recent full lockdown. This has limited the impact of COVID-19 and the Government's response on the Port of Tauranga Group.

The impact on the Quayside Group has been minimal given the short period of the lockdown and subsequent recovery of equity markets. Further information on the impact of COVID-19 on the Quayside Group can be found in Note 28.

2 Basis of Preparation (continued)

The table below provides an assessment of the impact of COVID-19 on the Group's assets. It is acknowledged that there is significant uncertainty in how COVID-19 will impact the New Zealand economy and the Group in the future. This assessment is effective as at 30 June 2020 and has made use of all available information at that time.

Asset	COVID-19 Assessment
Cash and Cash Equivalent	No impact to carrying value. All cash held with banks with Standard & Poor's credit ratings of A or better.
Receivables and Prepayments	The Group has increased its provision for expected credit losses as a result of the deteriorating outlook for the New Zealand economy. Refer to note 20 for more details.
Property, Plant and Equipment	The Group's property, plant and equipment (excluding plant and equipment) are held at fair value, and land and buildings and bearer plants have been revalued as at 30 June 2020 following an independent valuation by Colliers International New Zealand Limited. Colliers have reported their valuation on the basis of "material valuation uncertainty", given the unprecedented set of circumstances on which to base a judgement. Refer to note 10 for more detail on valuation inputs.
Biological Assets	The Group's biological assets are revalued annually to fair value by independent valuation and the valuations appropriately reflect the market uncertainty that exists due to COVID-19.
Investment Property	The Group's investment properties are revalued annually to fair value by independent valuation. The valuers have stated that there is a greater degree of uncertainty attached to their valuations this year due to market uncertainty that exists due to COVID-19. Refer to note 24 for more detail on the valuations performed.
Financial Assets – Equity Investments	The Group's equity investments are measured at fair value based on quoted market prices at 30 June 2020. Post balance date the equity portfolio continues to recover losses made in the March/April period.
Right-of-use Assets	COVID-19 has not had any impact on any of the lease agreements underpinning these right-of-use assets. The Group has not sought any rent relief from landlords or changed its view on likely contract extensions.
Intangible Assets	The Group continues to use its intangible assets to the fullest extent possible, as such, there are no indications of impairment of any of the Group's intangible assets as a result of COVID-19.
Goodwill	An impairment test was performed on goodwill and no impairment was identified.
Investment in Equity Accounted Investees	An impairment test was performed on Coda Group Limited Partnership and an equity accounted investee of the Parent due to the impact of COVID-19 on its operations. Refer to note 14 for more detail. There were no impairment indicators for the remaining Equity Accounted Investees.

Tax depreciation on buildings

On 25 March 2020 the Government enacted the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act (Act). The Act reintroduces depreciation deductions on industrial and commercial buildings with effect from the start of the 2021 tax year. Refer to note 9 for more detail and the impact of this law change on the financial statements.

3 Segmental Reporting

At 30 June 2020 the Group comprises two main operating segments: The first being the business of facilitating export and import activities (Port), and the second being the business of investment (Investing). Both operating segments operate in one geographic segment, being New Zealand, are managed separately as they provide different services to customers and have their own operational and marketing requirements. The only transaction during the year between these two operating segments was the payment and recording of a dividend by the Port segment to the Investing segment. Although *Port of Tauranga Group* reports three main reportable segments, at the Group level, information provided by *Port of Tauranga Group* is presented to the Chief Operating Decision Maker as one operating segment.

	Port $000	Investing $000	Total $000
30 June 2020			
Total segment revenue	**301,985**	**73,381**	**375,366**
Inter-segment revenue	**-**	**(67,424)**	**(67,424)**
Revenue (from external customers)	**301,985**	**5,957**	**307,942**
Other income/gains	**-**	**46,054**	**46,054**
Finance income	**310**	**1,368**	**1,678**
Finance costs	**(18,840)**	**(1,581)**	**(20,421)**
Depreciation & amortisation	**(29,746)**	**(846)**	**(30,592)**
Reversal of previous revaluation deficit	**175**	**-**	**175**
Other expenditure/losses	**(139,758)**	**(27,980)**	**(167,738)**
Impairment of equity accounted investees	**(6,986)**	**(860)**	**(7,846)**
Share of profit of equity accounted investees	**11,305**	**(1,811)**	**9,494**
Income tax expense	**(28,418)**	**(1,454)**	**(29,872)**
Net profit after tax	**90,027**	**18,847**	**108,874**
30 June 2019			
Total segment revenue	313,263	71,043	384,306
Inter-segment revenue	-	(66,318)	(66,318)
Revenue (from external customers)	313,263	4,725	317,988
Other income/gains	-	36,110	36,110
Finance income	417	1,661	2,078
Finance costs	(18,594)	(1,919)	(20,513)
Depreciation & amortisation	(27,585)	(685)	(28,270)
Impairment of property, plant and equipment	(499)	-	(499)
Other expenditure/losses	(140,093)	(22,916)	(163,009)
Income tax expense	(34,432)	(885)	(35,317)
Share of profit of Equity Accounted Investees	8,100	(1,025)	7,075
Net profit after tax	100,577	15,066	115,643

The segment assets at 30 June are:

	Port $000	Investing $000	Total $000
30 June 2020	**1,817,186**	**380,636**	**2,197,822**
30 June 2019	1,748,861	348,006	2,096,867

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 2020 $000	Group 2019 $000	Parent 2020 $000	Parent 2019 $000
(a) Trading revenue				
Revenue from contracts with customers				
Container terminal revenue	**178,394**	176,473	**-**	-
Multi cargo revenue	**52,584**	60,948	**-**	-
Marine services revenue	**40,281**	43,367	**-**	-
Sale of goods – kiwifruit	**5,026**	4,268	**-**	-
	276,285	285,056		
Other revenue				
Rental income	**30,559**	29,226	**-**	-
Other	**1,098**	3,706	**-**	-
	31,657	32,932		
Total trading revenue	**307,942**	317,988	**-**	-
(b) Other Income				
Dividends (Quayside Unit Trust)	**-**	-	**105,100**	78,900
Foreign dividends	**1,713**	2,416	**48**	498
New Zealand dividends	**2,886**	3,707	**-**	247
Management fees	**-**	-	**240**	187
Other	**238**	136	**140**	120
Total other income	**4,837**	6,259	**105,528**	79,952
(c) Other gains				
Change in fair value of investment property	**7,505**	3,487	**-**	-
Change in fair value of biological assets	**112**	-	**-**	-
Realised foreign exchange gains	**537**	88	**35**	1
Realised gain on equity investments	**10,080**	3,151	**1,049**	201
Unrealised foreign exchange gain on equity investments	**48**	2	**-**	1
Unrealised gain on equity investments	**22,935**	23,123	**-**	498
Total other gains	**41,217**	29,851	**1,084**	701

The Group has several kiwifruit orchards. All the orchards are managed by post-harvest provider Seeka Kiwifruit Industries Limited, and all kiwifruit is sold to Zespri under a supply agreement. All income from trays of kiwifruit is net of the point of sale and cool store costs. Kiwifruit income this year has been derived from 29.21 canopy hectares of kiwifruit orchards (2019: 29.21 hectares).

Kiwifruit income this year includes an upward adjustment of $932,021 in relation to the prior year crop (2019: $95,696 upward adjustment). This was due to a revision during the year in the estimate of income receivable shown in the accounts at 30 June 2019.

4 Operating Revenue (continued)

Policies

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

- *Container terminal revenue:* relates to the handling, processing, storage and rail of containers. Contracts are entered into with shipping lines and cargo owners. The primary performance obligations identified include the load and discharge of containers (which include the services provided to support the handling of containers). Container terminal revenue is recognised over time based on the number of containers exchanged (an output method). This method is considered appropriate as it allows revenue to be recognised based on the Group's effort to satisfy the performance obligation. The transaction price is determined by the contract and adjusted by variable consideration (rebates). Rebates are based on container volume and the Group accounts for the variable consideration using the expected value method. The expected value is the sum of probability weighted amounts in a range of possible consideration amounts. The Group estimates container volumes based on market knowledge and historical data.
- *Multi cargo revenue*: relates to the wharfage and storage of bulk goods. Contracts are entered into with cargo owners. The stevedoring services are provided by a third party. Multi cargo revenue is recognised after the vessel's departure, at a point in time, except storage revenue which is recognised over time. The transaction price for multi cargo services is determined by the contract.
- *Marine services revenue*: relates directly to the visit of a vessel to the port and includes fees for pilotage, towage and mooring. Contracts are entered into with vessel operators. The performance obligations identified include vessel arrival, departure and berthage. Revenue is recognised over time, based on time elapsed, as customers are charged a daily service fee for each day in the Port. The transaction price for marine services is determined by the contract.
- *Dividend Income*: is recognised on the date that the Group's right to receive payment is established, being the ex-dividend date.
- *Rental Income*: from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.
- *Kiwifruit Income*: Revenue from the sale of kiwifruit is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer i.e. Zespri. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods. Income at year-end is based on the highly probable income per tray to be received, based on the latest forecast from Zespri. Any revision of the income recognised during the year will be recognised in the income statement.
- *Foreign Currency gains/losses*: Transactions in foreign currencies are translated into the functional currency of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.
- *Gain/loss on equity investments*: Equity securities designated at fair value through profit and loss are revalued to fair value based on quoted market prices at the reporting date. Gains and losses on individual equities securities are shown separately in the income statement and are not netted off.
- *Other income:* is recognised when the right to receive payment is established.

5 Employee Benefit Expenses

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Wages and salaries	**39,244**	37,298	**1,148**	964
ACC Levy	**292**	262	**1**	1
Kiwisaver contribution	**1,454**	1,434	**18**	13
Medical subsidy	**287**	259	**-**	-
Other	**47**	43	**47**	43
Total employee benefit expenses	**41,324**	39,296	**1,214**	1,021

Employee Benefit Provisions

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

	Long Service Leave $000	Profit Sharing and Bonuses $000	Total $000
Balance at 30 June 2019	1,783	2,178	3,961
Additional provision	**482**	**2,414**	**2,896**
Unused amounts reversed	**(65)**	**-**	**(65)**
Utilised during the period	**(88)**	**(2,823)**	**(2,911)**
Balance at 30 June 2020	**2,112**	**1,769**	**3,881**
Total current provisions	-	724	724
Total non current provisions	2,112	1,045	3,157

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

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

6 Other Expenses

The following items of expenditure are included in other expenses:

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
(a) Trading and other expenses				
Audit Fees for the audit and review of the financial statements:				
Audit NZ – audit fees paid to principal auditor	**132**	109	**82**	67
Audit NZ – audit fees paid for other group entities	**2**	-	**2**	4
KPMG – audit fees paid for other *Quayside group* entities	**18**	-	**-**	-
KPMG - audit fees paid to principal auditor of the *Port of Tauranga Group*	**201**	165	**-**	-
Fees paid for other services provided by the principal auditor of the Port of Tauranga Group:				
KPMG – Treasury function review	**-**	33	**-**	-
KPMG – Data analytics review of GST and fixed assets	**13**	12	**-**	-
KPMG – Hedge accounting policy review	**-**	7	**-**	-
Contracted services for Port operations	**61,363**	63,775	**-**	-
Direct fuel and power expenses	**10,195**	9,346	**-**	-
Maintenance of property, plant and equipment	**11,543**	11,979	**-**	-
Orchard expenses	**1,392**	1,363	**-**	-
Directors' fees	**1,146**	1,104	**188**	181
Subvention expense	**1,152**	3,004	**-**	408
Other	**17,992**	18,092	**813**	1,237
Total trading and other expenses	**105,149**	108,989	**1,085**	1,897
(b) Other losses				
Loss on revaluation of biological assets	**-**	95	**-**	-
Realised foreign exchange losses	**34**	132	**1**	1
Realised loss on equity investments	**4,905**	1,381	**287**	40
Unrealised foreign exchange losses	**249**	102	**-**	-
Unrealised loss on equity investments	**16,077**	13,014	**680**	1,165
Total other losses	**21,265**	14,724	**968**	1,206

7 Finance Income and Expenses

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
(a) Finance income				
Interest income on bank deposits	**1,136**	1,567	**715**	729
Interest on Fixed interest investments	**133**	186	**-**	-
Interest - Intercompany	**-**	-	**823**	912
Interest on advances to equity accounted investees	**356**	292	**137**	-
Interest on convertible notes	**16**	31	**16**	31
Interest on finance lease	**2**	2	**-**	-
Ineffective portion of changes in fair value of cash flow hedges	**35**	-	**-**	-
Total finance income	**1,678**	2,078	**1,691**	1,672
(b) Finance expense				
Interest expense on borrowings	**(19,790)**	(20,656)	**(1,581)**	(1,919)
Less: interest capitalised to property, plant and equipment	**451**	274	**-**	-
	(19,339)	(20,382)	**(1,581)**	(1,919)
Interest expense on lease liabilities	**(996)**	-	**-**	-
Ineffective portion of changes in fair value of cash flow hedges	**-**	(1)	**-**	-
Currency option expense	**-**	(44)	**-**	-
Amortisation of interest rate collar premium	**(86)**	(86)	**-**	-
Total finance expense	**(20,421)**	(20,513)	**(1,581)**	(1,919)
Net finance cost	**(18,743)**	(18,435)	**110**	(247)

Capitalised interest

The average weighted interest rate for interest capitalised to property, plant and equipment, was 3.25% for the current period (2019: 3.83%).

Total interest capitalised to property, plant and equipment was $0.45 million for the current period (2019: $0.27m).

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 measured at amortised cost and is recognised as it accrues, using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

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

8 Income Tax

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Components of tax expense				
Profit before income tax for the period	**138,746**	150,960	**100,557**	74,924
Income tax on surplus at 28% (2019: 28%)	**38,849**	42,269	**28,156**	20,979
Tax effect of amounts which are non (deductible)/taxable:				
Fair value (loss)/gain through profit and loss	**(3,603)**	(4,173)	**(86)**	142
Exempt dividends (Wholly owned group)	**-**	-	**(29,428)**	(22,092)
Foreign dividend regime	**453**	350	**-**	-
Tax effect on change to depreciation rate for buildings (refer to note 9)	**(3,851)**	-	**-**	-
Impairment of investment in equity accounted investees – refer to note 14	**1,956**	-	**-**	-
Share of equity accounted investees after tax income, excluding Coda Group Limited Partnership	**(2,627)**	(2,972)	**853**	370
Dividend imputation credits/Other tax credits	**(782)**	(728)	**(875)**	(932)
PIE attributed (income)/loss	**-**	-	**1,756**	1,906
Other attributed (income)/loss	**(647)**	(256)	**(647)**	(256)
Group loss offset election	**(567)**	-	**-**	-
Tax losses utilised	**-**	(41)	**-**	-
Tax losses unutilised	**10**	-	**-**	-
Prior period adjustment	**516**	-	**-**	-
Temporary differences	**-**	902	**-**	-
Other	**165**	(34)	**36**	6
Income tax benefit/(expense)	**29,872**	35,317	**(235)**	123
The income tax (benefit)/expense is represented by:				
Current tax expense				
Tax payable in respect of the current period	**33,200**	35,736	**(6)**	**-**
Adjustment for prior period	**653**	(293)	**-**	**-**
Total current tax expense	**33,853**	35,443	**(6)**	**-**
Deferred tax expense				
Origination/reversal of temporary differences	**(12)**	(44)	**(229)**	**123**
Tax effect on change to depreciation rate for buildings (refer to note 9)	**(3,851)**	-	**-**	**-**
Adjustment for prior period	**(118)**	(82)	**-**	**-**
Total deferred tax expense (note 9)	**(3,981)**	(126)	**(229)**	**123**
Income tax benefit/(expense)	**29,872**	35,317	**(235)**	**123**

8 Income Tax (continued)

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Income tax recognised in other comprehensive income:				
Revaluation of property, plant and equipment	**5,713**	395	**-**	-
Revaluation of intangibles	**266**	100	**-**	-
Cash flow hedges	**(2,028)**	(2,844)	**-**	-
Total (note 9)	**3,951**	(2,349)	**-**	-
Imputation credit account				
Imputation credits available for use in subsequent periods	**104,471**	103,098	**75,662**	58,344

Policies

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

9 Deferred Taxation

	Assets		Liabilities		Net	
Group	2020 $000	2019 $000	2020 $000	2019 $000	2020 $000	2019 $000
Deferred tax (asset)/liability						
Tax losses	**(229)**	-	**-**	-	**(229)**	-
Biological assets	**-**	(27)	**5**	-	**5**	(27)
Property, plant and equipment	**-**	-	**77,783**	76,799	**77,783**	76,799
Investment property	**-**	-	**1,981**	118	**1,981**	118
Intangible assets	**-**	-	**1,435**	1,237	**1,435**	1,237
Finance lease receivables	**-**	-	**4**	7	**4**	7
Derivatives	**(8,273)**	(6,246)	**-**	-	**(8,273)**	(6,246)
Provisions and accruals	**(2,416)**	(1,993)	**-**	-	**(2,416)**	(1,993)
Equity accounted investees	**(425)**	-	**-**	-	**(425)**	-
Total	**(11,343)**	(8,266)	**81,208**	78,161	**69,865**	69,895

9 Deferred Taxation (continued)

Group	Recognised in the Income Statement		Recognised in Comprehensive Income	
	2020	2019	2020	2019
	$000	$000	$000	$000
Tax benefit	**(229)**	123	**-**	-
Property, plant and equipment	**(4,728)**	(1,163)	**5,713**	395
Biological assets	**31**	(27)	**-**	-
Investment property	**1,863**	956	**-**	-
Intangible assets	**(68)**	110	**266**	100
Finance lease receivables	**(3)**	(3)	**-**	-
Derivatives	**1**	-	**(2,028)**	(2,844)
Provisions and accruals	**(423)**	(122)	**-**	-
Equity accounted investees	**(425)**	-	**-**	-
Total	**(3,981)**	(126)	**3,951**	(2,349)

Parent	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Deferred tax (asset)/liability	$000	$000	$000	$000	$000	$000
Tax losses	**(229)**	-	**-**	-	**(229)**	-

Parent	Recognised in the Income Statement		Recognised in Comprehensive Income	
	2020	2019	2020	2019
	$000	$000	$000	$000
Tax benefit	**229**	123	**-**	-

Unrecognised tax losses or temporary differences

There are no material unrecognised temporary differences in the Group.

Tax depreciation on buildings

On 25 March 2020 the Government enacted the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act (Act). The Act reintroduces depreciation deductions on industrial and commercial buildings with effect from the start of the 2021 tax year. Tax depreciation on buildings with an estimated useful life of 50 years or more was previously removed from the start of the 2012 tax year. The 2012 law change reduced the tax base which resulted in the recognition of deferred tax liabilities for those buildings. The reinstatement of tax depreciation on those buildings in the current year will increase the tax base and reduce the existing deferred tax liability. The quantum of the tax base going forward reflects the tax depreciation deductions available over the remaining economic life of the buildings. The impact of this law change has resulted in a decrease to tax expense and a movement in deferred tax of $3.9 million.

Policies

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit. Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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

10 Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Wharves and Hardstanding	Harbour Improvements	Bearer Plants	Plant and Equipment	Work in Progress	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Group								
Gross carrying amount:								
Balance at 1 July 2018	730,406	105,991	301,579	173,284	9,167	217,309	5,573	1,543,309
Additions	22	10,237	17,233	1,183	-	2,909	9,083	40,667
Disposals	-	(1,300)	-	-	-	(1,036)	-	(2,336)
Revaluation	72,776	-	-	-	1,709	-	-	74,485
Balance at 30 June 2019	803,204	114,928	318,812	174,467	10,876	219,182	14,656	1,656,125
Balance at 1 July 2019	**803,204**	**114,928**	**318,812**	**174,467**	**10,876**	**219,182**	**14,656**	**1,656,125**
Additions	**-**	**5,323**	**6,940**	**1,284**	**-**	**29,494**	**(4,383)**	**38,658**
Disposals	**-**	**(145)**	**-**	**-**	**-**	**(1,184)**	**-**	**(1,329)**
Revaluation	**22,352**	**12,652**	**-**	**-**	**(3,238)**	**-**	**-**	**31,766**
Transfers between asset classes	**-**	**4,687**	**(4,687)**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2020	**825,556**	**137,445**	**321,065**	**175,751**	**7,638**	**247,492**	**10,273**	**1,725,220**
Accumulated depreciation and impairment:								
Balance at 1 July 2018	-	(38)	-	-	-	(87,696)	-	(87,734)
Depreciation expense	-	(4,170)	(11,147)	(1,291)	(539)	(10,471)	-	(27,618)
Disposals	-	466	-	-	-	938	-	1,404
Impairment	-	(463)	-	-	-	(36)	-	(499)
Revaluation	-	-	-	-	539	-	-	539
Balance at 30 June 2019	-	(4,205)	(11,147)	(1,291)	-	(97,265)	-	(113,908)
Balance at 1 July 2019	**-**	**(4,205)**	**(11,147)**	**(1,291)**	**-**	**(97,265)**	**-**	**(113,908)**
Depreciation expense	**-**	**(4,373)**	**(11,675)**	**(1,518)**	**(680)**	**(10,762)**	**-**	**(29,008)**
Disposals	**-**	**145**	**-**	**-**	**-**	**1,032**	**-**	**1,177**
Transfers between asset classes	**-**	**(96)**	**96**	**-**	**-**	**-**	**-**	**-**
Revaluation	**-**	**8,475**	**-**	**-**	**680**	**-**	**-**	**9,155**
Balance at 30 June 2020	**-**	**(54)**	**(22,726)**	**(2,809)**	**-**	**(106,995)**	**-**	**(132,584)**
Carrying amounts:								
Net book value as at 30 June 2019	803,204	110,723	307,665	173,176	10,876	121,917	14,656	1,542,217
Net book value as at 30 June 2020	**825,556**	**137,391**	**298,339**	**172,942**	**7,638**	**140,497**	**10,273**	**1,592,636**

10 Property, Plant and Equipment (continued)

Parent	Plant and equipment $000
Gross carrying amount:	
Balance at 1 July 2018	158
Additions	32
Balance at 30 June 2019	190
Balance at 1 July 2019	**190**
Additions	**60**
Disposals	**(45)**
Balance at 30 June 2020	**205**
Accumulated depreciation and impairment:	
Balance at 1 July 2018	(43)
Depreciation expense	(35)
Balance at 30 June 2019	(78)
Balance at 1 July 2019	**(78)**
Depreciation expense	**(38)**
Disposals	**29**
Balance at 30 June 2020	**(87)**
Net book value at 30 June 2019	112
Net book value at 30 June 2020	**118**

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	
	2020 Notional carrying amount $000	2019 Notional carrying amount $000
Freehold land	**117,601**	117,601
Freehold buildings	**87,246**	81,329
Wharves and hardstanding	**112,633**	116,739
Harbour improvements	**62,183**	61,118
Bearer plants	**986**	1,052
Total notional carrying amount	**380,649**	377,839

10 Property, Plant and Equipment (continued)

Restriction on title

An area of 12,000 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 Land Information New Zealand.

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 $7.0m (2019: $19.6m).

Judgements

Fair values

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

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

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

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

In line with policy, at 30 June 2020, the *Port of Tauranga Group* adjusted the carrying value of land based on a desktop valuation. The Group also revalued buildings due to indicators of potential material movement in the fair value of the asset class. At 30 June 2020, the assessment is that there is no material change compared with carrying value in the fair value of wharves and hardstanding, and harbour improvements.

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

Bearer plants

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2020 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 loss on revaluation this year is reflective of a change in the assumption of the highest and best use of the underlying land upon which the bearer plants are located. Refer to Note 24 for further information.

10 Property, Plant and Equipment (continued)

Land valuation

The valuation of land assets was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of land by $22.4 million.

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

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

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

Asset valuation method	Key valuation assumptions	Hectares	2020		2019	
			Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	181.7	$360 - $930	$417	$330 - $770	$411
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	$720 - $800	$746	$568 - $596	$592
	Rolleston land – MetroPort Christchurch per square metre	15.0	$110	$110	$100	$100

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

Building valuations

The valuation of buildings was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of buildings by $21.1 million. The majority of assets are valued on a combined land and building basis using a Capitalised Income Model with either contract income or market income. A small number of specialised assets, such as gatehouses and toilet blocks, are valued on a Depreciated Replacement Cost basis due to their specialised nature and the lack of existing market.

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

10 Property, Plant and Equipment (continued)

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

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

Asset valuation method	Key valuation assumptions	2020		2019	
		Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Capitalised income model	Market capitalisation rate	4.50 – 8.00%	6.84%	5.00 - 8.00%	5.47%

Wharves and Hardstanding, and Harbour Improvements

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

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

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

10 Property, Plant and Equipment (continued)

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

Asset valuation method	Key valuation assumptions	2020 Range of significant assumptions	2020 Weighted average	2019 Range of significant assumptions	2019 Weighted average
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per square metre – high performance wharves	$5,000 - $7,000	$6,446	$5,000 - $7,000	$6,446
	Earthworks construction replacement unit cost rates per square metre	$9	$9	$9	$9
	Basecourse construction replacement unit cost rates per square metre	$20 - $40	$31	$20 - $40	$31
	Asphalt construction replacement unit cost rates per square metre	$23 - $50	$44	$23 - $50	$44
	Capital dredging replacement unit cost rates per square metre	$4 - $75	*	$4 - $75	*
	Depreciation method	Straight line basis	Not applicable	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	Indefinite	Not applicable	Indefinite	Not applicable
	Pavement – remaining useful lives	2-32 years	14 years	2-32 years	14 years
	Wharves remaining useful lives	0-65 years	24 years	0-65 years	24 years

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

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

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

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

10 Property, Plant and Equipment (continued)

Policies

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

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers. The Group undertakes a three yearly revaluation cycle to ensure the carrying value of these assets do not differ materially from their fair value. In the years between independent valuations, the carrying value of land is adjusted annually based on a desktop valuation provided by an independent valuer, as underlying land values are considered the significant determinant of fair value changes. For the remaining asset classes, if during the three year revaluation cycle there are indicators that fair value of a particular asset class may differ materially from its carrying value, an interim revaluation of that asset class is undertaken.

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

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

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

Major useful lives are:

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

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

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

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

11 Leases

NZ IFRS 16 Leases replaces NZ IAS 17 Leases and removes the classification of leases as either operating leases or finance leases, for the lessee, and consequently all leases (other than short term or low value leases), are recognised on the balance sheet. This has resulted in the Group recognising right-of-use assets and related lease liabilities on the statement of financial position. As a result, payments for leases previously classified as operating leases, which include leases of land and buildings, and vehicles, have been reclassified from operating expenses to depreciation and interest expense. Lessor accounting is substantially unchanged from accounting under NZ IAS 17.

The Group has adopted NZ IFRS 16 retrospectively from 1 July 2019 but has not restated comparatives for previous periods. The reclassifications and the adjustments arising from the new standard are therefore recognised in the opening balance sheet on 1 July 2019.

The lease liabilities were measured at the present value of the remaining lease payments. Lease payments are discounted at the Parent and Group's incremental borrowing rate as at 1 July 2019. The weighted average incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.0% for the Group and 3.08% for the Parent. The right-of-use assets were measured at the amount equal to the corresponding lease liabilities, with no change in net assets.

The Group applied the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- a single discount rate to a portfolio of leases with similar characteristics;
- exemption to not recognise right-of-use assets for low value leases; and
- exemption to not recognise, right-of-use assets for leases with less than 12 months remaining.

The judgements and estimates made when adopting NZ IFRS 16 include:

- incremental borrowing rate, being the rate that the Group have to pay to borrow the funds necessary to obtain an asset of a similar value with similar terms and conditions; and
- lease terms, including any right of renewal where it is reasonably certain they will be exercised.

The impact of adoption of NZ IFRS 16 on the Parent and Group's statement of financial position is summarised in the table below:

	Group		Parent	
	30 June 2020	1 July 2019	30 June 2020	1 July 2019
	$000	$000	$000	$000
Right of use assets	**25,011**	24,273	**131**	168
Lease liabilities (current)	**(592)**	(397)	**(38)**	-
Lease liabilities (non current)	**(24,810)**	(23,876)	**(92)**	(168)

When compared to the accounting policies in the prior comparative period, the adoption of NZ IFRS 16 on the income statement for the year ended 30 June 2020 is summarised in the table below:

	Group			Parent		
	Pre NZ IFRS16	Adjustments	Post NZ IFRS 16	Pre NZ IFRS16	Adjustments	Post NZ IFRS 16
	$000	$000	$000	$000	$000	$000
Other expenses	**17,976**	**(1,429)**	**16,547**	**854**	**(38)**	**816**
Depreciation and amortisation	**28,921**	**825**	**29,746**	**38**	**37**	**75**
Finance expenses	**17,844**	**996**	**18,840**	**2**	**-**	**2**
Income tax expense	**24,748**	**(110)**	**24,638**	**(6)**	**-**	**(6)**

11 Leases (continued)

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

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

	Group	Parent
	30 June 2020	30 June 2020
	$000	$000
Right of use assets		
Opening balance	**24,273**	**168**
Depreciation	**(825)**	**(37)**
Additions to right of use assets	**298**	**-**
Adjustments to existing right of use assets	**1,265**	**-**
Closing balance	**25,011**	**131**
Lease liabilities maturity analysis		
Between 0 – 1 year	**592**	**38**
Between 1 – 5 years	**2,496**	**92**
More than 5 years	**22,314**	**-**
Total lease liabilities	**25,402**	**130**

During the year lease liabilities interest expense of $1 million was recognised in the income statement.

	Group	Parent
	30 June 2020	30 June 2020
	$000	$000
Reconciliation of lease commitments to lease liabilities		
Operating commitments as at 30 June 2019 not previously disclosed	**49,613**	**180**
Discounted at the incremental borrowing rate at the date of initial application	**(25,340)**	**(12)**
Net present value of future lease payments as at 1 July 2019	**24,273**	**168**

11 Leases (continued)

Leases as a Lessor

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

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

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

	Group	
	2020 $000	2019 $000
Within one year	**22,433**	18,491
One to two years	**15,419**	14,789
Two to three years	**12,230**	10,840
Three to four years	**9,749**	9,332
Four to five years	**9,011**	6,076
Greater than five years	**44,222**	39,721
Total	**113,064**	99,249

Policies

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

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

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

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

The right-of-use asset is initially measured at a cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial indirect costs. The right-of-use asset is subsequently depreciated using the straight-line method over the life of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments or if the Group changes its assessment of whether it will exercise a right of renewal.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

12 Intangible Assets

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

Group	Kiwifruit G3 Licences $000	Goodwill $000	Computer Software $000	Consents and Contracts $000	Total $000
Cost					
Balance at 1 July 2018	2,238	15,490	4,154	10,000	31,882
Additions	-	-	486	567	1,053
Revaluation	249	-	-	-	249
Balance at 30 June 2019	2,487	15,490	4,640	10,567	33,184
Balance at 1 July 2019	**2,487**	**15,490**	**4,640**	**10,567**	**33,184**
Additions	**-**	**-**	**587**	**-**	**587**
Revaluation	**828**	**-**	**-**	**-**	**828**
Balance at 30 June 2020	**3,315**	**15,490**	**5,227**	**10,567**	**34,599**
Accumulated amortisation and impairment					
Balance at 1 July 2018	-	-	(1,736)	(9,387)	(11,123)
Amortisation expense	(106)	-	(422)	(124)	(652)
Revaluation	106	-	-	-	106
Balance at 30 June 2019	-	-	(2,158)	(9,511)	(11,669)
Balance at 1 July 2019	**-**	**-**	**(2,158)**	**(9,511)**	**(11,669)**
Amortisation expense	**(123)**	**-**	**(497)**	**(139)**	**(759)**
Revaluation	**123**	**-**	**-**	**-**	**123**
Balance at 30 June 2020	**-**	**-**	**(2,655)**	**(9,650)**	**(12,305)**
Carrying amounts					
Net book value 30 June 2019	2,487	15,490	2,482	1,056	21,515
Net book value 30 June 2020	**3,315**	**15,490**	**2,572**	**917**	**22,294**

	2020 $000	2019 $000
Kiwifruit Licence Revaluation Reserve		
Opening balance	**1,925**	1,670
Revaluation, net of tax	**685**	255
Closing balance	**2,610**	1,925

12 Intangible Assets (continued)

G3 licences

The G3 licences held are for a total of 8.29 hectares (2019: 8.29 hectares). A registered valuer at 30 June 2020 determined that the fair value for licences held by the Quayside Group was $3,314,800. The current valuation is based on $400,000 per hectare, which was the median G3 licence cost from Zespri's 2020 release of licences, which was over subscribed for. The original cost of the licences is $57,649. There are no restrictions over the title of the intangible assets. The fair value measurement for these assets is categorised as a level 1 fair value. The notional carrying amount that would have been recognised, had the licences been carried under the cost model, would be $47,623 (2019: $50,129).

Judgements

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

Goodwill was tested for impairment at 30 June 2020 and confirmed that no adjustment was required. For impairment testing the calculation of value in use was based upon the following key assumptions:

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

Restrictions

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

Security

No intangible assets are pledged as security for liabilities.

Policies

Kiwifruit licences

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

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

Goodwill

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

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

Other

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

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

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

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

13 Investment in Subsidiaries

Investments in subsidiaries comprise:

Name of entity	Principal activity	2020 %	2019 %	Balance Date
Subsidiaries of Quayside Holdings Limited				
Quayside Unit Trust (QUT)	Majority shareholder in POT	**100.00**	100.00	30 June
Quayside Investment Trust (QIT)	Holds equity investments	**100.00**	100.00	30 June
Quayside Securities Limited (QSL)	Trustee for QUT, QIT and Toi Moana Trust	**100.00**	100.00	30 June
Quayside Properties Limited (QPL)	Holds investment properties	**100.00**	100.00	30 June
Cibus Technologies Limited (CTL)	Shell company	**100.00**	100.00	30 June
Aqua Curo Limited (ACL)	Involvement with macroalgae for bioremediation purposes	**100.00**	100.00	30 June
Port of Tauranga Limited (POT)	Port company	**54.14**	54.14	30 June
Subsidiaries of Port of Tauranga Limited				
Port of Tauranga Trustee Company Limited	Holding company for employee share scheme	**100.00**	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	Marshalling and terminal operations services	**100.00**	100.00	30 June

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

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

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

13 Investment in Subsidiaries (continued)

	Parent	
	2020 $000	2019 $000
Investment in Quayside Properties Limited		
Ordinary shares at cost	**10,500**	10,500
Revaluation	**18,137**	11,918
Ordinary shares at fair value	**28,637**	22,418
Investment in Quayside Securities Limited as Trustee for Quayside Unit Trust (incorporating Port of Tauranga Limited)		
Ordinary units at cost	**7,525**	7,525
Revaluation	**2,792,591**	2,333,286
Ordinary units at fair value	**2,800,116**	2,340,811
Investment in Quayside Securities Limited		
Ordinary units at cost	**-**	-
Revaluation	**38**	38
Ordinary units at fair value	**38**	38
Investment in Quayside Securities Limited as Trustee for Quayside Investment Trust		
Ordinary units at cost	**143,624**	109,517
Revaluation	**63,921**	47,704
Ordinary units at fair value	**207,545**	157,221
Investment in Aqua Curo Limited		
Ordinary shares at cost	**1,000**	-
Revaluation	**(34)**	-
Ordinary units at fair value	**966**	-
Total investment in subsidiaries at cost	**162,649**	127,542
Total revaluation *	**2,874,653**	2,392,946
Total investment in subsidiaries at fair value	**3,037,302**	2,520,488

* The investment in subsidiaries revaluation reserve includes the current year revaluation movement of $481,707,000 less a $1,184,000 gain on redemption of units in Quayside Investment Trust, which is transferred to retained earnings. (2019: $435,839,000).

The fair value of subsidiaries with unlisted shares is based on the entity's net assets recorded in the financial statements and are categorised under the Level 2 fair value hierarchy. Quayside Securities Limited as Trustee for the Quayside Unit Trust holds the shares in Port of Tauranga Group through its 54.14% (2019: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2019: 45.86%) of the Port of Tauranga Limited is held by non-controlling interests.

Listed shares held in the Port of Tauranga Limited are stated at fair value as determined by reference to published current bid price quotations in an active market, and are categorised under the Level 1 fair value hierarchy. The last bid price for Port of Tauranga shares at 30 June 2020 was $7.60 (2019: $6.25) which has resulted in an increase in the fair value of the investment in Port of Tauranga Limited of $497,390,868 (2019: $427,387,709).

13 Investment in Subsidiaries (continued)

	2020 $000	2019 $000
Ownership Interest in Port of Tauranga Limited		
Non current assets	**1,755,839**	1,682,982
Current assets	**61,347**	65,879
Non current liabilities	**(352,133)**	(213,280)
Current liabilities	**(301,473)**	(369,696)
Net assets (100%)	**1,163,580**	1,165,885
Group's share of net assets - 54.14% (2019: 54.14%)	**629,962**	631,210
Non Controlling Interest - 45.86 %(2019: 45.86%)	**533,618**	534,675
Accounting adjustment to non-controlling interest (refer note 16(e))	**(9,601)**	(9,005)
	524,017	525,670
Port of Tauranga Group – summary of financial performance and cash flow		
Operating revenue	**301,985**	313,263
Profit after income tax	**90,027**	100,577
Total comprehensive income	**121,719**	165,533
Net cash inflow from operating activities	**117,137**	112,189
Ending cash and cash equivalents	**8,565**	3,903

Policies

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

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

Non-Controlling Interest

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

Financial assets at fair value through other comprehensive income

In respect of the Parent accounts, the accounting policy is to account for subsidiary investments at fair value through other comprehensive income. The fair value of investments in subsidiaries is based on the entity's net assets recorded in the financial statements and are categorised under the level 2 fair value hierarchy. Net assets is assessed as an appropriate fair value technique as the assets and liabilities on the subsidiaries balance sheet are predominantly carried at fair value rather than cost.

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

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

14 Investments in Equity Accounted Investees

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

Name of entity	Principal activity	2020 %	2019 %	Balance Date
Quayside Holdings Limited				
Huakiwi Developments Limited Partnership (JV)	Orchard development	**50.00**	50.00	31 Mar*
WNT Ventures (A)	Technology incubator	**20.00**	20.00	30 June
Ōpōtiki Packing & Coolstorage Limited (A)	Kiwifruit packhouse	**10.10**	10.10	31 Dec*
HoneyLab Limited (A)	Honey products	**21.44**	18.79	31 Mar*
Rhondium Limited (A)	Dental technology	**13.02**	10.60	31 Dec*
Techion Holdings Limited (A)	Diagnostic technology	**29.87**	20.82	30 June
Oriens Capital (A)	Private Equity Fund	**19.77**	19.77	31 Mar*
Quayside Properties Limited				
Lakes Commercial Developments Limited (JV)	Commercial property development	**50.00**	50.00	30 June
Tauranga Commercial Developments Limited (JV)	Commercial property development	**50.00**	50.00	30 June
Port of Tauranga Limited				
Coda Group Limited Partnership (JV)	Freight logistics and warehousing	**50.00**	50.00	30 June
NorthPort Limited (JV)	Sea port	**50.00**	50.00	30 June
PrimePort Timaru Limited (JV)	Sea port	**50.00**	50.00	30 June
PortConnect Limited (JV)	On line cargo management	**50.00**	50.00	30 June
Timaru Container Terminal Limited (JV)	Sea port	**50.10**	50.10	30 June

* Non-standard balance dates of Parent equity accounted investees are aligned to their business cycle and are accepted on the basis they are not material to the Parent or Group. All of the Parent's equity accounted investments except for Techion Holdings Limited and WNT Ventures, are audited to a balance date earlier than 30 June 2020 (31 December or 31 March). The equity accounting for these investments with non-aligned balance dates is based on unaudited management accounts as at 30 June, which have been reviewed by management. WNT Ventures and Techion Holdings Limited have balance dates of 30 June, but audited accounts are generally not available before reporting date. The equity accounting for WNT Ventures and Techion Holdings Limited is therefore based on unaudited management accounts at 30 June. The Parent accepts the use of unaudited management accounts on the basis that changes, if any, between management accounts and audited accounts, would not be material to the Parent or Group.

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

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

14 Investments in Equity Accounted Investees (continued)

Carrying value of investments in Equity Accounted Investees:

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Associates				
Balance at 1 July	**19,630**	14,471	**19,630**	14,471
Share of after net profit after tax	**113**	(673)	**113**	(673)
Share of revaluation reserve	**70**	143	**70**	143
Share of total comprehensive income	**183**	(530)	**183**	(530)
New investment during the year	**3,287**	5,966	**3,287**	5,966
Impairment of investment	**(860)**	-	**(860)**	-
Distributions received	**(19)**	(277)	**(19)**	(277)
Balance at 30 June	**22,221**	19,630	**22,221**	19,630
Joint Ventures				
Balance at 1 July	**149,038**	140,165	**11,824**	5,834
Share of after net profit after tax	**9,381**	7,748	**(2,076)**	(650)
Share of hedging reserve	**(186)**	(308)	**-**	-
Share of revaluation reserve	**216**	448	**-**	-
Share of total comprehensive income	**9,411**	7,888	**(2,076)**	(650)
New investment during the year	**3,050**	10,835	**2,825**	6,650
Impairment of investment	**(6,986)**	-	**-**	-
Distributions received	**(10,102)**	(9,850)	**(6)**	(10)
Balance at 30 June	**144,411**	149,038	**12,567**	11,824
Total equity accounted investees	**166,632**	168,668	**34,788**	31,454

Quayside Group

The Parent has committed uncalled capital in its equity accounted investees of $8.2m (2019: $12.2m).

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

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

14 Investments in Equity Accounted Investees (continued)

Summarised financial information of immaterial equity accounted investees - Associates:

Parent and Group	2020 $000	2019 $000
Cash and cash equivalents	2,745	2,257
Total current assets	23,672	28,024
Total non current assets	98,336	82,498
Total assets	122,008	110,522
Current financial liabilities excluding trade and other payables and provisions	5,754	11,173
Total current liabilities	15,175	22,105
Non current financial liabilities excluding trade and other payables and provisions	28,142	29,308
Total non current liabilities	28,142	29,308
Total liabilities	43,317	51,413
Net assets	78,691	59,109
Group's share of net assets	12,616	8,834
Goodwill acquired on acquisition of Equity Accounted Investees	9,605	10,796
Carrying amount of Equity Accounted Investees	22,221	19,630
Revenues	63,564	61,228
Depreciation and amortisation	(4,161)	(3,896)
Interest expense	(905)	(1,043)
Net profit before tax	56	(4,161)
Tax expense	32	(397)
Net profit after tax	88	(4,558)
Other comprehensive income	690	1,416
Total comprehensive income	778	(3,142)
Group's share of net profit after tax	113	(673)
Group's share of total comprehensive income	183	(530)
Group's share of dividends/distributions	19	277

14 Investments in Equity Accounted Investees (continued)

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

Summarised financial information of equity accounted investees – Joint Ventures:

Group 2020	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Other Equity Accounted Investees NZ$000	Total NZ$000
Cash and cash equivalents	325	2,923	7,773	11,021
Total current assets	5,366	22,782	14,689	42,837
Total non current assets	141,676	98,796	152,290	392,762
Total assets	147,042	121,578	166,979	435,599
Current financial liabilities excluding trade and other payables and provisions	-	(1,539)	(13,837)	(15,376)
Total current liabilities	(5,542)	(15,345)	(19,483)	(40,370)
Non current financial liabilities excluding trade and other payables and provisions	(46,298)	(69,551)	(45,292)	(161,141)
Total non current liabilities	(46,298)	(69,551)	(45,405)	(161,254)
Total liabilities	(51,840)	(84,896)	(64,888)	(201,624)
Net assets	95,202	36,682	102,091	233,975
Group's share of net assets	47,601	18,341	51,053	116,995
Goodwill acquired on acquisition of Equity Accounted Investees less impairment losses	-	22,428	4,988	27,416
Carrying amount of Equity Accounted Investees	47,601	40,769	56,041	144,411
Revenues	39,840	219,000	40,068	298,908
Depreciation and amortisation	(4,054)	(14,600)	(4,250)	(22,904)
Interest expense	(1,850)	(3,240)	(1,420)	(6,510)
Net profit before tax	22,527	(1,944)	5,776	26,359
Tax expense	(4,937)	-	(2,663)	(7,600)
Net profit after tax	17,590	(1,944)	3,113	18,759
Other comprehensive income	(1,026)	-	1,086	60
Total comprehensive income	16,564	(1,944)	4,199	18,819
Group's share of net profit after tax	8,795	(972)	1,558	9,381
Group's share of total comprehensive income	8,282	(972)	2,101	9,411
Group's share of dividends/distributions	8,745	-	1,357	10,102

14 Investments in Equity Accounted Investees (continued)

Summarised financial information of equity accounted investees – Joint Ventures:

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

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

14 Investments in Equity Accounted Investees (continued)

Summarised financial information of equity accounted investees – Joint Ventures:

Parent	2020 Other Equity Accounted Investees NZ$000	2019 Other Equity Accounted Investees NZ$000
Cash and cash equivalents	**4,104**	2,796
Total current assets	**4,104**	3,652
Total non current assets	**22,314**	20,682
Total assets	**26,418**	24,334
Current financial liabilities excluding trade and other payables and provisions	**-**	-
Total current liabilities	**(512)**	(686)
Non current financial liabilities excluding trade and other payables and provisions	**(772)**	-
Total non current liabilities	**(772)**	-
Total liabilities	**(1,284)**	(686)
Net assets	**25,134**	23,648
Group's share of net assets	**12,567**	11,824
Goodwill acquired on acquisition of Equity Accounted Investees	**-**	-
Carrying amount of Equity Accounted Investees	**12,567**	11,824
Revenues	**54**	100
Depreciation and amortisation	**(1,354)**	(275)
Interest expense	**(43)**	-
Net profit before tax	**(4,152)**	(1,300)
Tax expense	**-**	-
Net profit after tax	**(4,152)**	(1,300)
Other comprehensive income	**-**	-
Total comprehensive income	**(4,152)**	(1,300)
Group's share of net profit after tax	**(2,076)**	(650)
Group's share of total comprehensive income	**(2,076)**	(650)
Group's share of dividends/distributions	**6**	10

14 Investments in Equity Accounted Investees (continued)

Tax Treatment of Coda Group Limited Partnership

Coda Group Limited Partnership 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 2020 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.

Management has reviewed each of these investments in associates and joint ventures for indicators of impairment, including considering the impact of the Covid-19 pandemic. The investment in one equity accounted investee was tested for impairment at 30 June 2020 based upon the fair value of the investment. Fair value was determined with reference to the latest entry price paid for subscription of new capital into the investee. As a result of the impairment testing, the Parent has impaired its investment by $860,253.

Port of Tauranga Group

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

The investment in Coda Group Limited Partnership was tested for impairment at 30 June 2020 based upon the value-in-use of the investment. Value-in-use was determined by discounting five year future cash flows and was based upon the following key assumptions:

- Cash flow projections for the years 2021 to 2023 were projected using management forecasts.
- An annual growth rate of 5% has been included in cash flow projections for the years 2024 and 2025.
- Terminal cash flows were estimated using a constant growth rate of 1.25% after year five.
- An after tax discount rate of 8.7% was applied in determining the recoverable amount of the investment.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources.

As a result of impairment testing performed, the Group has impaired its investment in Coda Group Limited Partnership by $7.0 million.

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	
	2020 $000	2019 $000	2020 $000	2019 $000
Trade receivables	**44,287**	51,712	**1**	-
Provision for expected credit losses – trade receivables (refer to note 20(a)).	**(201)**	(22)	**-**	-
Trade receivables from Equity Accounted Investees, subsidiaries and related parties	**234**	616	**301**	245
	44,320	52,328	**302**	245
Kiwifruit income receivable	**3,242**	2,844	**-**	-
Advances to Equity Accounted Investees (refer note 23)	**9,810**	5,319	**4,491**	-
Provision for expected credit losses – advances to equity accounted investees (refer to note 20(a))	**(481)**	(269)	**-**	-
Taxation receivable	**-**	19	**-**	13
Prepayments and sundry receivables	**2,948**	3,624	**52**	425
Total receivables and prepayments	**59,839**	64,134	**4,845**	683
Aging of trade receivables				
Not past due	**31,383**	35,368	**1**	-
Past due 0 – 30 days	**11,442**	14,400	**-**	-
Past due 30 – 60 days	**1,078**	1,339	**-**	-
Past due 60 – 90 days	**92**	601	**-**	-
More than 90 days	**292**	4	**-**	-
	44,287	51,712	**1**	-

Advances to equity accounted investees

The Parent and Group makes advances to its Equity Accounted Investees for short term funding purposes. These advances are repayable on demand and interest rates charged on these advances are varied. An advance from the Parent to an Equity Accounted Investee of $4.5m was repayable by 31 July 2020 but was subsequently extended for a further month and was repaid in full on the 26th August 2020.

Kiwifruit income receivable

The kiwifruit income receivable is based on a forecast of proceeds to be received from Zespri on the harvest of the 2020 crop. This is based on the actual number of trays supplied to Zespri and latest forecast information from Zespri on the revenue per tray expected to be received. Revisions of income receivable during the year are recorded against profit and loss – refer to note 4.

Fair values

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

Judgements

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

Policies

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

Receivables with a short duration are not discounted.

16 Equity

(a) Share Capital

	Parent and Group	
	2020	2019
Number of shares held	No.	No.
Ordinary share capital		
Balance as at 1 July	10,000	10,000
Balance as at 30 June	10,000	10,000
Redeemable preference shares		
Balance as at 1 July	2,003,190,217	2,003,190,217
Balance as at 30 June	2,003,190,217	2,003,190,217
Perpetual preference shares		
Balance as at 1 July	200,000,783	200,000,783
Balance as at 30 June	200,000,783	200,000,783

	2020	2019	2020	2019
Paid up and uncalled	$ paid up	$ paid up	$ uncalled	$ uncalled
Ordinary Share capital				
Balance as at 1 July	**10,000**	10,000	**-**	-
Balance as at 30 June	**10,000**	10,000	**-**	-
Redeemable preference shares				
Balance as at 1 July	**82**	82	**81,829,918**	81,829,918
Balance as at 30 June	**82**	82	**81,829,918**	81,829,918
Perpetual preference shares				
Balance as at 1 July	**200,000,783**	200,000,783	**-**	-
Balance as at 30 June	**200,000,783**	200,000,783	**-**	-

Share capital

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

16 Equity (continued)

Redeemable Preference Shares

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

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

The Redeemable Preference Shares have no voting rights. The constitution provides that dividends are payable on these shares from time to time and in such amount as determined by the directors. The Redeemable Preference Shares have no fixed maturity date but are redeemable 60 days after a request from the holder. The unpaid issue price can be called by the Board of Directors of the Parent. As at 30 June 2020, the amount uncalled is $81,829,918 (2019: $81,829,918). The Parent has no current intention of making a call on the uncalled redeemable preference shares.

Perpetual Preference Shares

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

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

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

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

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

16 Equity (continued)

Perpetual Preference Shares Put Option trigger events

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

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

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

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

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

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

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

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

16 Equity (continued)

(b) Dividends

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

	2020 $000	2019 $000
Ordinary shares		
Total dividends paid of $3,210 per share (2019: $3,120)	**32,100**	31,200
Perpetual preference shares		
Total quarterly dividends paid of 0.2776 cents per share (2019: 0.3112)	**5,551**	6,221
Total dividends paid	**37,651**	37,421

The dividends are fully imputed. Dividends paid by the Port of Tauranga Limited to non-controlling interests were $57.1m (2019: $56.1m)

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 12 March 2020, where the rate for the following three year period was set at 2.46%. The next dividend reset date will be 13 March 2023.

Dividends declared subsequent to balance date

On 28th July 2020 a net dividend of $1,655 per share ($16,550,000) was declared to ordinary shareholders, payable on 30th July 2020.

On 1st September 2020 a net dividend of $0.004428 per share was declared to perpetual preference shareholders, payable on 12th September 2020.

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

(c) Reserves

Subsidiaries revaluation reserve

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

Revaluation reserve

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

Hedging reserve

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

Share Based Payment Reserve – Container Volume Commitment Agreement

On 1 August 2014 the Port of Tauranga Limited issued 2,000,000 shares as a volume rebate to Kotahi Logistics Limited Partnership ("Kotahi") as part of a 10 year freight alliance. Due to the Port of Tauranga Limited completing a 5:1 share split on 17 October 2016, the number of shares originally issued to Kotahi increased to 10,000,000. Of these shares, 8,500,000 are subject to a call option allowing the Port of Tauranga Limited to "call" shares back at zero cost if Kotahi fails to meet the volume commitments. During the period the Container Volume Commitment Agreement was extended by seven years and now expires on 31 July 2031.

The increase in the reserve of $1.3m (2019: $1.3m) recognises the shares earned based on containers delivered during the period.

16 Equity (continued)

Equity Settled Share Based Payments

The grant-date fair value of equity settled share based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. As at 30 June 2020 the balance of the equity settled share-based payment reserve was $3.6m (2019: $2.4m). This amount is recorded in the Statement of Changes in Equity under the column 'Non controlling interest'.

Share Based Payment Reserve – Management Long Term Incentive

Share rights are granted to employees in accordance with the Port of Tauranga Limited's Management Long Term Incentive Plan. The fair value of share rights granted under the plan are measured at grant date and recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value at grant date of the share rights are independently determined using an appropriate valuation model that takes into account the terms and conditions upon which they were granted (refer to note 23).

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

(d) Employee Share Ownership Plan

The Port of Tauranga Limited has an Employee Share Ownership Plan (ESOP). During the year 2,940 shares at $3.55 per share were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2019: 128,820 shares at $3.02 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 (2019: 194,200).

(e) Non-controlling interest

Non controlling interest of 45.86% (2019: 45.86%) is the existing share of Port of Tauranga Limited's consolidated equity which is not owned by *Quayside Group*. A change in non controlling interest in prior years arose from Port of Tauranga Limited's freight alliance with Kotahi involving the issue of ordinary shares to Kotahi, subject to meeting certain freight volume commitments over a 10 year period, as disclosed in (c) above.

16 Equity (continued)

Policies

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

Quayside Group

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

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

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

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

Port of Tauranga Group

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

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

17 Other Financial Assets

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Loans and Receivables				
Loan from Quayside Holdings to Quayside Unit Trust				
Opening balance	**-**	-	**8,331**	10,331
Payments	**-**	-	**(8,442)**	(2,271)
Interest charged	**-**	-	**111**	271
Closing balance	**-**	-	**-**	8,331
Loan from Quayside Holdings to Quayside Properties				
Opening balance	**-**	-	**23,421**	17,157
Payments	**-**	-	**(736)**	(641)
Loan advance	**-**	-	**23,803**	6,264
Interest charged	**-**	-	**712**	641
Closing balance	**-**	-	**47,200**	23,421
Advances to Equity accounted investees	**500**	-	**-**	-
Mandatorily measured at fair value through income statement				
Other equity investments	**202,151**	178,520	**20,094**	19,465
Total non current	**202,651**	178,520	**67,294**	51,217
Current				
Term Deposit	**-**	25,000	**-**	25,000

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

Non-current advances to equity accounted investees comprise an advance from Quayside Properties Limited, which is repayable on demand, however the directors of Quayside Properties Limited have undertaken that the loan will not be demanded within 12 months of balance date. This advance has interest charged at variable rates.

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

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

The Parent has other equity investments of $20.1m (2019: $19.5m) comprising unlisted direct equity investments and investments in venture capital managed funds. All of the Parent's other equity investments are either audited to a balance date earlier than 30 June 2020 (31 December or 31 March) or are unaudited. The accounting as at 30 June is based on unaudited management accounts. Management accepts the use of management accounts on the basis that these are reviewed by management and changes, if any, between management accounts and audited accounts, would be unlikely to result in a material impact on the carrying value of the investment.

17 Other Financial Assets (continued)

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

In the case of the parent's unlisted equity investments, management has assessed that the net asset value of the investee or cost of the investment adjusted for share of subsequent profits and losses provide the most appropriate estimation of fair value at balance date.

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

Some of the fund managers have reported that the Covid-19 pandemic has caused increased uncertainty in their assessments of fair value. Where appropriate the valuations have taken into account the special valuation guidance issued by IPEV in response to the Covid-19 crisis. The Directors have reviewed the investments for impairment and are satisfied that no impairment is required.

Current other financial assets in the prior year comprised a $25m term deposit held by the Parent Company.

The Parent company has uncalled capital commitments of $42.8m (2019: $22.8m) in relation to equity managed fund investments.

Policies

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

Financial assets mandatorily measured at fair value through profit or loss include: share market investments and other equity investments.

The fair value of share market investments measured at fair value through the income statement is based on quoted market prices at the reporting date and are categorised under the level 1 fair value hierarchy. Share market investments are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

18 Loans and Borrowings

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

Term and debt repayment schedule

Group 2020	Maturity	Coupon	Committed facilities NZ$000	Undrawn facilities NZ$000	Carrying value NZ$000
Non current					
Westpac borrowings	2021	Floating	**55,000**	**39,894**	**15,106**
Bay of Plenty Regional Council	2022	Floating	**50,000**	**400**	**49,600**
Standby revolving cash advance facility	2023	Floating	**200,000**	**121,000**	**79,000**
Standby revolving cash advance facility	2022	Floating	**180,000**	**130,000**	**50,000**
Standby revolving cash advance facility	2021	Floating	**200,000**	**100,000**	**100,000**
Advances from employees	Various	0%	**-**	**-**	**458**
Total non current			**685,000**	**391,294**	**294,164**
Current					
Fixed rate bond	2021	4.792%	**75,000**	**-**	**75,000**
Multi option facility	2020	Floating	**5,000**	**5,000**	**-**
Commercial papers	<3 months	Floating	**-**	**-**	**184,000**
Total current			**80,000**	**5,000**	**259,000**
Total			**765,000**	**396,294**	**553,164**

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

18 Loans and Borrowings (continued)

Term and debt repayment schedule

Parent 2020	Maturity	Coupon	Committed facilities NZ$000	Undrawn facilities NZ$000	Carrying value NZ$000
Non current					
Westpac borrowings	2021	Floating	**55,000**	**39,894**	**15,106**
Bay of Plenty Regional Council	2022	Floating	**50,000**	**400**	**49,600**
Total non current			**105,000**	**40,294**	**64,706**

Parent 2019	Maturity	Coupon	Committed facilities NZ$000	Undrawn facilities NZ$000	Carrying value NZ$000
Non current					
Westpac borrowings	2021	Floating	55,000	26,898	28,102
Bay of Plenty Regional Council	2021	Floating	50,000	-	50,000
Total non current			105,000	26,898	78,102

18 Loans and Borrowings (continued)

Westpac banking corporation

Quayside Holdings Limited has a $55.0 million (2019: $55.0 million) financing arrangement with Westpac Banking Corporation. This facility is secured by a mortgage over shares held in the Port of Tauranga Limited, and provides direct borrowings for the *Quayside Group*. The facility is for a term of 3 years expiring 20 October 2021.

Bay of Plenty Regional Council

In October 2019, Quayside Holdings Limited entered in to a $50 million financing arrangement with Bay of Plenty Regional Council, which, to fund this, has in turn borrowed from the Local Government Funding Agency. This facility originally expired on 30 June 2021 but was extended for a further year to 30 June 2022 during the year.

Fixed rate bonds

The Port of Tauranga Limited has issued a $75.0 million fixed rate bond with final maturity on 29 January 2021.

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 2020 the Port of Tauranga Group had $184.0 million of commercial paper debt that is classified within current liabilities (2019: $220.0 million). Due to this classification, the Port of Tauranga Group's current liabilities exceed the Port of Tauranga Group's current assets. Despite this fact, the Port of Tauranga Group does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.

Standby revolving cash advance facility agreement

The Port of Tauranga Limited has a $580.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch and MUFG Bank Limited, Auckland Branch (2019: $430.0 million). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

Multi option facility

The Port of Tauranga Limited has a $5.0 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2019: $5.0 million).

Security

Bank facilities and fixed rate bonds of *Port of Tauranga Group* are secured by way of a security interest over certain floating plant assets ($16.6 million, 2019: $17.3 million), mortgages over the land and building assets ($962.8 million, 2019: $913.8 million), and by a general security agreement over the assets of the Port of Tauranga Limited ($1,768.6 million, 2019: $1,631.6 million).

Covenants

The Port of Tauranga Limited borrows under a negative pledge arrangement, which with limited circumstances does not permit it to grant any security interest over its assets. The negative pledge deed requires the Port of Tauranga Limited to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The Group has complied with all covenants during the reporting periods.

Fair values

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

Interest rates

The weighted average interest rate of interest bearing loans was 2.66% at 30 June 2020 (2019: 3.75%) for the Group and 2.21% (2019: 3.08%) 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.

	2020 $000	2019 $000
Current liabilities		
Foreign exchange derivatives – cash flow hedges	-	(266)
Interest rate derivatives – cash flow hedges	-	(872)
Total current liabilities	-	(1,138)
Non current liabilities		
Interest rate derivatives – cash flow hedges	**(29,359)**	(20,895)
Total non current liabilities	**(29,359)**	(20,895)
Total liabilities	**(29,359)**	(22,033)

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. The change in fair value of the cash flow hedge is accounted for as a cost of hedging and recognised in the hedging reserve within equity.

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

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

The Group's policy of ensuring a certain level of its interest rate risk exposure is at a fixed rate, is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

Sources of hedge ineffectiveness are:

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

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

Fair values

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

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

19 Derivative Financial Instruments (continued)

Valuation inputs for valuing derivatives are:

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

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

Policies

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

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

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

The Group's hedging policy parameters are:

Interest Rate Derivatives

Debt Maturity	*Minimum Hedging %*	*Maximum Hedging %*
Within one year	45	100
One year to three years	30	85
Three years to seven years	15	65
Seven years to ten years	0	50

Foreign Exchange Derivatives

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

20 Financial Instruments

Financial risk management

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

- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust, Quayside Properties Limited, Aqua Curo Limited and Cibus Technologies Limited and its equity accounted investees.
- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and its equity accounted investees. This group is owned 54.14% (2019: 54.14%) by the Quayside Group.

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

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

20 Financial Instruments (continued)

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

Group 2020	Mandatorily at Fair Value through Profit and Loss $000	Hedge accounted derivative $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Assets					
Cash and cash equivalents	-	-	72,330	72,330	72,330
Receivables	-	-	56,911	56,911	56,911
Total current assets	-	-	129,241	129,241	129,241
Other financial assets	202,151	-	500	202,651	202,651
Total non current assets	202,151	-	500	202,651	202,651
Total assets	202,151	-	129,741	331,892	331,892
Liabilities					
Loans and borrowings	-	-	259,000	259,000	260,676
Lease liabilities	-	-	592	592	592
Trade and other payables	-	-	10,793	10,793	10,793
Total current liabilities	-	-	270,385	270,385	272,061
Loans and borrowings	-	-	294,164	294,164	294,164
Lease liabilities	-	-	24,810	24,810	24,810
Derivative instruments	-	29,359	-	29,359	29,359
Total non current liabilities	-	29,359	318,974	348,333	348,333
Total liabilities	-	29,359	589,359	618,718	620,394
Group 2019					
Assets					
Cash and cash equivalents	-	-	66,987	66,987	66,987
Other financial assets	-	-	25,000	25,000	25,000
Receivables	-	-	60,956	60,956	60,956
Total current assets	-	-	152,943	152,943	152,943
Other financial assets	178,520	-	-	178,520	178,520
Receivables	-	-	12	12	12
Total non current assets	178,520	-	12	178,532	178,532
Total assets	178,520	-	152,955	331,475	331,475
Liabilities					
Loans and borrowings	-	-	322,000	322,000	322,609
Trade and other payables	-	-	17,865	17,865	17,865
Derivative instruments	-	1,138	-	1,138	1,138
Total current liabilities	-	1,138	339,865	341,003	341,612
Loans and borrowings	-	-	202,315	202,315	205,179
Derivative instruments	-	20,895	-	20,895	20,895
Total non current liabilities	-	20,895	202,315	223,210	226,074
Total liabilities	-	22,033	542,180	564,213	567,686

20 Financial Instruments (continued)

	Mandatorily at Fair Value through Profit and Loss $000	Designated at Fair Value through Other Comprehensive Income * $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Parent 2020					
Assets					
Cash and cash equivalents	-	-	30,022	30,022	30,022
Receivables	-	-	4,793	4,793	4,793
Total current assets	-	-	34,815	34,815	34,815
Other financial assets	20,094	-	47,200	67,294	67,294
Investment in subsidiaries	-	3,037,302	-	3,037,302	3,037,302
Total non current assets	20,094	3,037,302	47,200	3,104,596	3,104,596
Total assets	20,094	3,037,302	82,015	3,139,411	3,139,411
Liabilities					
Lease liabilities	-	-	38	38	38
Trade and other payables	-	-	1,514	1,514	1,514
Total current liabilities	-	-	1,552	1,552	1,552
Lease liabilities	-	-	92	92	92
Loans and borrowings	-	-	64,706	64,706	64,706
Total non current liabilities	-	-	64,798	64,798	64,798
Total liabilities	-	-	66,350	66,350	66,350
Parent 2019					
Assets					
Cash and cash equivalents	-	-	15,337	15,337	15,337
Other financial assets	-	-	25,000	25,000	25,000
Receivables	-	-	564	564	564
Total current assets	-	-	40,901	40,901	40,901
Other financial assets	19,465	-	31,752	51,217	51,217
Investment in subsidiaries	-	2,520,488	-	2,520,488	2,520,488
Total non current assets	19,465	2,520,488	31,752	2,571,705	2,571,705
Total assets	19,465	2,520,488	72,653	2,612,606	2,612,606
Liabilities					
Trade and other payables	-	-	2,727	2,727	2,727
Total current liabilities	-	-	2,727	2,727	2,727
Loans and borrowings					
Total non current liabilities	-	-	78,102	78,102	78,102
Total liabilities	-	-	80,829	80,829	80,829

* *Designated on initial recognition*

20 Financial Instruments (continued)

Credit risk

Exposure to credit risk

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

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Credit risk				
Trade and other receivables	**56,911**	60,956	**4,793**	564
Other financial assets – Intercompany loans	**-**	-	**47,200**	31,752
Other financial assets – term deposits	**-**	25,000	**-**	25,000
Cash and cash equivalents	**72,330**	66,987	**30,022**	15,337
Total	**129,241**	152,943	**82,015**	72,653

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

For advances to Equity Accounted Investees, which have not had a significant increase in credit risk since initial recognition, ECLs are calculated based on the probability of a default event occurring within the next 12 months. An industry-accepted probability of default is obtained annually from the Standard & Poor's Global Corporate Default Study for use in this calculation.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for any significant known amounts that are not receivable. An additional $0.2 million has been included due to large forecast reductions in both New Zealand and global GDP over the next year, as a result of COVID-19. There has been no indication of a change in customer payment behaviour, compared with pre-COVID-19 behaviour. On that basis, the following table details loss allowance for trade receivables:

Group 2020	Not past due	Past due 0-30 days	Past due 30-60 days	More than 60 days	Total
Expected loss rate (%)	**0.01**	**0.04**	**4.5**	**18.3**	**-**
Gross carrying amount – trade receivables ($000)	**31,383**	**11,442**	**1,078**	**384**	**44,287**
Loss allowance on trade receivables ($000)	**30**	**50**	**50**	**71**	**201**

Movements in provision and impairment of financial assets are:

	2020 $000	2019 $000
Opening Balance	**291**	274
Provision for trade receivables	**179**	10
Provision for advances to Equity Accounted Investees	**212**	10
Bad debts written off	**-**	(3)
Closing balance	**682**	291

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

20 Financial Instruments (continued)

Credit risk management policies

Quayside Group

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

Port of Tauranga Group

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

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

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

Default

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

Write-off

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

Concentration of credit risk

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the *Port of Tauranga Group's* business means that the top ten customers account for 64.1% of total Group revenue (2019: 62.7%). The *Port of Tauranga Group* is satisfied with the credit quality of these debtors and does not anticipate any non performance.

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

Liquidity risk

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

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

20 Financial Instruments (continued)

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

Funding risk	Statement of Financial Position	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
Group 2020							
Non derivative financial liabilities							
Loans and borrowings	**(553,164)**	**(564,817)**	**(484,303)**	**(11,577)**	**(67,204)**	**(1,733)**	**-**
Lease liabilities	**(25,402)**	**(50,326)**	**(793)**	**(790)**	**(1,552)**	**(4,263)**	**(42,928)**
Trade and other payables	**(10,793)**	**(10,793)**	**(10,793)**	**-**	**-**	**-**	**-**
Total non derivative liabilities	**(589,359)**	**(625,936)**	**(495,889)**	**(12,367)**	**(68,756)**	**(5,996)**	**(42,928)**
Derivatives							
Interest rate derivatives							
- Cash flow hedges outflow	**(29,359)**	**(30,947)**	**(2,931)**	**(3,469)**	**(7,930)**	**(15,333)**	**(1,284)**
Total derivatives	**(29,359)**	**(30,947)**	**(2,931)**	**(3,469)**	**(7,930)**	**(15,333)**	**(1,284)**
Total	**(618,718)**	**(656,883)**	**(498,820)**	**(15,836)**	**(76,686)**	**(21,329)**	**(44,212)**
Group 2019							
Non derivative financial liabilities							
Loans and borrowings	(524,315)	(544,380)	(377,140)	(3,767)	(132,265)	(31,208)	-
Trade and other payables	(17,865)	(17,865)	(17,865)	-	-	-	-
Total non derivative liabilities	(542,180)	(562,245)	(395,005)	(3,767)	(132,265)	(31,208)	-
Derivatives							
Interest rate derivatives							
- Cash flow hedges outflow	(21,767)	(23,656)	(1,643)	(2,159)	(9,804)	(7,053)	(2,997)
Foreign currency derivatives							
- Cash flow hedges outflow	(294)	(295)	(295)	-	-	-	-
- Cash flow hedges inflow	28	28	28	-	-	-	-
Total derivatives	(22,033)	(23,923)	(1,910)	(2,159)	(9,804)	(7,053)	(2,997)
Total	(564,213)	(586,168)	(396,915)	(5,926)	(142,069)	(38,261)	(2,997)

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
Parent 2020							
Non derivative financial liabilities							
Loans and borrowings	**(64,706)**	**(66,242)**	**(428)**	**(428)**	**(65,386)**	**-**	**-**
Lease liabilities	**(130)**	**(141)**	**(19)**	**(20)**	**(39)**	**(63)**	**-**
Trade and other payables	**(1,514)**	**(1,514)**	**(1,514)**	**-**	**-**	**-**	**-**
Total non derivative liabilities	**(66,350)**	**(67,897)**	**(1,961)**	**(448)**	**(65,425)**	**(63)**	**-**
Parent 2019							
Non derivative financial liabilities							
Loans and borrowings	(78,102)	(82,750)	(1,089)	(1,089)	(52,178)	(28,394)	-
Trade and other payables	(2,727)	(2,727)	(2,727)	-	-	-	-
Total non derivative liabilities	(80,829)	(85,477)	(3,816)	(1,089)	(52,178)	(28,394)	-

Market risk

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

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

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

(i) Interest rate risk

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

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

The total nominal value of interest rate derivatives outstanding is $280m (2019: $310m).

The average interest rate on interest rate derivatives is 3.3% (2019: 3.9%).

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

20 Financial Instruments (continued)

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

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Carrying amount				
Fixed rate instruments				
Fixed rate bond	**(75,000)**	(125,000)	**-**	-
Lease liabilities	**(25,402)**	-	**(130)**	-
Term Deposit – Other financial assets	**-**	25,000	**-**	25,000
Total	**(100,402)**	(100,000)	**(130)**	25,000
Variable rate instruments				
Commercial papers	**(184,000)**	(220,000)	**-**	-
Standby revolving cash advance facility	**(229,000)**	(99,000)	**-**	-
Interest rate derivatives	**(29,359)**	(21,767)	**-**	-
Westpac borrowings	**(15,106)**	(28,102)	**(15,106)**	(28,102)
Bay of Plenty Regional Council Borrowings	**(49,600)**	(50,000)	**(49,600)**	(50,000)
Multi option facility	**-**	(2,000)	**-**	-
Cash balances	**72,330**	66,987	**30,022**	15,337
Total	**(434,735)**	(353,882)	**(34,684)**	(62,765)

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 2019.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase $000	100 bp Decrease $000	100 bp Increase $000	100 bp Decrease $000
Group 2020				
Variable rate instruments	**(2,927)**	**2,968**	**-**	**-**
Interest rate derivatives	**1,477**	**(1,477)**	**7,886**	**(8,360)**
Total	**(1,450)**	**1,491**	**7,886**	**(8,360)**
Group 2019				
Variable rate instruments	(2,389)	2,419	-	-
Interest rate derivatives	1,135	(1,135)	7,337	(7,774)
Total	(1,254)	1,284	7,337	(7,774)
Parent 2020				
Variable rate instruments	**(347)**	**347**	**-**	**-**
Parent 2019				
Variable rate instruments	(628)	628	-	-

20 Financial Instruments (continued)

(ii) Currency risk

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

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Cash – AUD	**3,586**	6,704	**-**	1,025
Cash – USD, EUR, GBP, CAD	**5,197**	8,182	**-**	-
Equities – AUD	**29,465**	27,404	**-**	4,184
Equities – USD, EUR, GBP, CAD, SGD	**50,909**	45,561	**-**	-
	89,157	87,851	**-**	5,209

Sensitivity analysis

If at reporting date, a 10% strengthening/weakening of the above currencies against the New Zealand dollar occurred with all other variables held constant, it would increase/(decrease) post tax profit or loss and the cash flow hedges reserve by the amounts shown below. The analysis is performed on the same basis for 2019.

	Profit or Loss		Reserves	
	10% Increase $000	10% Decrease $000	10% Increase $000	10% Decrease $000
Group				
Cash – AUD	**359**	**(359)**	**-**	**-**
Cash – USD, EUR, GBP	**520**	**(520)**	**-**	**-**
Equities – AUD	**2,947**	**(2,947)**	**-**	**-**
Equities – USD, EUR, GBP, CAD, SGD	**5,091**	**(5,091)**	**-**	**-**
30 June 2020	**8,917**	**(8,917)**	**-**	**-**
Cash – AUD	670	(670)	-	-
Cash – USD, EUR, GBP	818	(818)	-	-
Equities – AUD	2,740	(2,740)	-	-
Equities – USD, EUR, GBP	4,556	(4,556)	-	-
30 June 2019	8,784	(8,784)	-	-
Parent				
Cash – AUD	**-**	**-**	**-**	**-**
Equities – AUD	**-**	**-**	**-**	**-**
30 June 2020	**-**	**-**	**-**	**-**
Cash – AUD	103	(103)	-	-
Equities – AUD	418	(418)	-	-
30 June 2019	521	(521)	-	-

20 Financial Instruments (continued)

(iii) Other price risk

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

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Unlisted private equity and managed funds	**20,094**	7,658	**20,094**	7,658
Listed Equities - NZD	**101,683**	97,897	**-**	7,623
Listed Equities - AUD	**29,465**	27,404	**-**	4,184
Listed Equities – USD, EUR, GBP, CAD, SGD	**50,909**	45,561	**-**	-
	202,151	178,520	**20,094**	19,465

Sensitivity analysis

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

	Group		Parent	
	10% Increase $000	10% Decrease $000	10% Increase $000	10% Decrease $000
Unlisted private equity and managed funds	**2,009**	**(2,009)**	**2,009**	**(2,009)**
Equities – NZD	**10,168**	**(10,168)**	**-**	**-**
Equities – AUD	**2,947**	**(2,947)**	**-**	**-**
Equities – USD, EUR, GBP, CAD, SGD	**5,091**	**(5,091)**	**-**	**-**
Private Equity (unlisted) and				
30 June 2020	**20,215**	**(20,215)**	**-**	**-**
Unlisted private equity and managed funds	766	(766)	766	(766)
Equities – NZD	9,790	(9,790)	762	(762)
Equities – AUD	2,740	(2,740)	418	(418)
Equities – USD, EUR, GBP, CAD, SGD	4,556	(4,556)	-	-
30 June 2019	17,852	(17,852)	1,946	(1,946)

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 2020, 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 $400,356 (2019: $367,887).

20 Financial Instruments (continued)

iv) Market liquidity risk

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

Financial instruments categories and fair value hierarchy

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2020 and 30 June 2019.

	Group				Parent			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
30 June 2020								
Financial assets at fair value through profit or loss								
Listed equity investments	**182,057**	**-**	**-**	**182,057**	**-**	**-**	**-**	**-**
Unlisted direct investments	**-**	**-**	**6,211**	**6,211**	**-**	**-**	**6,211**	**6,211**
Unlisted managed funds	**-**	**-**	**13,883**	**13,883**	**-**	**-**	**13,883**	**13,883**
	182,057	**-**	**20,094**	**202,151**	**-**	**-**	**20,094**	**20,094**

	Group				Parent			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
30 June 2019								
Financial assets at fair value through profit or loss								
Listed equity investments	**170,862**	**-**	**-**	**170,862**	**11,807**	**-**	**-**	**11,807**
Unlisted direct investments	**-**	**-**	**4,290**	**4,290**	**-**	**-**	**4,290**	**4,290**
Unlisted managed funds	**-**	**-**	**3,368**	**3,368**	**-**	**-**	**3,368**	**3,368**
	170,862	**-**	**7,658**	**178,520**	**11,807**	**-**	**7,658**	**19,465**

Transfers between levels in the fair value hierarchy

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

20 Financial Instruments (continued)

Reconciliation of fair value measurement under Level 3 hierarchy

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

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Opening Balance	**7,658**	1,472	**7,658**	1,472
Purchases	**13,117**	6,531	**13,117**	6,531
Sales	**-**	(241)	**-**	(241)
Unrealised gains and losses recognised in net fair value gains on financial instruments held at fair value through profit or loss	**(681)**	(245)	**(681)**	(245)
Realised gains and losses recognised in net fair value gains on financial instruments held at fair value through profit or loss	**-**	141	**-**	141
Closing Balance	**20,094**	**7,658**	**20,094**	**7,658**

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy the amount of the total gains or losses for the period included in income that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period was a $0.7m loss (2019: $0.3m loss), and these amounts are recognised as part of the 'Other Losses' (Note 6 b) line item of the income statement.

Fair value sensitivity

	Non-market observable input	Movement	Impact on fair value measurement	
		%	Increase $000	Decrease $000
2020 – Parent and Group				
Unlisted direct investments	(i)	(i)	124	(124)
Unlisted managed funds	(i)	(i)	278	(278)
2019 – Parent and Group				
Unlisted direct investments	(i)	(i)	86	(86)
Unlisted managed funds	(i)	(i)	68	(68)

(i) The Group's investments that have been categorised as private equity and are held either directly or via externally managed investment vehicles. The Board and management have assessed that the reasonably likely movement in fair value in a one-year period is: 20% for direct private equity investments and 20% for managed funds based on internal risk modelling. The volatility seen in financial markets during the year ended 30 June 2020 resulted in movements in excess of these percentages for certain assets. This degree of volatility is however considered unusual and, given this and the relative recovery of financial markets by 30 June 2020, the likely movements in value are still considered appropriate. Reporting from investment managers regarding externally-managed investments has been scrutinised to ensure the impact of Covid-19 has been adequately considered and reflected in the valuation of the investments under their stewardship.

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

21 Trade and Other Payables

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Accounts payable	**7,547**	12,302	**131**	125
Accrued employee benefit liabilities	**5,329**	4,752	**175**	152
Accruals	**20,513**	17,340	**738**	186
Payables to Equity Accounted Investees and related parties	**1,829**	5,013	**500**	2,289
Total trade and other payables	**35,218**	39,407	**1,544**	2,752

Payables denominated in currencies other than the functional currency are nil (2019: nil). Trade and other payables are non interest-bearing and are normally settled on 30 day terms; therefore the carrying value of trade and other payables approximates their fair value.

Policies

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

22 Related Party Transactions

Parent and ultimate controlling entity

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

Transactions with key management personnel

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

	Group		Parent	
	2020 $000	2019 $000	2020 $000	2019 $000
Directors				
Directors' fees recognised during the period	**1,146**	1,104	**188**	181
Executive Officers				
Executive officer's salaries and other short-term employee benefits recognised during the period	**3,361**	3,945	**396**	352
Executive officer's share based payments (equity settled) recognised during the period	**1,414**	920	**-**	-
Total	**5,921**	5,969	**584**	533

All *Port of Tauranga Group* Executive Management Team participate in the Management Long Term Incentive Plans and may receive cash or non cash benefits as a result of these plans (refer note 23).

22 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.

	2020 $000	2019 $000
Quayside Group transactions with related parties:		
Transactions with Ultimate Controlling Entity		
Bay of Plenty Regional Council		
Services provided to Quayside Properties Limited	**8**	5
Interest paid by Quayside Holdings Limited	**800**	867
Interest payable by Quayside Holdings Limited	**110**	481
Dividends paid by Quayside Holdings Limited	**32,100**	31,200
Loan drawn down by Quayside Holdings Limited	**-**	50,000
Loan repaid by Quayside Holdings Limited	**400**	-
Loan payable by Quayside Holdings Limited	**49,600**	50,000
Subvention payable by Quayside Holdings Limited	**-**	408
Subvention payable by Quayside Unit Trust	**365**	649
Subvention payable by Quayside Properties Limited	**787**	1,945
Subvention payable by Quayside Securities Limited	**-**	2
Transactions with Other Related Entities		
Quayside Unit Trust		
Dividends paid to Quayside Holdings Limited	**105,100**	78,900
Interest received by Quayside Holdings Limited	**111**	271
Interest receivable by Quayside Holdings Limited	**-**	13
Loan receivable by Quayside Holdings Limited	**-**	8,331
Loan repayment received by Quayside Holdings Limited	**8,331**	2,000
Dividends received from Port of Tauranga Limited	**67,424**	66,318
Quayside Properties Limited		
Interest received by Quayside Holdings Limited	**712**	641
Interest receivable by Quayside Holdings Limited	**136**	167
Loan advanced by Quayside Holdings Limited	**23,803**	6,264
Loan repaid to Quayside Holdings Limited	**23**	-
Loan receivable by Quayside Holdings Limited	**47,200**	23,421
Office lease provided to Quayside Holdings Limited	**38**	38
Accounts receivable by Quayside Holdings Limited	**46**	33
Management fees paid to Quayside Holdings Limited	**114**	111
Quayside Investment Trust		
Consideration for units purchased by Quayside Holdings Limited	**37,607**	13,000
Consideration for units redeemed by Quayside Holdings Limited	**3,500**	-
Quayside Securities Limited		
Management fees paid to Quayside Holdings Limited	**77**	76
Aqua Curo Limited		
Capital investment by Quayside Holdings Limited	**1,000**	

22 Related Party Transactions (continued)

	2020 $000	2019 $000
Quayside Group transactions with related parties:		
Transactions with Equity Accounted Investees		
Services provided by Quayside Holdings Limited	**133**	112
Accounts payable by Quayside Holdings Limited	**500**	1,400
Accounts receivable by Quayside Holdings Limited	**70**	31
Loans advanced by Quayside Holdings Limited	**4,691**	-
Loan repayment received by Quayside Holdings Limited	**200**	-
Loan receivable by Quayside Holdings Limited	**4,491**	-
Interest charged by Quayside Holdings Limited	**137**	-
Interest receivable by Quayside Holdings Limited	**15**	-
Capital contribution payable by Quayside Properties Limited	**125**	-
Capital contributions by Quayside Properties Limited	**225**	4,185
Loan advanced by Quayside Properties Limited	**500**	-
Loan payable to Quayside Properties Limited	**500**	-
Interest charged by Quayside Properties Limited	**14**	-
Interest payable to Quayside Properties Limited	**14**	-

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

In the *Quayside Group*, interest is on charged on intercompany loans at the actual rate of interest incurred by Quayside Holdings Limited. No related party debts have been written off, forgiven or provided for as doubtful during the year. The Parent has issued Perpetual Preference Shares on the NZX. The following transactions were recorded by directors:

	2020 No	2019 No
R A McLeod (a director) as Trustee	**100,000**	100,000

	2020 $000	2019 $000
Port of Tauranga Group transactions with related parties:		
Transactions with ultimate controlling entity:		
Bay of Plenty Regional Council		
Services provided to Port of Tauranga Limited	**21**	76
Transactions with equity accounted investees		
Services provided to Port of Tauranga Limited	**511**	556
Services provided by Port of Tauranga Limited	**4,987**	3,824
Accounts receivable by Port of Tauranga Limited	**27**	239
Accounts payable by Port of Tauranga Limited	**342**	125
Advances by Port of Tauranga Limited	**5,319**	5,319
Services provided to Quality Marshalling (Mount Maunganui) Limited	**18**	3
Services provided by Quality Marshalling (Mount Maunganui) Limited	**4,028**	3,913
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	**365**	345
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	**1**	3

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

23 Management Long Term Incentive Plan

In December 2016, the Port of Tauranga Group introduced an equity settled long term incentive (LTI) plan that will vest from financial year 2019 onwards. Under this LTI plan, share rights are issued to participating executives and have a three year vesting period. The first granting of share rights under this LTI plan occurred in the 2018 year and this LTI plan replaces the former cash settled plan. The vesting of share rights, which entitles the executive to the receipt of one Port of Tauranga Limited ordinary share at nil cost, is subject to the executive remaining employed by Port of Tauranga Limited during the vesting period and the achievement of certain earnings per share (EPS) and total shareholder return (TSR) targets. For EPS share rights granted, the proportion of share rights that vest depends on the Port of Tauranga Group achieving EPS growth targets. For TSR share rights granted, the proportion of share rights that vests depends on the *Port of Tauranga Groups* TSR performance ranking relative to the NZX50 index less Australian listed stocks. To the extent that performance hurdles are not met or executives leave Port of Tauranga Limited prior to vesting, the share rights are forfeited. The share based payment expense relating to the LTI plan for the year ended 30 June 2020 is -$0.1 million (2019: $0.8 million) with a corresponding increase in the share based payments reserve (refer note 16).

Number of Share Rights Issued to Executives:

Grant Date	Scheme End Date	Right Type	Balance at 30 June 2019	Granted During the Year	Vested During the Year	Forfeited During the Year	Balance at 30 June 2020
1 March 2018	30 June 2019	EPS	127,470	-	**127,470**	-	-
1 March 2018	30 June 2019	TSR	106,225	-	**100,276**	**5,949**	-
1 March 2018	30 June 2020	EPS	121,934	-	-		**121,934**
1 March 2018	30 June 2020	TSR	101,612	-	-		**101,612**
1 July 2018	30 June 2021	EPS	108,500	-	-		**108,500**
1 July 2018	30 June 2021	TSR	90,417	-	-		**90,417**
1 July 2019	30 June 2022	EPS	-	**90,058**	-		**90,058**
1 July 2019	30 June 2022	TSR	-	**75,050**	-		**75,050**
Total LTI Plan			**656,158**	**165,108**	**227,746**	**5,949**	**587,571**

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

Grant Date	Scheme End Date	Right Type	Grant Date Share Price	Risk Free Interest Rate	Expected Volatility of Share Price	Valuation per Share Right
			$	%	%	$
1 March 2018	30 June 2020	EPS	5.09	1.96	15.10	4.81
1 March 2018	30 June 2020	TSR	5.09	1.96	15.10	2.26
1 July 2018	30 June 2021	EPS	5.10	1.72	16.30	4.64
1 July 2018	30 June 2021	TSR	5.10	1.72	16.30	2.00
1 July 2019	30 June 2022	EPS	6.28	0.80	17.60	6.02
1 July 2019	30 June 2022	TSR	6.28	0.80	17.60	2.72

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

Policies

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

Equity Settled Transactions

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

24 Investment Properties

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

	2020 $000	2019 $000
Balance at 1 July	**27,886**	21,918
Additions – Work in progress (at cost)	**80**	66
Additions – Acquisitions (at cost)	**18,995**	2,415
Fair value gains on valuation	**7,505**	3,487
Balance at 30 June	**54,466**	27,886
Classified as:		
Investment property – Held for sale – Current	**905**	-
Investment property – Non current	**53,561**	27,886
	54,466	27,886
Rental Income from investment properties	**992**	457
Expenses from investment property generating income	**170**	113

Description of investment properties

Investment properties held include the following:

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

Acquisitions

During the year, the company acquired an industrial building in Mount Maunganui as well as additional land at Rangiuru, which is strategic to the proposed business park development.

Investment property work in progress includes the costs incurred to date in drilling of a water bore for the Rangiuru Business Park. The value of this work was not included in the independent registered valuation as the bore will not become operational until the business park is developed.

Property held for sale

During the year the rural block at Paengaroa was subdivided. At balance date there was an unconditional contract for sale of the subdivided block, which is due to settle in September 2020. This block is shown separately as a 'held for sale' asset in the statement of financial position and has been revalued to the actual amount received per the unconditional sales agreement.

24 Investment Properties (continued)

Valuation of investment properties

Investment properties are revalued annually to fair value. The fair value measurements have been categorised as a level 2 fair value based on the inputs to the valuation technique. The valuation of all investment property was carried out by independent registered valuers. The valuers are experienced valuers with extensive market knowledge in the type of investment properties owned by Quayside Properties Limited. All investment properties were valued based on open market evidence and 'highest and best use' currently for the land. The revaluation gain this year is predominantly driven by a change in the 'highest and best use' for the land at Rangiuru Business Park. Improvement values have been assessed with regard to their income producing capacity, depreciated replacement cost and an analysis of sales where properties have included similar asset types. A summary of the valuation methods and significant assumptions applied in the valuation of these assets are:

Asset type	Valuation method adopted	Highest and best use	Significant assumptions
Commercial and Industrial Buildings	Capitalisation approach and Discounted Cash Flow Analysis	Current use	Net market rent of $320 per sqm (Commercial) Net market rent of $175.83 (Industrial) Capitalisation rate of 5.25% and 5.625% Discount rate of 6%
Residential Rural Block - Tauriko	Market approach	Current use	-
Rural block - Paengaroa	Market approach	Current use	-
Rangiuru Business Park	Market approach	Stage 1 Land – Industrial park development Stage 2 land –Orchard/rural	-

Change in highest and best use

All the properties within the Rangiuru Business Park have a dual zoning of rural and industrial. Previous valuations had considered that the highest and best use was as rural properties, however this is no longer the case due to rapid uptake and demand for industrial zoned land within the greater region.

Vacant industrial land in most of Tauranga's established industrial locations is in limited supply and is rarely presented to the market. The limited supply and increasing land prices throughout Tauranga is likely to lead to an increase in demand for industrial land in the nearby Te Puke, Te Puna and Katikati localities, and there will likely be a requirement for the development of new industrial areas such as the Rangiuru business estate if the current level of demand continues.

In most cases the overall value as orchard properties is still the highest and best use, but the current revaluations reflect that the underlying land values are increasing substantially, to be more in line with future industrial zoned land within the region, albeit discounted to reflect that development is still some time off and that extensive earthworks and infrastructure is still required.

For the purposes of revaluation, the land within the business park has been classified as either stage 1 or stage 2, which reflects the readiness for potential redevelopment. The highest and best use of the property within stage 1 is for redevelopment of the land to industrial use, while for any land located outside of stage 1, the highest and best use remains as rural/orchard use.

While the change in the highest and best use to industrial redevelopment land increases the values of the underlying land in stage 1, it also reduces the values of any improvements on those blocks, to reflect that in almost all instances these improvements will be removed or demolished to allow development to occur, and thus their useful life is limited. This includes the bearer plants on orchards within stage 1, which have been written down by $1.1m this year. The reduction in improvements values does not include the G3 licences, which can be sold off separately.

Commitments

The Company has a contractual commitment of $4.32m at year-end in relation to the settlement on the purchase of an investment property (June 2019: nil).

24 Investment Properties (continued)

Policies

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

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

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

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

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

25 Biological Assets

Forestry	2020 $000	2019 $000
Balance at 1 July	**390**	-
Additions	**-**	485
Change in fair value less estimated costs to sell	**112**	(95)
Balance at 30 June	**502**	390

The forestry block comprises 110.6 hectares of pinus radiata with planted years ranging from 2013 to 2018. The crop has an expected rotation of 26 years, which would yield revenue in the years 2039 to 2044.

Fair value of the forestry block has been determined by independent registered valuation at 30 June 2020. Fair value has been determined by using the income approach (Discounted Cash Flow) by assessing the net present value of estimated future costs and revenues pertaining to the standing tree crop, using a discount rate of 7.5%. The fair value measurement is categorised as a Level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs) – refer to Note 2 for fair value measurement hierarchy. Notable reasons for the increase in the tree crop value in the last 12 months are as a result of higher long-term log price assumptions, based on forecast market conditions and the maturing of the crop. The significant assumptions applied in the valuation of these assets are:

1. Discounted Cash Flow (DCF) Approach has been applied to the anticipated pre-tax cash flows (future revenues and costs) for the current tree crop rotation.
2. A notional freehold land rental of NZ$360/ha p.a (2019: $360)
3. A pre-tax implied discount rate of 7.5% p.a (2019: 7.5%), which was derived from the recent market transaction

25 Biological Assets (continued)

Sensitivity of tree crop value to discount rate Tree Crop Value Discount Rate (pre-tax) (NZ$000)	
6.0%	945.2
6.5%	787.3
7.0%	647.1
7.5%	**522.5**
8.0%	412.0
8.5%	313.9
9.0%	226.9

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

Sensitivity of tree crop value to log prices and production costs Discount Rate (pre-tax) (NZ$000)					
(NZ$000)			**Log Prices**		
Production Costs	**-10%**	**-5%**	**Base**	**+5%**	**+10%**
+10%	219.5	331.4	443.4	555.3	667.3
+5%	259	371.0	483.0	594.9	706.9
Base	298.6	410.6	522.5	634.5	746.5
-5%	338.2	450.2	562.1	674.1	786.0
-10%	377.8	489.7	601.7	713.7	825.6

Kiwifruit Crop

Harvesting of the kiwifruit crop takes place in April to June each year. At 30 June the crop is measured at fair value which is nil (2019: nil). The fair value is deemed to be cost as insufficient biological transformation has occurred.

26 Contingencies

At 30 June 2020 for the Group and Parent Company there were no contingent assets or liabilities (2019: nil).

27 Subsequent Events

- The financial statements were approved by the Board of Directors on 24th November 2020.
- The Government's Provincial Growth Fund (PGF) announced on 31st July 2020 that it will contribute $18 million to unlock development plans for the Rangiuru Business Park. These funds will be utilised by Quayside Properties Limited to further advance the development of the business park.
- In August 2020, the $4.5m loan from Quayside Holdings Limited to an equity accounted investee was repaid in full.
- On Wednesday 12 August 2020 at 12.00pm, the Auckland region moved to Alert Level 3 and the rest of New Zealand moved to Alert Level 2. While Auckland remains at Level 2 and the rest of New Zealand at Level 1, this Alert Level escalation had no material impact on the performance of the Group.

28 Quayside Group Statement of Service Performance

The Company is a member of the *Quayside Group*. The *Quayside Group* is required to prepare a Statement of Service Performance reporting on performance measures and results. Recorded below are 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	2020 result
1. Maintain a majority holding in the Port of Tauranga Limited	Holding of greater than 51%	Quayside held 54.14% of Port of Tauranga shares as at 30 June 2020

Target met: **Yes**

The *Quayside Group* has a majority shareholding in the Port of Tauranga. The *Quayside Group* and Council deem maintaining a majority shareholding in the Port of Tauranga as strategically important, as well as providing long-term financial security. The Port of Tauranga continues to provide the *Quayside Group* and Council with dividend returns and capital growth. The *Quayside Group* is a long term investor in Port of Tauranga and must maintain a majority shareholding in accordance with Council policy. The *Quayside Group* cannot go below a majority shareholding without the consent of Council.

Port of Tauranga financial highlights are tabled below:

	30 June 2020	30 June 2019
Quayside shareholding	54.14%	54.14%
Net profit after tax	$90.0m	$100.6m
Ordinary dividend to Quayside	$49.0m	$47.9m
Special dividend to Quayside	$18.4m	$18.4m
Share price (Last bid price)	$7.60	$6.25
Net tangible assets per share (dollars per share)	$1.70	$1.71

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

Covid-19 impact

Port services are considered essential services and as such, Port of Tauranga Limited continued trading throughout all alert levels, including through the recent full lockdown. This has limited the impact of COVID-19 and the Government's response on Port of Tauranga Limited. It is acknowledged that there is significant uncertainty in how COVID-19 will impact the New Zealand economy and Port of Tauranga Limited in the future.

28 Quayside Group Statement of Service Performance (continued)

(b) Investment portfolio

Performance measure	Performance target	2020 result
2. Generate commercial returns across the Investment portfolio.	Five year rolling gross return of >= 7.5% p.a	Five year rolling gross return of 12.13% for the Quayside consolidated group achieved at 30 June 2020. One year rolling gross return of negative 5.67% for the Toi Moana Trust, achieved at 30 June 2020 *(the Trust has only been in operation for one year).*
3. Adherence to industry standards including responsible investing.	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment frameworks: • Monthly reporting of SIPO Dashboard to the Board. • Six monthly audits of investments and adherence to SIPO and responsible investment policy.	SIPO monitoring reported at full Board meetings. 6 instances of passive breaches noted. Six monthly audits not conducted as not deemed necessary given SIPO monitoring on a monthly basis.

Target met: **No**

The *Quayside Group* manages a diversified investment portfolio with a market value of $250m at 30 June 2020. These investments include domestic and foreign equities, and cash. Quayside holds equity investments as part of a portfolio of non-port assets, to support increasing sustainable shareholder returns over time.

The 7.5% p.a. five year rolling gross return target is based on current industry and analyst expectation of long-term performance of equity markets. This target is reviewed annually. During the year the Quayside Group met its rolling five year gross return objective with a return of 12.13%. The Toi Moana Trust has only been in existence since July 2019 and therefore can not be assessed with regard to the five year rolling return. However a negative 5.67% return was recorded on a one year rolling basis which reflects the impact of Covid-19 on the portfolio.

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

While six instances of passive breaches of the SIPO were noted during the year, these were a result of market movements at the time of transacting, which meant investment instructions could not be fulfilled.

Six monthly audits of adherence to SIPO were not deemed necessary as investments are reviewed for compliance with the SIPO and reported on at each full board meeting.

Covid-19 impact

The effect on the overall share portfolio for June 2020 was not material because of the very short period of the lockdown within this financial year. Worldwide restrictions in March and April 2020 materially affected the value of the share portfolio. However, most major equity markets have subsequently posted gains, continuing what has been a strong recovery from the lows seen in mid-to-late March. The S&P 500 recorded its strongest quarterly gain in more than two decades over the June quarter.

28 Quayside Group Statement of Service Performance (continued)

Quayside Consolidated Group Investment Portfolio financial highlights are tabled below:

	30 June 2020	30 June 2019
Investment portfolio value	$207.9m	$194.1m
1 year gross return	10.09%	10.99%
5 year rolling gross return	12.13%	14.13%

Toi Moana Trust Investment Portfolio financial highlights are tabled below:

	30 June 2020	30 June 2019 *
Investment portfolio value	$42.3m	-
1 year gross return	(5.67%)	-
5 year rolling gross return	n/a	-

* No comparative is shown as the Trust was only established in July 2019.

28 Quayside Group Statement of Service Performance (continued)

(c) Real asset portfolio

Performance measure	Performance target	2020 result	
4. Generate long term commercial returns and / or regional benefit through a portfolio of real assets	Annual board assessment of the benefit of real assets, considering portfolio alignment, long term commercial return and any regional benefit factors.	The annual board assessment was completed in June 2020, reaffirming long term objectives.	●

Target met: **Yes**

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

The *Quayside Group* real asset portfolio currently comprises Rangiuru Business Park, a 148 hectare industrial business park development currently used as rural and horticultural blocks, residential land in Tauriko, commercial buildings in Mount Maunganui, Tauranga and Rotorua CBDs and a forestry/horticultural block at Paengaroa. An annual board assessment carried out in June 2020 of each of these assets has determined that they continue to provide short-term benefit in the form of cash returns to the group and remain strong long-term assets for future growth.

Rangiuru business park continues to be progressed for future development, and during the year a number of strategic purchases were made of surrounding properties. The land in the business park zone continues to provide positive short-term returns from operating the land as dairy grazing and kiwifruit orchards. The return from these operations delivered a gross profit to the group of over $3.7 million this year. The business park once completed will provide much needed industrial development for the region and indicative employment of 3000-4000 employees.

During the year *Quayside Group* purchased an industrial property held in the Mount industrial zone. Investment continued into the commercial property joint ventures, with one property being completed in the Rotorua CBD and demolition beginning on a property in the Tauranga CBD.

Covid-19 impact

Whilst there is an overall expectation that investment property values would decline, the comparable sales post Covid-19 are proving that there is still strong demand in the Bay of Plenty for the types of properties held by the Quayside Group, and as a result there was a $5.2m upward revaluation of the real asset portfolio for the year. For commercial properties held, the tenants are high calibre and the drop in interest rates has preserved the yield on these properties. The valuations have considered sales and leasing transaction evidence that occurred recently and possibly prior to the onset of the current circumstances and also, where possible, considered transactions that have occurred since the circumstances of Covid-19 were known to real estate market participants (buyers and sellers, lessors and lessees). The valuations have also considered the supply and demand characteristics for the subject property asset classes at the date of valuation, involving extensive discussions with real estate agents and market participants to consider the rental and capital markets for the subject properties in the current environment.

The only direct impacts of Covid-19 restrictions over April 2020 were minor delays and disruptions to commercial developments in Rotorua and Tauranga as follows:

- A lease that was due to start on the 1st April was delayed by one month.
- The design and fit-out for a tenant was delayed and commencement date of the lease was delayed by a few months.
- The demolition of a building was delayed by two months.

Real asset portfolio financial highlights are tabled below.

	30 June 2020	30 June 2019
Invested	$70.8m	$46.1m
Committed	$4.3m	-

28 Quayside Group Statement of Service Performance (continued)

(d) Private equity

Performance measure	Performance target	2020 result	
5. Generate long term commercial returns and or regional benefit through a portfolio of private equity assets.	Annual board assessment of the benefit of each private equity asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors.	The annual board assessment was completed in June 2020, noting short term performance and reaffirming long term objectives.	●

Target met: **Yes**

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

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

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

Covid-19 impact

The annual real asset portfolio review has assessed the Covid-19 impact on each investment and overall it is expected that there will be minimal impact across the private equity portfolio. A number of the investments were deemed essential services and all investments have sound underlying models and strong management.

Private equity portfolio financial highlights are tabled below.

	30 June 2020	30 June 2019
Invested	$54.9m	$39.7m
Committed	$50.9m	$35.1m

28 Quayside Group Statement of Service Performance (continued)

(e) Governance

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

Performance measure	Performance target	2020 result
6. Keep Council informed on a 'no surprises' basis, providing quality and timely information.	A minimum of four presentations per annum to Council, as shareholders. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity.	Presentations to Council in August 2019, September 2019, October 2019, February 2020, April 2020, and June 2020. Open communication with Council maintained throughout the year through regular meetings with Quayside Chief Executive and Council management.
7. Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	Policies were reviewed at Board meetings in accordance with the bi-annual cycle.
8. Meet shareholder distribution expectations as outlined in SOI or otherwise agreed.	Distributions paid to agreed values.	Cash dividend of $32.1m (target $32.1m) paid to Council as per the SOI. Gross PPS dividend of $7.7m (target $8.6m) paid to PPS holders*. **Note the PPS dividend target payment was a forecast only due to the rate reset in March 2020.*
9. Compliance with NZX listing requirements for PPS holders.	Matters of material impact are disclosed in line with QHL framework for continuous disclosure. Board reporting of PPS compliance and monitoring.	Filing of interim and annual financial statements achieved within 60 day deadline. Internal audit compliance systems show no open issues or instances of non-compliance with NZX requirements.

Target met: **Yes**

Key

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

Quayside Holdings Limited and Subsidiaries
Statutory Information
For the year ended 30 June 2020

Interest register

The company is required to maintain an Interests Register in which the particulars of certain transactions and matters involving the directors must be recorded. The interest register for Quayside Holdings Limited is available for inspection at the registered office. The directors of the Parent Company have made general disclosures of interest in accordance with S140(2) of the Companies Act. Current interests and those which ceased during the year, are tabulated below. New disclosures advised since 1 July 2019 are italicised.

Director	Entity	Position
R McLeod	*E Tipu E Rea Limited – removed March 2020*	*Director*
	E Tipu E Rea Trustee Limited – removed March 2020	*Chair / Director / Shareholder*
	Ionian Holdings Limited	Shareholder
	Port of Tauranga Limited	Director
	Preservation Investments Limited	Shareholder
	Quayside Holdings Limited Perpetual Preference Shares	Shareholder *
	Quayside Holdings Limited	Chair I Director
	Quayside Properties Limited	Chair I Director
	Quayside Securities Limited	Chair I Director
	Sanford Limited	Director
	Sanford LTI Limited	*Director*
	**Shares are held by McLeod Custodian Limited as Trustee*	
S Crosby	Bay of Plenty Regional Council (BOPRC)	Councillor
	Crosby Motorsport Limited – ceased, advised February 2020	*Director / Shareholder*
	Elm's Foundation – resignation advised April 2020	*Trustee*
	Equip GP Limited	Director
	Local Government New Zealand Board	Vice-President I Member
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	Rotorua Regional Airport Limited – resignation advised June 2020	*Director*
	Rotorua Regional Airport Limited	Advisor IARC Chair
	Templogger NZ Limited	Director I Shareholder
	SmartGrowth Leadership Group	*Member*
	Summerhill Charitable Trust	Trustee
	SmartGrowth Leadership Group	Member
B Hewlett	Bluelab Corporation Limited	Chair I Director
	Bluelab Holdings Limited	Chair I Director
	Comvita Limited	Chair I Director
	Comvita New Zealand Limited	Director
	Hewlett Family Trust	Trustee
	Hewlett Investment Trust	Trustee
	Oriens Capital Limited	Shareholder
	Priority One WBOP Incorporated	Chair
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	University of Waikato - Waikato Management School	Advisory Board Member
	University of Waikato Academic Review Panel	Panel Member

Director	Entity	Position
K Horne	*AJ & MJ Horne Family Trust*	*Trustee / Beneficiary*
	CEC Charitable Trust	*Trustee / Treasurer*
	Conductive Education Canterbury	*Treasurer*
	Hamilton City Council	*ARC Chair*
	Horne Wildbore Family Trust	*Trustee*
	New Zealand Lotteries Commission	*Commissioner / ARC Char*
	Quayside Holdings Limited	*Director*
	Quayside Properties Limited	*Director*
	Quayside Securities Limited	*Director*
	ScreenSouth Limited	*Director / Chair*
	Spey Downs Limited	*Shareholder*
	Timaru District council	*ARC Chair*
	University of Canterbury	*Council Member / ARC Chair*
F McTavish	Bay of Plenty Regional Council	Officer
	BOP LASS Limited	Director
	McTavish – Huriwai Investments Limited	Director I Shareholder
	Otumoetai Intermediate	Trustee
	Priority One WBOP Inc	Executive Board Member
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	SmartGrowth Chief Executive Advisory Group	Member
	Tauranga Girls College	Trustee
	TeachFirst New Zealand – resignation advised July 2020	*Trustee*
W Parker	Farmlands Cooperative Society	Director
	Focus Genetics Management Limited	*Director*
	Forestry Ministerial Advisory Group	Chair
	Genomics Aotearoa Advisory Board	Director
	Griffith Enterprise Advisory Board	Chair
	Landcorp Estates Limited	Chair I Director
	Landcorp Holdings Limited	Chair I Director
	Landcorp Pastoral Limited	Chair I Director
	Landcorp Farming Limited, PAMU	Chair I Director
	Predator Free 2050 Limited	Director
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	Warren's Insights Limited	Director I Shareholder
P Thompson	Bay of Plenty Regional Council (BOPRC)	Councillor
	Cyber Limited	Shareholder
	Eastern Bay of Plenty Economic Development Trust (Toi EDA)	Trustee
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	SmartGrowth Leadership Group– *resignation advised July 2020*	Member
	Woman Walking Limited	Director I Shareholder

The entities listed above against each director and executive may transact with Quayside Holdings Limited. Refer to Note 22 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 2020.

Auditors remuneration

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

Audit New Zealand: Audit Fees $82,270

Directors

The following directors of Quayside Holdings Limited held office during the year ended 30 June 2020:

Remuneration

	Paid by parent $000	Paid by subsidiaries $000
R McLeod (Chair)	46	47
S Crosby	26	27
B Hewlett	26	27
K Horne	26	27
W Parker	26	27
R Tait	12	12
P Thompson	26	27
Total	**188**	**194**

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

Port of Tauranga

The following directors of Port of Tauranga Limited held office during the year ended 30 June 2020:

	2020 $000	2019 $000
D A Pilkington (Chair)	**173,680**	167,000
A M Andrew	**93,600**	90,000
K R Ellis	**106,600**	102,500
J C Hoare	**104,000**	100,000
A R Lawrence	**96,200**	92,500
D W Leeder	**93,600**	90,000
R A McLeod	**96,200**	92,500
Total	**763,880**	734,500

Loans

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

Employees

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

	Port of Tauranga Limited		Quayside Holdings Limited	
Remuneration range $000	Number of employees 2020	Number of employees 2019***	Number of employees 2020	Number of employees 2019
100 – 109	**25**	21	**-**	1
110 – 119	**26**	21	**1**	-
120 – 129	**23**	18	**1**	-
130 – 139	**13**	14	**-**	1
140 – 149	**10**	13	**-**	-
150 – 159	**11**	8	**-**	-
160 – 169	**13**	6	**-**	-
170 – 179	**2**	8	**-**	-
180 – 189	**2**	3	**-**	-
190 – 199	**-**	2	**-**	-
200 – 209	**1**	1	**-**	-
210 – 219	**1**	3	**-**	-
220 – 229	**2**	-	**-**	1
230 – 239	**1**	-	**1**	-
240 – 249	**7**	8	**-**	-
250 – 259	**3**	4	**-**	-
260 – 269	**2**	3	**-**	-
270 – 279	**1**	-	**-**	-
350 - 359	**-**	-	**-**	1
370 – 379	**-**	-	**1**	-
630 – 639	**-**	1*	**-**	-
660 - 699	**1***	1*	**-**	-
740 - 749	**-**	1*	**-**	-
780 - 789	**-**	1*	**-**	-
810 - 819	**1***	-	**-**	-
840 - 849	**1***	-		
850 - 859	**1***	-	**-**	-
1,770 – 1,779	**-**	1*	**-**	-
2,020 – 2,029	**1***	-	**-**	-

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

Perpetual Preference Shareholder Information

The Perpetual Preference Shares of Quayside Holdings Limited are listed on the NZDX. The information in the disclosures below has been taken from the Company's share registers as at 30 June 2020.

Twenty largest holders of perpetual preference shares

Rank	Name	Units at 30 June 20	% of Units
1	JBWERE (NZ) NOMINEES LIMITED <NZ RESIDENT A/C>	21,281,000	10.64
2	CUSTODIAL SERVICES LIMITED <A/C 3>	18,571,000	9.29
3	FNZ CUSTODIANS LIMITED	18,057,000	9.03
4	CUSTODIAL SERVICES LIMITED <A/C 2>	11,519,000	5.76
5	CUSTODIAL SERVICES LIMITED <A/C 4>	11,181,000	5.59
6	INVESTMENT CUSTODIAL SERVICES LIMITED <A/C C>	8,664,000	4.33
7	CUSTODIAL SERVICES LIMITED <A/C 18>	6,201,000	3.10
8	FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	4,454,000	2.23
9	TAPPENDEN HOLDINGS LIMITED	2,117,000	1.06
10	CUSTODIAL SERVICES LIMITED <A/C 16>	2,085,000	1.04
11	CUSTODIAL SERVICES LIMITED <A/C 1>	1,199,000	0.60
1	JBWERE (NZ) NOMINEES LIMITED <54443 A/C>	1,110,000	0.55
13	JBWERE (NZ) NOMINEES LIMITED <54440 A/C>	1,080,000	0.54
14	JBWERE (NZ) NOMINEES LIMITED <54441 A/C>	1,070,000	0.53
15	ATT INVESTMENTS LIMITED	1,000,000	0.50
16	FLETCHER BUILDING EDUCATIONAL FUND LIMITED	1,000,000	0.50
17	JBWERE (NZ) NOMINEES LIMITED <44626 A/C>	1,000,000	0.50
18	KIA INVESTMENTS LIMITED	1,000,000	0.50
19	FAITH PRISCILLA TAYLOR	1,000,000	0.50
20	JBWERE (NZ) NOMINEES LIMITED <54437 A/C>	700,000	0.35
	Totals: Top 20 holders of perpetual preference shares	**114,289,000**	**57.14**
	Total remaining holders balance	**85,711,783**	**42.86**
	Total	**200,000,783**	**100%**

Distribution of perpetual preference shares

Range of equity holdings	Number of holders	Number of shares held	% of issued equity
500 - 999	1	783	0.00
5,000 - 9,999	224	1,249,000	0.62
10,000 - 49,999	1,557	31,501,000	15.75
50,000 - 99,999	366	20,662,000	10.34
100,000 - 499,999	178	27,478,000	13.74
500,000 - 999,999	9	5,521,000	2.76
1,000,000 - 9,999,999,999,999	19	113,589,000	56.79
TOTAL	2,354	200,000,783	100.00

Ordinary shareholder information

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

Quayside Holdings Limited and Subsidiaries
Directory
For the year ended 30 June 2020

Registered office

41 The Strand
Tauranga 3110
Ph: (07) 579 5925

Postal address

PO Box 13564
Tauranga 3141

Auditors

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

Solicitor

Cooney Lees Morgan
PO Box 143
Tauranga 3110

Share registrar

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

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

www.investorcentre.com/nz

General enquiries can be directed to:

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

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