



Report To: Regional Council

Meeting Date: 29 March 2018

Report From: Mat Taylor, General Manager, Corporate Performance

Confidential

Quayside Holdings Limited Half Yearly Report 2017/18 and Draft Statement of Intent 2018/19

Executive Summary

At this meeting Council will receive a presentation from Quayside of the draft 2018/19 Statement of Intent. This report presents the draft SOI and half yearly report.

The half yearly report highlights performance of the Quayside Group, including the Port of Tauranga Limited for the six months to 31 December 2017.

A review of the Half Yearly Report demonstrates the continued strong financial performance of the Port of Tauranga and Quayside Holdings. This provides confidence that dividend payments will be met in the short to medium term.

The Draft Statement of Intent for 2018/19 provides confirmation of dividend distributions for future years that align with the Council's Long Term Plan 2018-2028 Consultation Document.

Recommendations

That the Regional Council:

- 1 Receives the report, Quayside Holdings Limited Half Yearly Report 2017/18 and Draft Statement of Intent 2018/19;**
- 2 Receives the presentation from Quayside Holdings Limited and notes the information provided relating to the Draft Statement of Intent**
- 3 Agrees for the Chief Executive to release the report and above resolutions in the open part of the meeting.**

1 Background

Quayside Holdings Limited is a Council Controlled Organisation (CCO). Schedule 8 of the local Government Act 2002 requires Council Controlled Organisations to deliver to

shareholders a draft Statement of Intent (SOI) for the coming financial year by 1 March in the preceding financial year. Shareholders then have up to two months to make comments on the draft.

At this meeting Council will receive a presentation of the draft Statement of Intent. This report presents the SOI and half yearly report.

2 Half Yearly Report to 31 December 2017

The half yearly report is attached as Appendix 1, and provides the following highlights of the performance of the Quayside Group, including the Port of Tauranga Limited for the six months to 31 December 2016:

- Group net profit after tax of \$62.3 million (up by 37.5% from 2016/17)
- The market value of Quayside's 54.14% shareholding in the Port of Tauranga was \$1.82 billion at 31 December 2017
- Quayside's profit after tax was \$15.2 million (compared to \$3.5 million for 2016)
- Council received a dividend of \$17 million during the period.

A review of the Half Yearly Report demonstrates the continued strong financial performance of the Port of Tauranga and Quayside Holdings. This provides confidence that dividend payments will be met in the short to medium term.

3 Draft 2018/19 Statement of Intent

The draft 2018/19 SOI and covering letter are attached as Appendix 2 and 3. Set out in summary within the covering letter are four items that reflect changes or amendments to the current Statement of Intent, or are being currently considered by the Quayside Board.

Changes and updates from previous years

These updates either relate to including information on a Joint Venture arrangement, rewording of a performance measure target, and some clarity around the value of each activity.

Following a review of the Draft Statement of Intent there are no issues or concerns to highlight at this stage, pending feedback following the presentation by Quayside at the meeting.

Dividend distributions

The draft dividend distributions to the Regional Council (set out on page 10 of Appendix 3) are consistent with the Regional Council's Long Term Plan Consultation Document and are as follows:

	2018/19	2019/20	2020/21
Distribution (\$000s)	29,000	29,900	30,900

4 Council's Accountability Framework

4.1 Community Outcomes

This activity contributes to the Community Outcomes in the council's Long Term Plan 2015-2025.

4.2 Long Term Plan Alignment

This work is planned under the Corporate Services Activity in the Long Term Plan 2015-2025.

Current Budget Implications

These are set out in the current Annual Plan and relate to the budgeted dividend revenue.

Future Budget Implications

Future financial implications are included in the draft Councils Long Term Plan 2018-2028.

Mat Taylor
General Manager, Corporate Performance

20 March 2018

APPENDIX 1

2018-03-05 Quayside Holdings Limited and Subsidiary Companies - Half Year Report for December 2017

**QUAYSIDE HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES**

HALF YEAR REPORT

For

31 DECEMBER 2017

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

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DIRECTORS' REPORT TO SHAREHOLDERS

Unaudited Results for the Six Months to 31 December 2017

Group Net Profit after Tax (NPAT) for the six months was \$62.3m (2016: \$45.3m), an increase of 37.5%.

Port Segment Performance

Port of Tauranga continues to grow as an international hub port, resulting in increased trade volumes and profits for the first half of the 2018 financial year. The Port of Tauranga produced a half year Net Profit After Tax of \$47.1 million, a 12.6% increase on the same period last year, following strong growth in most cargoes. Half year trade volumes grew 13.4% to 12.5 million tonnes, contributing to a 12.8% increase in revenue to \$141.4 million for the six months ending December 2017. Growth has accelerated following the September 2016 completion of a major dredging project that was the culmination of a \$350 million expansion programme.

The markets continue to strongly value the Port of Tauranga shares, reflecting its on-going financial performance, future potential, and its status as a quality infrastructure asset. The Port of Tauranga share price at 31 December 2017 was \$4.94, against \$4.44 at 30 June 2017. Quayside held 54.14% of the Port of Tauranga shares as at 31 December 2017 with a market value of \$1,820m.

Investment Segment Performance

The Quayside Group delivered a profit of \$15.2m (2016: \$3.5m) after tax for the first half of the year. The Quayside equity portfolio delivered a gross return of 10.5% for the six months (2016: 4.7%), whilst returns from orchard investments have been strong.

The Quayside Group paid dividends to Perpetual Preference Shareholders during the period of \$3.1m in accordance with its prospectus. Dividends paid during the period to the Bay of Plenty Regional Council total \$17m (2016: \$12.9m) matching its current Statement of Intent.

Statement of Intent

Quayside Holdings Limited is a "Council Controlled Organisation", owned by the Bay of Plenty Regional Council. The provisions of the Local Government Act 2002 require "Council Controlled Organisations" to have a "Statement of Intent" in respect of each financial year. The draft Statement of Intent for the coming year, setting out performance criteria and forward dividend guidance, is provided to the Bay of Plenty Regional Council at the end of February each year. Quayside Holdings Limited must provide a final Statement of Intent by 30 June. Quayside is currently operating under a Statement of Intent provided to Council for the period 1 July 2017 to 30 June 2018.

Appointment, Rotation and Retirement of Directors and Officers

The shareholder's policy is that directors retire, but are eligible for reappointment, on a rolling three yearly basis. During the period Michael Smith (Chairman) retired and Brett Hewlett was appointed. Rob McLeod was appointed as Chairman.



Director



Director

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December 2017

	Note	Unaudited Six months Dec 2017 \$'000	Unaudited Six months Dec 2016 \$'000	Audited Full year June 2017 \$'000
Trading revenue		142,503	125,933	260,098
Other income		16,786	9,896	23,275
Operating income		159,289	135,829	283,373
Employee benefit expenses		(18,936)	(16,401)	(34,591)
Trading and other expenses		(47,302)	(46,103)	(93,412)
Operating expenses		(66,238)	(62,504)	(128,003)
Results from operating activities		93,051	73,325	155,370
Depreciation and amortisation		(13,256)	(12,387)	(24,956)
Operating profit before finance costs and taxation		79,795	60,938	130,414
Finance income		631	477	1,072
Finance expenses	6	(10,201)	(9,301)	(19,024)
Net finance costs		(9,570)	(8,824)	(17,952)
Share of profit from Equity Accounted Investees		7,926	7,241	13,282
PROFIT BEFORE INCOME TAX		78,151	59,355	125,744
Income tax expense		(15,819)	(13,990)	(28,146)
PROFIT FOR THE PERIOD		62,332	45,365	97,598
Attributable to:				
Equity holders of the parent		41,047	26,505	60,002
Non-controlling interest		21,285	18,860	37,596
PROFIT FOR THE PERIOD		62,332	45,365	97,598

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2017

	Unaudited Six months Dec 2017 \$'000	Unaudited Six months Dec 2016 \$'000	Audited Full year June 2017 \$'000
Net profit after tax	62,332	45,365	97,598
Other comprehensive income			
<i>Items that will be reclassified to profit or loss when specific conditions are met:</i>			
Cash flow hedge - changes in fair value	(1,638)	4,761	2,956
Cash flow hedge - reclassified to profit or loss	1,079	1,142	2,538
Changes in cash flow hedges transferred to property, plant and equipment, net of tax	-	708	708
Share of net change in cash flow hedge reserves of Equity Accounted Investees	(46)	243	182
	(605)	6,854	6,384
<i>Items that will never be reclassified to profit or loss:</i>			
Bearer plant revaluation, net of tax	-	-	775
Kiwifruit licence revaluation, net of tax	-	-	473
Asset revaluation, net of tax	-	751	63,267
Share of net change in revaluation reserves of Equity Accounted Investees	551	621	745
	551	1,372	65,260
Total other comprehensive income for the period	(54)	8,226	71,644
Total comprehensive income for the period	62,278	53,591	169,242
Attributable to:			
Equity holders of the parent	41,018	31,363	99,983
Non-controlling interest	21,260	22,228	69,259
	62,278	53,591	169,242

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
For the six months ended 31 December 2017

	Share capital	Hedging Reserve	Revaluation Reserve	Retained Earnings	Non- controlling interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	200,011	(7,824)	368,136	39,145	399,270	998,738
Profit after tax	-	-	-	26,505	18,860	45,365
Cash flow hedges - changes in fair value	-	2,616	-	-	2,145	4,761
Cash flow hedge - reclassified to profit or loss	-	627	-	-	515	1,142
Changes in cash flow hedges transferred to property, plant and equipment, net of tax	-	389	-	-	319	708
Share of net change in cash flow hedge reserves of equity accounted investees	-	134	-	-	109	243
Share of net change in revaluation reserves of Equity Accounted Investees	-	-	341	-	280	621
Asset revaluation, net of tax	-	-	751	-	-	751
Total comprehensive income	-	3,766	1,092	26,505	22,228	53,591
Non-controlling interest adjustments	-	-	-	(6)	6	-
Increase in share capital	-	-	-	-	12	12
Equity settled share based payment accrual	-	-	-	-	937	937
Dividends paid to shareholders (Note 7)	-	-	-	(17,134)	(34,336)	(51,470)
Total transactions with owners	-	-	-	(17,140)	(33,381)	(50,521)
Balance at 31 December 2016	200,011	4,058	369,228	48,510	388,117	1,001,808
Profit after tax	-	-	-	33,497	18,736	52,233
Cash flow hedges - changes in fair value	-	(992)	-	-	(813)	(1,805)
Cash flow hedge - reclassified to profit or loss	-	767	-	-	629	1,396
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	(34)	-	-	(27)	(61)
Share of net change in revaluation reserves of Equity Accounted Investees	-	-	124	-	-	124
Asset revaluation, net of tax	-	-	34,010	-	28,506	62,516
Bearer plant revaluation, net of tax	-	-	775	-	-	775
Kiwifruit licence revaluation	-	-	473	-	-	473
Total comprehensive income	-	(259)	35,382	33,497	47,031	115,651
Non-controlling interest adjustments	-	-	-	1	(1)	-
Increase/(decrease) in share capital	-	-	-	-	2	2
Revaluation surplus transferred to retained earnings on asset disposal	-	-	(463)	463	-	-
Equity settled share based payment accrual	-	-	-	-	488	488
Dividends paid to shareholders	-	-	-	(11,572)	(15,607)	(27,179)
Total transactions with owners	-	-	(463)	(11,108)	(15,118)	(26,689)
Balance at 30 June 2017	200,011	(4,317)	404,147	70,899	420,030	1,090,770
Profit after tax	-	-	-	41,047	21,285	62,332
Cash flow hedges - changes in fair value	-	(898)	-	-	(740)	(1,638)
Cash flow hedge - reclassified to profit or loss	-	592	-	-	487	1,079
Share of net change in cash flow hedge reserves of equity accounted investees	-	(25)	-	-	(21)	(46)
Share of net change in revaluation reserves of equity accounted Investees	-	-	302	-	249	551
Total comprehensive income	-	(331)	302	41,047	21,260	62,278
Non-controlling interest adjustments	-	-	-	1	(1)	-
Increase in share capital	-	-	-	81	66	147
Equity settled share based payment accrual	-	-	-	-	700	700
Adjustment for vesting of equity settled share based payment	-	-	-	709	(709)	-
Dividends paid to shareholders (Note 7)	-	-	-	(20,110)	(34,960)	(55,070)
Total transactions with owners	-	-	-	(19,319)	(34,904)	(54,223)
Balance at 31 December 2017	200,011	(4,648)	404,449	92,627	406,386	1,098,825

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	Unaudited Six months Dec 2017 \$'000	Unaudited Six months Dec 2016 \$'000	Audited Full year June 2017 \$'000
ASSETS				
Current assets				
Cash & cash equivalents		51,645	44,430	43,634
Trade and other receivables		48,127	46,253	47,423
Inventories		355	58	137
Total current assets		100,127	90,741	91,194
Non-current assets				
Intangible assets		20,828	19,553	21,144
Advances and receivables		30	46	36
Property, plant and equipment	8	1,232,778	1,170,803	1,235,637
Biological assets	9	675	921	-
Investments in equity accounted investees	10	147,315	134,311	138,014
Other financial assets		153,634	126,436	137,103
Investment property		19,051	12,079	17,405
Total non-current assets		1,574,311	1,464,149	1,549,339
Total assets		1,674,438	1,554,890	1,640,533
LIABILITIES				
Current liabilities				
Trade and other payables		31,766	32,550	32,687
Revenue received in advance		244	-	316
Loans and borrowings	11	341,795	245,000	255,140
Provisions		2,197	1,250	2,334
Derivative financial instruments		227	381	1,013
Current taxation		5,708	3,736	8,403
Total current liabilities		381,937	282,917	299,893
Non-current liabilities				
Trade and other payables		-		
Loans and borrowings	11	125,000	201,786	181,733
Provisions		2,165	1,718	1,888
Derivative financial instruments		10,488	8,955	8,887
Deferred tax liability		56,023	57,706	57,362
Total non-current liabilities		193,676	270,165	249,870
Total liabilities		575,613	553,082	549,763
NET ASSETS		1,098,825	1,001,808	1,090,770

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Unaudited Six months Dec 2017 \$'000	Unaudited Six months Dec 2016 \$'000	Audited Full year June 2017 \$'000
EQUITY			
Paid up capital	200,011	200,011	200,011
Reserves	399,801	365,170	399,830
Retained Earnings	92,627	48,510	70,899
Total equity attributable to equity holders of the Parent	692,439	613,691	670,740
Non controlling interest	406,386	388,117	420,030
TOTAL EQUITY	1,098,825	1,001,808	1,090,770

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
For the six months ended 31 December 2017

	Unaudited Six months Dec 2017 \$'000	Unaudited Six months Dec 2016 \$'000	Audited Full year June 2017 \$'000
Cash flows from operating activities			
Cash inflows	149,017	129,118	271,731
Cash outflows	(100,111)	(84,047)	(170,750)
Net cash flows from operating activities	48,906	45,071	100,981
Cash flows from investing activities			
Cash inflows	18,522	12,860	33,315
Cash outflows	(34,612)	(57,787)	(97,735)
Net cash flows from investing activities	(16,090)	(44,927)	(64,420)
Cash flows from financing activities			
Cash inflows	40,086	78,722	63,699
Cash outflows	(65,070)	(56,752)	(78,832)
Net cash flows from financing activities	(24,984)	21,970	(15,133)
Effect of exchange rate changes on cash and cash equivalents	179	140	30
Net increase in cash and cash equivalents	8,011	22,254	21,458
Cash and cash equivalents at the beginning of the period	43,634	22,176	22,176
Cash and cash equivalents at the end of the period	51,645	44,430	43,634
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASHFLOWS FROM OPERATING ACTIVITIES			
Profit for the period	62,332	45,365	97,598
Add/(subtract) non-cash and non-operating items	(9,539)	1,656	396
Add/(subtract) movements in working capital	(3,887)	(1,950)	2,987
Net cash flows from operating activities	48,906	45,071	100,981

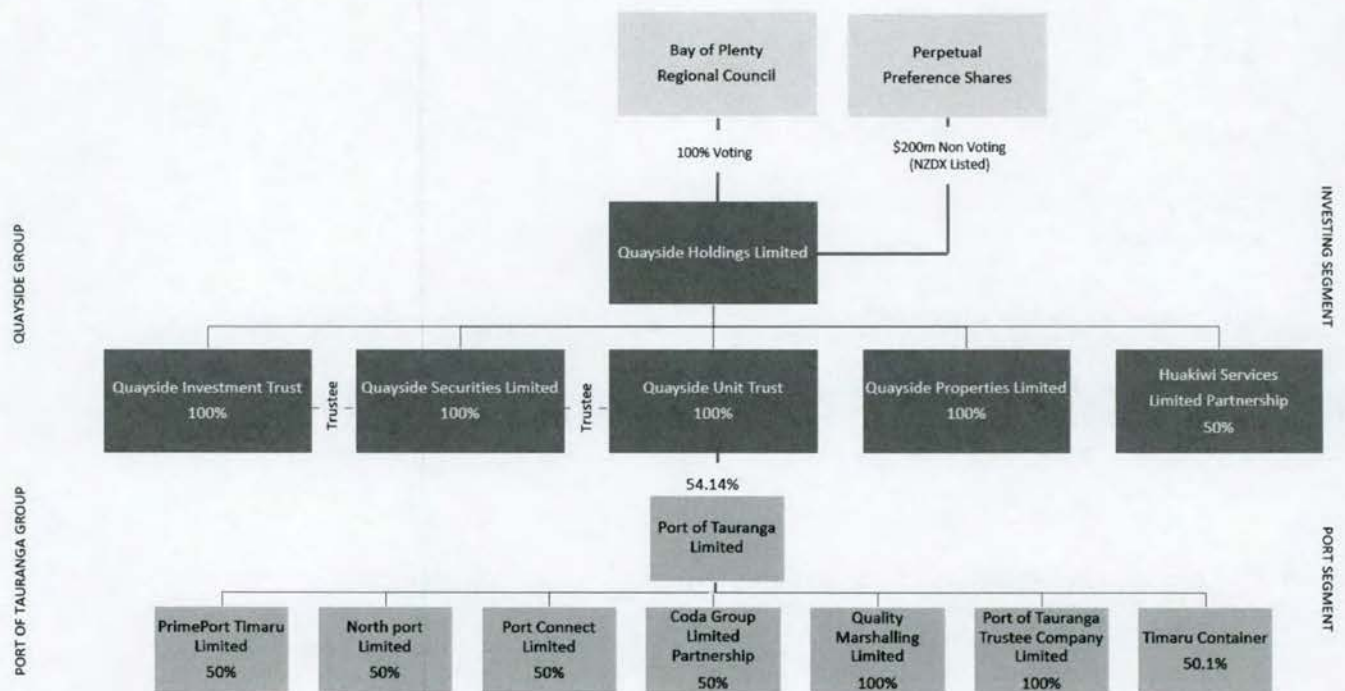
1 REPORTING ENTITY

Quayside Holdings Limited (the “Parent”) is a company domiciled in New Zealand and registered under the Companies Act 1993. The Parent is wholly owned by Bay of Plenty Regional Council (“Council”). The Parent is a holding company for the investment activity of Council. Through appropriate subsidiaries, the Parent is the majority shareholder in Port of Tauranga Limited, the owner of a diversified investment portfolio, property and commercial ventures.

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

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

The unaudited interim financial statements for Quayside Holdings Limited comprise Quayside Holdings Limited, its subsidiaries and the Group’s interests in Equity Accounted Investees (together referred to as the “Group”). There are two subsets of the Group being the Quayside Group and the Port of Tauranga Group:



2 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"). These interim financial statements have been prepared in accordance with New Zealand International Accounting Standard ("NZ IAS") 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements and related notes included in Quayside Holdings Limited's Annual Report for the year ended 30 June 2017.

3 SIGNIFICANT ACCOUNTING POLICIES

No new standards have been adopted during the period. All accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2017.

The following new standards are not yet effective in preparing these financial statements:

NZ IFRS 9 Financial Instruments

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

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

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

NZ IFRS 16 Leases

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

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with NZ IAS 34 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. In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, were the same as those applied to the Group's consolidated financial statements for the year ended 30 June 2017.

5 SEGMENT INFORMATION

At 31 December 2017 the Group comprises two main business segments: The first being the business of facilitating export and import activities (Port), and the second being the business of investment (Investing). Both business segments operate in one geographic segment, being New Zealand.

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

The unaudited segment results for the six months ended 31 December 2017 are as follows:

	Port \$'000	Investing \$'000	Total \$'000
31 December 2017			
Revenue (from external customers)	141,431	1,072	142,503
Other income	-	58,051	58,051
Inter-segment revenue	-	(41,265)	(41,265)
	141,431	17,858	159,289
Share of profit of Equity Accounted Investees	7,908	18	7,926
Finance income	194	437	631
Finance costs	(9,330)	(871)	(10,201)
Depreciation and amortisation	(12,940)	(316)	(13,256)
Other expenditure	(64,310)	(1,928)	(66,238)
Income tax expense	(15,840)	21	(15,819)
Profit after income tax	47,113	15,219	62,332

5 SEGMENT INFORMATION (continued)

	Port \$'000	Investing \$'000	Total \$'000
31 December 2016			
Revenue (from external customers)	125,328	605	125,933
Other income	-	50,424	50,424
Inter-segment revenue	-	(40,528)	(40,528)
	125,328	10,501	135,829
Share of profit of Equity Accounted Investees	7,894	(653)	7,241
Finance income	229	248	477
Finance costs	(8,362)	(939)	(9,301)
Depreciation and amortisation	(12,140)	(247)	(12,387)
Other expenditure	(57,101)	(5,403)	(62,504)
Income tax expense	(13,990)	-	(13,990)
Profit after income tax	41,858	3,507	45,365

6 FINANCE EXPENSES

	Six Months Ended 31 Dec 2017 \$000	Six Months Ended 31 Dec 2016 \$000
Interest expense on borrowings	(10,349)	(10,248)
Less: interest capitalised to property, plant and equipment	186	949
	(10,163)	(9,299)
Amortisation of interest rate collar premium	(23)	-
Ineffective portion of changes in fair value of cash flow hedges	(15)	(2)
Total finance expenses	(10,201)	(9,301)

7 DIVIDENDS

The following net dividends were paid by Quayside Holdings Limited. All dividends paid were fully imputed.

	Six Months Ended 31 Dec 2017 \$000	Six Months Ended 31 Dec 2016 \$000
Ordinary Shares		
Dividend (paid 13/07/17) of \$850.00 per share (2016: \$500.00)	8,500	5,000
Dividend (paid 26/10/17) of \$850.00 per share (2016: \$790.00)	8,500	7,900
	17,000	12,900
Perpetual Preference Shares		
Quarterly dividend (paid 12/9/17) 0.0778 cents per share (2016: 0.1058 cents)	1,555	2,117
Quarterly dividend (paid 12/12/17) 0.0778 cents per share (2016: 0.1058 cents)	1,555	2,117
	3,110	4,234
Total Dividends Paid	20,110	17,134

7 DIVIDENDS (continued)

The dividend cents per share, for the Perpetual Preference Shares, includes resident with-holding tax of 5% paid by the Quayside Group on behalf of shareholders. The Perpetual Preference Shares are subject to a fixed dividend rate which is reset every three years. The latest reset occurred on 13 March 2017, where the rate for the following three year period was set at 4.32%. The next dividend reset date will be 12 March 2020.

8 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and Disposals

During the six months ended 31 December 2017, the Port of Tauranga Group acquired assets with a cost of \$9,740,000 (2016: \$44,021,000). During the six months ended 31 December 2017, the Port of Tauranga Group disposed of assets with a carrying value of nil (2016: \$144,000).

During the six months ended 31 December 2017, the Quayside Group acquired assets with a cost of \$62,847 (2016: \$1,793) and wrote off assets with a carrying value of \$791 (2016: \$2,766).

9 BIOLOGICAL ASSETS

Biological assets comprise kiwifruit crops on bearer plants owned by Quayside Properties Limited. Harvesting of the crop takes place in April to June each year. At 31 December each year the crop is measured at fair value. The fair value is deemed to be cost as insufficient biological transformation has occurred.

10 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

During the period, Quayside Holdings Limited entered in to a joint venture, Huakiwi Developments Limited Partnership, with Maori Trustee, Te Tumu Paeroa. The joint venture is for the development of kiwifruit orchards on Maori land across the Bay of Plenty and Gisborne. Quayside's current investment in the partnership is \$6m.

11 LOANS AND BORROWINGS

	31 Dec 2017 Carrying Value Group \$000	31 Dec 2016 Carrying Value Group \$000
Westpac	46,510	56,510
Commercial papers	245,000	245,000
Standby revolving cash advance facility	50,000	20,000
Fixed rate bonds	125,000	125,000
Advances from employees	285	276
Total loans and borrowings	466,795	446,786
Current	341,795	245,000
Non current	125,000	201,786
Total	466,795	446,786

Commercial Papers

At 31 December 2017 the Port of Tauranga Group had \$245 million of commercial paper debt that is classified within current liabilities (2016: \$245 million). Due to this classification, the Port of Tauranga Group's current liabilities exceed the Port of Tauranga Group's current assets. Despite this fact, the Port of Tauranga Group does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.

Standby Revolving Cash Advance Facility Agreement

The Port of Tauranga Limited has a \$380 million (2016: \$280 million) financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited and the Commonwealth Bank of Australia, New Zealand branch and The Bank of Tokyo-Mitsubishi UFJ Limited, Auckland branch. The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

Fixed Rate Bonds

The Port of Tauranga Limited has issued two six-year fixed rate bonds, a \$50 million fixed rate bond with a final maturity on 29 October 2019 and a \$75 million fixed rate bond with final maturity on 29 January 2021.

Westpac Banking Corporation

Quayside Holdings Limited has a \$70 million (2016: \$70 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 on 20 October 2018. Management is currently reviewing renewal options for the facility. At 31 December 2017 the balance outstanding was \$46.5 million (2016: \$56.5 million).

12 RELATED PARTY TRANSACTIONS

Controlling entity

The parent entity in the Group is Quayside Holdings Limited, which is 100% owned by the Bay of Plenty Regional Council. Other related parties include subsidiaries and equity accounted investees – refer Note 1.

Transactions with related parties:

During the six months ended 31 December 2017, the related party transactions and balances with subsidiaries and equity accounted investees were as follows:

	Six Months Ended 31 Dec 2017 \$000	Six Months Ended 31 Dec 2016 \$000
Transactions with Related Parties		
Bay of Plenty Regional Council		
Dividends paid by Quayside Holdings Limited	17,000	12,900
Services provided to Quayside Holdings Limited	-	30
Accounts payable by Quayside Holdings Limited	-	5
Services provided to Quayside Properties Limited	2	3

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

During the six months ended 31 December 2017, the Group entered into transactions with companies in which Group Directors held directorships. These directorships have not resulted in the Group having significant influence over the operations, policies or key decisions of these companies.

Transactions with Key Management Personnel

The Group does not provide any non-cash benefits to Directors and executive officers in addition to their Directors' fees or salaries.

	Six Months Ended 31 Dec 2017 \$000	Six Months Ended 31 Dec 2016 \$000
Short term employee benefits		
Directors fees	534	511
Executive salaries	2,276	1,797

Executive salaries at 31 December 2017 includes back dated holiday pay for Port of Tauranga Ltd.

13 COMMITMENTS

	Six Months Ended 31 Dec 2017 \$000	Six Months Ended 31 Dec 2016 \$000
Capital commitments		
Estimated capital commitments contracted for at balance date but not provided for:	5,700	9,127

Capital commitments at 31 December 2017 relate to settlement funds due in December 2018 for the purchase of an investment property within the Quayside Group.

Quayside Holdings Limited has future uncalled capital commitments for investment in to WNT Ventures Management Limited and Oriens Capital Limited.

14 FINANCIAL INSTRUMENTS

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

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

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

Derivative financial instruments are categorised as Level 2 in the fair value measurement hierarchy.

The carrying value of all financial assets and liabilities represent a reasonable approximation of their fair value.

15 SUBSEQUENT EVENTS

Refinancing of Standby Revolving Cash Advance Facility

On 1 January 2018, the Port of Tauranga Limited partially refinanced its \$380 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia New Zealand branch and The Bank of Tokyo-Mitsubishi UFJ Limited, Auckland branch.

The Parent Company decreased the size of its tranche 1 facility, which was maturing on 31 March 2018, from \$100 million to \$50 million and extended the maturity date of this tranche to 30 June 2019. The Port of Tauranga Limited also added a new \$50 million tranche to the Standby Revolving Cash Advance Facility, tranche 6, maturing 30 June 2019.

**QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
DIRECTORY
as at 31 December 2017**

Directors holding office at 31 December 2017 were:

Quayside Group

R A McLeod (Chair)

B Hewlett (Appointed 1 November 2017)

M MacLeod

J M Nees

W J Parker

R B Tait

P J Thompson

Port of Tauranga Group

D A Pilkington (Chair)

K R Ellis

J C Hoare

A R Lawrence

D W Leeder

R A McLeod (Appointed 31 October 2017)

Loans

There were no loans made by Group companies or any of its subsidiaries to Directors.

Indemnification and insurance of directors and officers

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

Chief Executive

A S Hamilton

Solicitor

Cooney Lees Morgan

PO Box 143

Tauranga 3110

Registered Office

53 Spring Street

Tauranga 3110

Ph: 07 579 5925

APPENDIX 2

Letter to BOPRC - Draft SOI 30 June 2019



Quayside Holdings Ltd

Level 2, 53 Spring Street, Tauranga
PO Box 13564, Tauranga Central 3141

Phone: +64 7 579 5925
Email: enquiries@quaysideholdings.co.nz
Website: www.quaysideholdings.co.nz

28 February 2018

Mr Mat Taylor
General Manager, Corporate Performance and Chief Financial Officer
Bay of Plenty Regional Council
P O Box 364
Whakatāne

Dear Mat,

Quayside Group Draft Statement of Intent to 30 June 2019

It is my pleasure to enclose the Draft Statement of Intent for Quayside Holdings Limited and Subsidiary Companies for the year to 30 June 2019. The subsidiary companies of Quayside Holdings Limited are Quayside Securities Limited and Quayside Properties Limited. The document attached has been drafted in accordance with the provisions of the Local Government Act 2002 as it relates to Council Controlled Organisations.

The presentation style and format of the document is like that provided in prior years. The Draft Statement of Intent has been prepared for Council on a 'no surprises' basis. The following items are amendments / changes or under consideration versus the prior Statement of Intent.

1. Joint Ventures: Quayside investments include currently one Joint Venture, Huakiwi Services Limited, the kiwifruit investment programme on Maori land. Quayside holds a 50% interest in this venture.
2. Performance Targets - Commercial Ventures target 1: Included in the measure are the words 'portfolio alignment' as part of a measure. This better reflects the role of Quayside in building a portfolio of assets for Council and regional benefit.
3. Distribution Proceeds: The distributions to Council are in excess of those identified in last years Statement of Intent and match to the draft Long Term Plan issued by the Council.
4. Nature and Scope of Group Activities: We have provided greater clarity around the value of each activity. Additionally, we have noted the Treasury function to reflect the liability management that exists to complement the asset portfolios.

The Draft Statement of Intent has no changes around Council Controlled Trading Organisation considerations. We continue to investigate this and will consult in Council in due course. The focus

of Treasury Management solutions remains solely focused on Quayside functions at this time, pending any future decisions of Council.

The Act requires Quayside to submit this Draft Statement of Intent by 1 March 2018, with Council to respond by 30 April 2018. Quayside will thereafter provide the finalised Statement of Intent to Council by 30 June 2018.

Quayside will touch on aspects of the Draft Statement of Intent in its presentation to Council along with our interim financial performance on 29 March 2018. I am also happy to discuss the document with you or other members of Council, and receiving any feedback Council may have.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Scott Hamilton', with a horizontal line extending to the right.

Scott Hamilton
Chief Executive

Copy to Ms Mary-Anne Macleod, Chief Executive, Bay of Plenty Regional Council
 Mr Rob McLeod, Chairman, Quayside Holdings Limited

APPENDIX 3

Draft SOI - June 2019

Draft Statement of Intent

Quayside Holdings Limited, Subsidiaries, and
Joint Ventures

For the year to 30 June 2019

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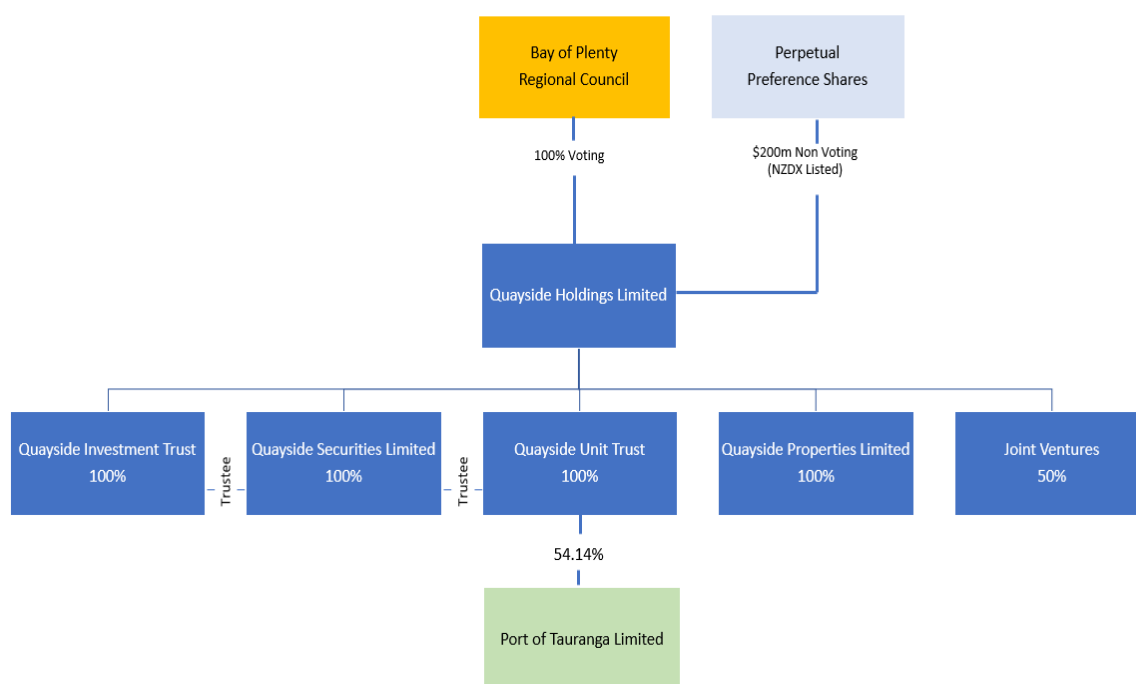
Introduction

The Local Government Act 2002 section 64(1) requires all Council-Controlled Organisations to annually prepare a Statement of Intent. The content of a Statement of Intent must adhere to the Local Government Act 2002 schedule 8.

Quayside Holdings Limited is a Council-Controlled Organisation, itself being a 100% subsidiary of the Bay of Plenty Regional Council. This Statement of Intent also incorporates the nature, scope, activities, and performance targets of subsidiaries of Quayside Holdings Limited, namely Quayside Securities Limited (100%), Quayside Unit Trust (100%), Quayside Investment Trust (100%), and Quayside Properties Limited (100%) and joint ventures.

Port of Tauranga Limited is a 54.14% subsidiary of Quayside Securities Limited (as trustee). The Port of Tauranga Limited is not a Council-Controlled Organisation and therefore is not required to produce a Statement of Intent. This Statement of Intent does however include the governance objectives of Quayside Securities Limited (as a majority holder) as it relates to the Port of Tauranga Limited. The investment in the Port of Tauranga Limited is included where reference is made to consolidated financial positions.

The structure of the Quayside Group is as follows:



The Local Government Act 2002 requires a draft of the 2018 / 2019 Statement of Intent to be submitted by 1 March 2018, with final submission by 30 June 2018.

This Statement of Intent is for Quayside Holdings Limited and its subsidiaries for the year 1 July 2018 to 30 June 2019, with dividend forecasts to 30 June 2021.

Terms

Throughout this document the following terms have been applied

“**CCO**” being a Council-Controlled Organisation as defined by the Local Government Act 2002 Part 5

“**CCTO**” being a Council-Controlled Trading Organisation as defined by the Local Government Act 2002 Part 5

“**Council**” being Bay of Plenty Regional Council, 100% shareholder of Quayside Holdings Limited

“**GAAP**” being generally accepted accounting practice according to the Chartered Accountants Australia and New Zealand

“**Group**” being Quayside Holdings Limited and its subsidiaries

“**IFRS**” being the International Financial Reporting Standards as applied in New Zealand and required to be adhered to under New Zealand Company and financial reporting legislation

“**Infrastructure Assets**” being direct investment in commercial return regional infrastructure including (but not exclusively) water, energy, communications, transport, land and buildings

“**Investments Assets**” being tradable securities, direct investments, and cash held by Quayside Holdings Limited and its subsidiaries, but excluding shares held in the Port of Tauranga Limited

“**Joint Ventures**” being Huakiwi Services Limited, an entity 50% owned by Quayside Holdings Limited.

“**NZDX**” being the NZX Debt Market, part of the New Zealand Stock Exchange (‘NZX’)

“**PIE**” being short for Portfolio Investment Entity, a tax status for investment vehicles and applied by Quayside Investments Limited

“**Port**” being Port of Tauranga Limited, a listed company on the New Zealand Stock Exchange. Quayside Securities Limited is 54.14% holder of the Port as at 30 June 2016

“**PPS**” being 200,000,783 non-voting \$1 Perpetual Preference Shares issued by Quayside Holdings Limited on 12 March 2008 and listed on the New Zealand Debt Exchange from 13 March 2008

“**QIT**” being Quayside Investments Trust, a PIE unit trust investment vehicle, established in 2014, being 100% owned by Quayside Holdings Limited

“**QHL**” being Quayside Holdings Limited, established as a Council-Controlled Organisation (‘CCO’). Quayside Holdings Limited is a 100% subsidiary of the Bay of Plenty Regional Council, and an issuer on the New Zealand Debt Exchange

“**QPL**” being Quayside Properties Limited, established as a Council-Controlled Trading Organisation (‘CCTO’). Quayside Properties Limited is a 100% subsidiary of Quayside Holdings Limited

“**QSL**” being Quayside Securities Limited, established as a Council-Controlled Organisation (‘CCO’). Quayside Securities Limited is a 100% subsidiary of Quayside Holdings Limited, and trustee of Quayside Investments Limited, a PIE and Quayside Unit Trust, including being trustee of a 54.14% shareholding in the Port of Tauranga Limited

“**QUT**” being Quayside Unit Trust, a unit trust and investment vehicle owned by Quayside Holdings Limited and the Bay of Plenty Regional Council

“**Region**” being the jurisdiction of the Bay of Plenty Regional Council

Objectives of the Group

Quayside Holdings Limited and subsidiaries QSL and QUT were established in 1991 when QSL commercially acquired a majority interest in the Port of Tauranga Limited from the Bay of Plenty Regional Council. Quayside Properties Limited was established in 2003. Quayside Investment Trust was established in 2014.

The group objectives are

- To be an effective cornerstone shareholder, allowing the Port of Tauranga Limited (or any other subsidiary) to perform as an independent commercial company through the effective separation of Council and Port responsibilities,
- To enable the Council to undertake commercial and investment activities in accord with the Local Government Act 2002,
- To act as a responsible commercially focused investor and manager, targeting long term commercial returns, delivering growth and income,
- To provide Council with a consistent, sustainable, inflation proof intergenerational revenue stream through annual distributions,
- To access additional commercial expertise through the appointment of independent directors,
- To provide appropriate access to efficient funding, for the benefit of the Region,
- Seek and or where requested by Council identify, analyse, implement and or manage new commercial opportunities,
- To work openly with the Council to provide regional benefit,
- To ensure open dialogue exists between the Group and the Council,
- To comply with all relevant legislation as both a CCO and an issuer on the debt exchange of the NZX.

Governance

This section outlines the responsibilities and selection criteria of the QHL Board of Directors.

Role and Appointment of the Board

The Board of QHL is appointed by the Council in accord with the Council policy “Policy for the Appointment and Remuneration of Directors to the Board of Council Subsidiaries (June 2014)”. The policy targets the Board of Quayside consist of an equal number of Council (currently three, being the Bay of Plenty Regional Council Chief Executive Officer and two elected members) and independent Board members. Under this same policy, Council will set a total remuneration pool for Directors of Quayside Holdings, and its subsidiaries Quayside Securities Limited and Quayside Properties Limited. At the time of writing the Board of Quayside consists of seven members of whom four are independent.

Appointment to the Board of subsidiary organisations is the responsibility of the Board of QHL. In respect of appointment to the Board of the Port, this is determined by the Board of QSL as trustee. One appointee to the Board of the Port is currently a Councillor, recommended to QSL by the Council. A second appointee will be an independent Director of QSL.

Appointment of investor representatives onto Joint Ventures boards is the responsibility of the Board.

All Directors of the Group have and must apply skills, knowledge and experience in the best interests of the Group, be committed to high quality governance, and assist the Group to meet its objectives and the requirements of this Statement of Intent.

The Board is responsible for the appointment and performance monitoring of the Chief Executive of the Group.

Committees and Policies

The Audit Committee assists in the oversight of regulatory and financial reporting compliance, external audit processes, internal audit, and financial controls. The committee is responsible for assessing and monitoring the business and commercial risks of the Group. A full description of the Audit Committee composition and duties is contained in the Audit Committee Charter.

The Remuneration Committee objective is to assist the Board in all aspects of the CEO remuneration policy and statutory compliance in respect of both officers and directors. A full description of the committee purpose is set out in the Remuneration Committee charter.

Delegated Authority policies have been put in place to enable the Chief Executive of the Group to manage the day to day activities of the group. The Board in conjunction with the Chief Executive will determine and monitor the levels of support staff and consultancy services required to achieve the objectives of the Group as outlined in this Statement of Intent.

Ratio of Shareholder Funds to Total Assets

GROUP CONSOLIDATED (IFRS)	2017	2018	2019
Assets (\$000's)	1,640,533	1,674,438	1,759,217
Liabilities (\$000's)	549,763	575,613	575,613
Shareholder Funds (\$000's)	1,090,770	1,098,825	1,183,604
Shareholder Funds to Assets	66.49%	65.62%	67.28%

The figures above are all reflective of 30 June positions for their respective years. The 2017 position is an actual, 2018 is forecast based on a 31 December 2017 actual, and 2019 is forecast based on current asset holdings and valuation plus retained earnings. Shareholder Funds is inclusive of PPS shareholders and minority interests in the Port of Tauranga.

QUAYSIDE GROUP (Market Value)	2017	2018	2019
Assets (\$000's)	1,853,796	2,063,572	2,100,081
Liabilities (\$000's)	59,105	48,289	48,289
Shareholder - PPS (\$000's)	200,000	200,000	200,000
Shareholder - Council (\$000's)	1,594,691	1,815,283	1,851,792
Council Shareholder Funds to Assets	86.02%	87.97%	88.18%

The figures above are all reflective of 30 June positions for their respective years. The 2017 position is an actual, 2018 is forecast based on a 31 December 2017 actual, and 2019 is forecast based on current market valuation plus retained earnings. Positions are reflective of the market price of the investments of the Quayside Group.

Accounting Policies

The financial statements are prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS), the Companies Act 1993, the Local Government Act 2002 and is a Tier 1 reporting entity under the Financial Markets Conduct Act 2013. A full set of accounting policies are available on request, or via the QHL Annual Report as published to the company's website.

Performance Targets

Performance targets are effective for the year represented by this Statement of Intent. Target measures will therefore be assessed in full on or after 30 June 2019. The Group will keep Council informed during the year of progress against performance targets on a no surprises basis.

Port Portfolio

	Objective	Measure
1.	Maintain a majority holding in the Port of Tauranga Limited	Holding of greater than 51%

Investment Portfolio

	Objective	Measure
1.	Generate commercial returns across the Investment Portfolio	Five year rolling gross return of $\geq 7.5\%$ per annum
2.	Adherence to industry standards including responsible investing	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment frameworks

Infrastructure Portfolio

	Objective	Measure
1.	Generate long term commercial returns and or regional benefit through a portfolio of Infrastructure Assets	Annual Board assessment of benefit of each asset holding

Commercial Ventures

	Objective	Measure
1.	Generate long term commercial returns and or regional benefit through a portfolio of Commercial Assets	Annual Board assessment of benefit of each asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors.

Governance

	Objective	Measure
1.	Keep Council informed on a no surprises basis, providing quality and timely information	A minimum of three presentations to Council shareholders per annum plus timely advice and support as required
2.	Ensure Group Policies and Procedures are current and appropriate	All Policies and Procedures to be reviewed no less than biennially
3.	Meet Shareholders distribution expectations as outlined in SOI or as otherwise agreed.	Distributions paid to agreed values
4.	Compliance with NZX listing requirements for PPS holders	No open issues

Distribution to Shareholders

Distributions to Council

	2019	2020	2021
Distribution (\$000's)	29,000	29,900	30,900

The figures above are all reflective of the cash distribution in the year to 30 June for their respective years.

The distribution is intended to be paid from operating cash flow of the Group after payments to PPS holders. The level of distribution to Council has been made in consultation with Council. This distribution model allows the Group to retain long term capital growth to cover inflation and population growth.

Special distributions received by Quayside are separately considered on an as agreed basis between Quayside and Council in accord with Quayside Distribution and Reserving Policy.

Distributions to PPS Holders

	2019	2020	2021
Distribution (\$000's)	8,640	9,112	10,527

The dates above are all reflective of gross distributions in the year to 30 June. The distribution reflects the fully imputed (at 28%) distribution to unit holders of the PPS, and is inclusive of 5% Resident Withholding Tax (RWT). The distribution rate was reset for a three-year period on March 13th 2017 according to the methodology prescribed in the PPS Prospectus at 4.32%. The next reset rate occurs on March 12th 2020, which has been forecast at 5.26%. A further reset will occur in 2023.

Reporting to Shareholders

Annual and Interim Financials

The Group will provide full year audited financial results with commentary to Council and the NZX (for PPS holders) within 90 calendar days of year end (approximately end of September). Unaudited interim results with commentary will be provided within sixty calendar days of the end of the first half of the year (approximately end of February). This is a requirement of Quayside as a CCO under the Local Government Act 2002, and as an issuer under the listing rules for the NZX (for PPS holders).

The Group (Directors and Executive Officers) will make a formal presentation of financials to Council twice a year (dates likely in March and November).

These presentations focus on presenting the financial performance of the Group against budget. Group Financials will be presented in full with specific focus on

- Performance of the Port Portfolio
- Performance of the Investment Portfolio
- Performance of the Infrastructure Portfolio
- Performance of Commercial Ventures
- Corporate Governance
- Dividend Payments to Shareholders

Group Updates

The Group is also to provide Council with updates on an as requested basis. The Group will make additional presentations to Council on an as requested basis.

All presentations to Council, whether updates or presentation of financials will provide the Group an opportunity to disclose performance year to date against stated performance targets in this Statement of Intent.

No Surprises

The Group operate on a “no surprises” basis with its parent shareholder, the Council. The Group will look to advise the Council early of any material departure from the Statement of Intent at the soonest practical opportunity.

Acquisition and or Disposal of Shares and Other Investments

Holding Companies

The structure of the Group as illustrated in the Introduction section of this Statement of Intent can be changed via resolution of the Board and advised to Council.

Any change in structure shall give due consideration to protecting the investment of the shareholder, protecting the groups strategic investments, and protecting the value of future forecast distributions to shareholders.

Where a change in structure requires new Directors or a recommended change in Directors remuneration, Quayside will advise Council on a “no surprises” basis.

Perpetual Preference Shares (PPS)

The issuance and rules for any amendment to the number of units issued to PPS unit holders will be in accord with the Investment Statement and Prospectus document of 31 January 2008. The Group may, where commercially viable and in accord with NZDX rules, purchase on the open market (and cancel) shares issued to PPS unit holders.

The PPS units are subject to a rate reset during the period of this Statement of Intent. Quayside will inform the market of this rate on 12 March 2020.

Port of Tauranga Limited

A majority holding of the Port will continue to be held by the Group. The Group can only sell below 51% with the approval of the Council. The current shareholding in the Port is 54.14% held by QSL.

Investment Assets

The Group seeks commercial return and an income stream through shareholdings in external companies as traded on various exchanges, being Investment Assets. The Group is entitled to acquire and dispose of Investment Assets without prior consent of the Council, except where that transaction shall be deemed a major transaction under the provisions of the Companies Act 1993 section 129 (2).

Management of Investment Assets is governed by a Statement of Investment Policy and Objectives (SIPO). The SIPO is a live document, last updated by Board resolution 23 December 2016, and is available upon request.

The Group has adopted a policy on Responsible Investments in relation to market traded share investments.

Activities for Which Compensation is Sought

There are no activities for which compensation is sought by the Group from the Council.

The Council does hold a contingent liability in respect of uncalled Redeemable Preference Shares in QHL. The amount available to be called is limited to \$81.8 million. There is no current intention or obligation requiring this capital to be called.

Commercial Valuation of Council Investment

	2017	2018	2019
Council Investment (\$000's)	1,594,691	1,815,283	1,851,792

The figures above are all reflective of 30 June positions for their respective years. The 2017 position is an actual, 2018 is forecast based on 31 December 2017 actuals, and 2019 is forecast.

Council Investment will be the market value of shares held in the Port, together with the value of any other investments, less liabilities of the Group, and less the value attributable to PPS holders.

For the purpose of the forecast position above, the PPS has been valued at \$200m. This may be greater should the market value of the PPS on the NZDX be at a price of greater than \$1.00 per share held.

Other Matters

There are no matters other than those set out above.

Directory

Quayside Holdings Limited and Subsidiaries

Mailing Address: PO Box 13 564
Tauranga 3141

Physical Office: Level 2, 53 Spring Street
Tauranga 3110

Registered Office: Level 2, 53 Spring St

Tauranga 3110

Board of Directors: Rob McLeod (Chair)
Brett Hewlett
Mary-Anne Macleod
Jane Nees
Warren Parker
Robert Tait
Paula Thompson

Chief Executive: Scott Hamilton

Contact Details: Phone: (07) 579 5925
Email: enquiries@quaysideholdings.co.nz
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