Statement of Involvement in Council Controlled Organisations (CCOs) 3

Consolidated Financial Statements 7

Notes to the Financial Statements 17

Statement of Compliance 121

Audit Report 123

Statement of Involvement in Council Controlled Organisations (CCOs)

The Council has control over the following entities:

- Quayside Holdings Limited and its subsidiaries, Quayside Securities Limited and Quayside Securities Limited as trustee for the Quayside Unit Trust and Quayside Investment Trust, and Quayside Properties Limited. Quayside Securities Limited as trustee for the Quayside Unit Trust holds 54.14 percent shareholding in Port of Tauranga
- The Council holds a 16.13 percent shareholding in Bay of Plenty Local Authority Shared Services Limited (BOPLASS Ltd) along with eight other local authorities
- The Council also has a shareholding in the Local Government Funding Agency (LGFA) along with 29 other councils

The provision of financial assistance by Bay of Plenty Regional Council to Quayside Holdings Ltd, BOPLASS Ltd and LGFA is by share capital.

Quayside Group

Performance Targets and Objectives

The Council's objective in establishing the Quayside Group was to achieve optimal commercial performance from the region's shareholding in Port of Tauranga Limited (the Port) while maximising the return to the ratepayers of the Bay of Plenty region.

The Council's budgeted requirement for dividend income of $31.2 million (2018: $25.5 million) was met.

The performance of Quayside Holdings Limited in undertaking its monitoring and advisory functions will be assessed with respect to:

- The quality of financial and other analysis
- The robustness and accuracy of the information relied upon in providing advice
- The clarity, timeliness and materiality of advice
- Compliance with the Council's expectation that the Quayside Group maintain a majority holding in the Port of Tauranga Limited
- Compliance with the Council's expectation that there should be "no surprises" arising from management and commercial performance of the assets held by the Quayside Group
- Achievement of cash dividend payments to the Council and Perpetual Preference Share (PPS) holders during the year

Achievements

During the year the Regional Council has been fully informed by Quayside Holdings Limited about the performance of the shareholding in Port of Tauranga Limited and other investments. The performance has broadly met the shareholders' expectations as defined in the Quayside Statement of Intent. Specifically, net dividend payments to Council in 2018/19 totaled $31.2 million, and dividend payments to Perpetual Preference Share members totaled $8.6 million in accordance with the Investment Statement, thereby satisfying the Statement of Intent target for the year.

Quayside Holdings Limited Performance Indicators

Key Performance Indicator	Target 2018/19	Result 2018/19	Comment
Maintain a majority holding in the Port of Tauranga Limited.	Holding of greater than 51%	Achieved	Quayside held 54.14% of Port of Tauranga shares as at 30 June 2019.
Generate commercial returns across the investment portfolio.	Five year rolling gross return of >= 7.5% per annum.	Achieved	Five year rolling gross return of 14.13% achieved at 30 June 2019.
Adherence to industry standards including responsible investing.	Management and monitoring of investment portfolio against Quayside Statement of Performance Objectives (SIPO) and Responsible Investment Frameworks.	Achieved	Monthly monitoring reported to the Board. No instances of non-compliance.
Generate long term commercial returns and / or regional benefit through a portfolio of infrastructure assets.	Annual Board assessment of benefit of each asset holding.	Achieved	Annual board assessment completed, noting short term performance and reaffirming long term objectives.
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 long term commercial return and any regional benefit factors.	Achieved	Annual board assessment completed, noting short term performance and reaffirming long term objectives
Keep Council informed on a 'no surprises' basis, providing quality and timely information.	A minimum of four presentations to Council per annum plus timely advice and support as required.	Achieved	Presentations to Council in September 2018, December 2018, March 2019, and June 2019. Open communication with Council maintained throughout the year through regular meetings with Quayside CEO and Council management.
Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	Achieved	Polices were reviewed at Board meetings in accordance with a policy review schedule.
Meet shareholder distribution expectations as outlined in Statement of Intent (SOI) or as otherwise agreed.	Distributions paid to agreed values per SOI.	Achieved	Cash dividend paid to agreed levels of $31.2 million paid to Council and gross dividend of $8.6 million (net $6.2 million) paid to PPS holders.
Compliance with NZX listing requirements for PPS holders.	No open issues.		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.

BOPLASS

The Council's objective in cooperatively establishing BOPLASS Ltd was to foster collaboration in delivery of services, particularly back office or support services, between the nine local authorities in the Bay of Plenty/Gisborne areas. It is a separate legal entity from the Council and is responsible for delivery in accordance with an agreed Statement of Intent.

Achievements

During the year the Regional Council has been fully informed by BOPLASS on its performance. Of the targets set in the 2018/19 Statement of Intent, all 7 were achieved.

BOPLASS Performance Indicators

Key Performance Indicator	Target 2018/19	Result 2018/19
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	A minimum of four new initiatives.	Achieved
Provide support to BOPLASS councils that are managing or investigating Shared Services projects.	BOPLASS to provide 0.25 FTE resource and expertise to assist councils in Shared Services developments and projects. Quarterly Satisfaction reviews with participating Councils. Resource assignment measured from project job tracking.	Achieved
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase the breadth of BOPLASS collaboration.	All New Zealand councils are made aware of the Collaboration Portal and it's benefits. Portal is operational outside of the LASS group with a minimum of ten additional councils or local government related organisations having utilised the portal.	Achieved
Ensure appointed vendors remain competitive and continued best value is returned to shareholders.	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.	Achieved
Review of governance performance and structure to ensure it supports BOPLASS' strategic direction.	Affirmative feedback received from shareholding councils at least annually.	Achieved
Communicate with each shareholding council at appropriate levels.	At least one meeting with each Executive Leadership Team per year.	Achieved
Ensure current funding model is appropriate.	Performance against budgets reviewed quarterly. Company remains financially viable.	Achieved

Local Government Funding Agency (LGFA)

Council became a partner of the LGFA following a public consultation process in 2011. The nature of LGFA is to provide lower-cost borrowing for New Zealand's local authorities than the local authorities could individually acquire through private sector lending institutions.

LGFA was established by the Local Government Borrowing Act 2011. The Council is a shareholder along with 29 other local authorities throughout New Zealand and Central Government.

Performance Targets

The following objectives, policies or performance targets were set for 2018/19.

The LGFA operates with the primary objective of optimising debt funding terms and conditions for participating local authorities. Among other things this includes:

- Providing savings in annual interest costs for all participating local authorities on a relative basis compared to other sources of financing
- Making longer-term borrowings available to Participating Local Authorities
- Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice
- Offering more flexible lending terms to Participating Local Authorities

LGFA has a number of additional objectives which complement the primary objective. These additional objectives are to:

- Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in the Statement of Intent
- Provide at least 50 percent of aggregate long-term debt funding for the Local Government sector
- Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses
- Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015
- Maintain LGFA's credit rating equal to the Government sovereign rating where both entities are rated by the same Rating Agency
- Achieve the Financial Forecasts (excluding the impact of AIL)
- Meet or exceed the Performance Targets outlined in the Statement of Intent
- Comply with its Treasury Policy, as approved by the Board

Achievements

The Regional Council has been fully informed by the LGFA through quarterly and half yearly reports, and the Annual Report.

Local Government Funding Agency (LGFA) Performance Indicators

Key Performance Indicator	Target 2018/19	Result 2018/19	Outcome
Average base margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities	No more than 0.10 percent	0.101	Not achieved
LGFA's annual issuance and operating expense (excluding AIL)	Less than $5.67 million	5.85	Not achieved
Total lending to Participating Local Authorities	At least $8.105 billion	9.262	Achieved
Savings on borrowing costs for Council borrowers	LGFA will demonstrate the savings to Council borrowers achieved in the relevant financial year and compared to previous financial years	N/A at 30 June 2019 compared to 11 bps at 30 June 2018	Not achieved

Consolidated Financial Statements

Statement of comprehensive revenue and expense for the year ended 30 June 2019

Council 2017/18 $000	Group 2017/18 $000		Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000
		Operating revenue				
39,420	39,420	Rates	3	50,508	50,878	50,878
13,678	13,678	Subsidies and grants	4	22,870	21,731	21,731
32,502	13,272	Finance revenue	5	38,025	38,876	15,074
13,490	300,629	Trading and other revenue	6	19,822	18,461	333,576
-	446	Reversal of previous revaluation deficit		-	-	-
-	-	Vested asset revenue		-	306	306
1,281	27,753	Other gains	7	-	12,345	30,596
100,371	**395,198**	**Total operating revenue**		**131,225**	**142,597**	**452,161**
		Operating expenditure				
37,702	76,247	Employee benefit expenses	8	40,371	38,303	77,599
6,214	32,058	Depreciation and amortisation	17,18	7,363	6,423	34,693
73,880	168,500	Trading and other expenses	9	82,419	76,231	182,211
-	20,192	Finance costs	5	2,827	2,571	22,555
-	-	Impairment of property, plant and equipment		-	-	499
538	5,514	Other losses	7	-	2,752	17,476
118,334	**302,511**	**Total operating expenditure**		**132,980**	**126,280**	**335,033**
-	15,253	Share of profit of equity accounted investees	22	-	-	7,075
(17,963)	**107,940**	**Surplus/(deficit) before taxation**		**(1,755)**	**16,317**	**124,203**
-	33,023	Income tax expense	10	-	-	35,317
(17,963)	**74,917**	**Surplus/(deficit) after taxation**		**(1,755)**	**16,317**	**88,886**

Statement of comprehensive revenue and expense for the year ended 30 June 2019 *continued*

Council 2017/18 $000	Group 2017/18 $000		Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000
		Attributable to:				
(17,963)	32,325	Equity holders of the parent		(1,755)	16,317	43,446
-	42,592	Non-controlling interest	30	-	-	45,440
(17,963)	**74,917**			**(1,755)**	**16,317**	**88,886**

The accompanying notes form part of these financial statements.

Statement of other comprehensive revenue and expense for the year ended 30 June 2019

Council 2017/18 $000	Group 2017/18 $000		Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000
(17,963)	**74,917**	**Net surplus/(deficit) after tax**		**(1,755)**	**16,317**	**88,886**
		Other comprehensive revenue and expense				
		Items that could be reclassified to surplus/(deficit):				
5,895	5,895	Gain on land and building revaluations		693	(8,744)	(8,744)
14,546	14,546	Gain on Infrastructure assets revaluations		5,259	45,284	45,284
188	188	Gain/(loss) on maritime asset revaluations		10	-	-
(1,021)	(1,021)	Financial assets at fair value through comprehensive revenue and expense		392	3,750	3,669
-	(3,520)	Cash flow hedges - changes in fair value		-	-	(8,942)
-	2,226	Cash flow hedges - reclassified to profit or loss		-	-	1,629
-	(71)	Share of net change in cash flow hedge reserves of equity accounted investees.	22	-	-	(308)
		Items that will not be reclassified to surplus/(deficit):				
-	209,778	Asset revaluation net of tax		-	-	72,129
-	903	Bearer plant revaluation, net of tax		-	-	1,619
-	224	Kiwifruit licence revaluation, net of tax		-	-	255
-	1,687	Share of net change in revaluation reserve of equity accounted investees.	22	-	-	591
19,609	**230,836**	Total other comprehensive revenue and expense		6,354	40,290	107,182
1,645	**305,752**	**Total comprehensive revenue and expense**		**4,599**	**56,607**	**196,068**
		Total comprehensive revenue and expense attributable to:				
1,645	168,226	Equity holders of the parent		4,599	56,607	121,281
-	137,526	Non-controlling interest		-	-	74,787
1,645	**305,752**			**4,599**	**56,607**	**196,068**

The accompanying notes form part of these financial statements.

Statement of changes in equity/net assets for the year ended 30 June 2019

Council 2017/18 $000	Group 2017/18 $000		Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000
449,062	1,355,457	**Balance at 1 July**	429,613	450,708	1,602,892
-	-	Adjustment to accumulated surplus/deficit from the adoption of PBE IFRS 9 and IFRS9	-	-	(274)
		Adjusted balance 1 July			
1,646	305,752	Total comprehensive revenue and expense previously reported	4,599	56,607	196,068
450,708	1,661,210		434,212	507,315	1,798,686
-	(1,460)	Decrease in share capital	-	-	(997)
-	(58,971)	Dividends to shareholders	-	-	(62,343)
-	-	Revaluation surplus transferred to retained earnings on asset disposal	-	-	45
-	(3)	Non controlling interest adjustments	-	-	-
	2,117	Equity settled share-based payment accrual	-	-	2,038
450,708	**1,602,893**	**Balance at 30 June**	**434,212**	**493,295**	**1,737,429**
		Total comprehensive revenue and expense attributable to:			
1,646	168,226	Equity holders of the parent	4,599	56,607	121,280
	137,526	Non-controlling interest	-	-	74,788
1,646	**305,752**		**4,599**	**56,607**	**196,068**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2019

Council 2017/18 $000	Group 2017/18 $000		Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000
		Current assets				
74,538	116,226	Cash and cash equivalents	11	18,307	138,110	205,097
38,309	38,309	Other financial assets - current	15	17,166	78,069	53,069
12,577	67,072	Trade and other receivables	12	14,511	19,255	82,910
227	937	Inventories	13	207	234	1,772
-	-	Derivative financial instruments	16	-	-	-
125,651	**222,544**	**Total current assets**		**50,191**	**235,668**	**342,848**
		Non-current assets				
2,146	2,171	Trade and other receivables - long term	14	2,137	1,820	1,832
341,602	1,792,523	Property, plant and equipment	17	375,649	424,886	1,962,176
5,716	26,475	Intangible assets	18	7,192	6,160	27,675
-	-	Biological assets	19	-	-	390
-	21,918	Investment property	20	-	-	27,886
-	154,636	Investments in equity accounted associates	22	-	-	168,668
		Other financial assets:				
1,877	1,866	- Investment in CCO's and other similar entities	15	1,877	7,048	6,956
15,483	186,996	- Investment in other entities	15	124,269	104	178,624
366,824	**2,186,585**	**Total non-current assets**		**511,124**	**440,018**	**2,374,207**
492,475	**2,409,129**	**Total assets**		**561,314**	**675,686**	**2,717,055**
		Current liabilities				
20,585	54,244	Trade and other payables	23	12,105	17,936	57,125
4,990	8,070	Employee benefit liabilities	25	4,602	4,716	6,892
-	321,845	Borrowings	26	-	90,490	412,490
-	-	Derivative financial instruments	16	-	-	1,138
-	10,076	Current taxation		-	-	10,378
25,575	**394,235**	**Total current liabilities**		**16,707**	**113,141**	**488,023**

Statement of financial position as at 30 June 2019 *continued*

Council 2017/18 $000	Group 2017/18 $000		Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000
		Non-current liabilities				
1,119	2,865	Employee benefit liabilities	25	1,055	1,202	2,985
-	324,906	Borrowings	26	94,340	50,628	397,828
15,000	-	Put option	40	15,000	3,400	-
73	11,860	Derivative financial instruments	16	-	-	20,895
-	72,370	Deferred tax liabilities	24	-	-	69,895
16,192	**412,001**	**Total non-current liabilities**		**110,395**	**55,230**	**491,603**
41,767	**806,236**	**Total liabilities**		**127,102**	**168,371**	**979,626**
450,708	**1,602,893**	**Total net assets**		**434,213**	**507,315**	**1,737,429**
		Equity				
204,279	336,697	Retained earnings	27	191,388	206,903	359,503
246,429	760,646	Reserves	28	242,824	300,413	852,256
450,708	**1,097,343**	**Total equity attributable to the group**		**434,212**	**507,316**	**1,211,759**
-	505,550	Non-controlling interest	29	-	-	525,670
450,708	**1,602,893**	**Total equity**		**434,212**	**507,316**	**1,737,429**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2019

Council 2017/18 $000	Group 2017/18 $000		Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000
		Cash flows from operating activities				
41,253	41,253	Rates		50,383	49,219	49,219
13,376	13,376	Grants		21,706	21,941	21,941
62	62	GST		1,700	(1,650)	(1,650)
13,432	301,177	Receipts from customers		20,887	15,932	336,224
6,583	7,958	Interest received		6,709	6,411	7,887
25,604	5,146	Dividends received		31,300	31,342	6,117
-	-	Taxes refunded		-	-	9
-	(32,030)	Taxes paid		-	-	(35,147)
(102,465)	(241,316)	Payments to suppliers and employees		(122,463)	(117,791)	(273,859)
-	84	Other income		-	-	81
-	(20,051)	Interest paid		2,827	(2,571)	(22,346)
(2,155)	**75,659**	**Net cash from operating activities**		**13,049**	**2,833**	**88,476**
		Cash flows from investing activities				
344	351	Proceeds from sale of property, plant and equipment		1,035	1,350	1,408
170,000	187,265	Proceeds from sale of investments		-	94,000	136,289
-	10,146	Dividends/Distributions from equity accounted investees		-	-	10,113
1,075	1,075	Realised capital gain on investments		-	391	391
-	13	Finance lease payments received, including interest		-	-	13
	350	Repayment of advances from equity accounted investees		-	-	1,000
(36,377)	(53,908)	Purchase of property, plant and equipment	17	(55,420)	(53,859)	(95,016)
(1,119)	(1,119)	Purchase of intangibles		(2,477)	(2,296)	(3,354)
-	(137)	Purchase of computer software assets		-	-	-
-	-	Purchase of investment property		-	-	(2,415)
-	(1,689)	Improvements to investment property		-	-	(66)
(95,187)	(128,434)	Purchase of investments/financial assets		(949)	(69,000)	(131,204)
-	-	Purchase of biological assets		-	-	(485)
-	(9,654)	Investment in equity accounted investee		-	-	(15,401)
38,736	**4,259**	**Net cash from investing activities**		**(57,811)**	**(29,414)**	**(98,727)**

Statement of cash flows for the year ended 30 June 2019 *continued*

Council 2017/18 $000	Group 2017/18 $000		Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000
		Cash flows from financing activities				
-	(15,007)	Repayment of borrowings		-	-	(21,408)
-	30,167	Proceeds from borrowings	26	94,340	140,500	184,750
	-	Loan to Quayside Holdings Limited		(50,000)	(50,000)	-
-	-	Borrower Notes		-	(810)	(810)
-	(1,614)	Repurchase of shares		-	-	(1,386)
(544)	(544)	Long term loans - Clean Heat		(2,010)	(295)	(295)
539	539	Loan repayments - Clean Heat		548	755	755
-	(58,971)	Dividends paid		-	-	(62,343)
(5)	**(45,430)**	**Net cash from financing activities**		**42,878**	**90,150**	**99,263**
-	142	Effects of exchange rate changes on cash and cash equivalents		-	-	(143)
36,576	34,630	**Net increase/(decrease) in cash, cash equivalents and bank overdrafts**		(1,884)	63,572	88,871
37,962	81,596	Cash, cash equivalents and bank overdrafts at the beginning of the year		20,190	74,538	116,226
74,538	**116,226**	**Cash, cash equivalents and bank overdrafts at the end of the year**	11	**18,306**	**138,110**	**205,097**

The accompanying notes form part of these financial statements.

Reconciliation of surplus/(deficit) after tax to net cash flow from operating activities

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Reported profit after tax	**16,317**	**88,886**	**(17,963)**	**74,917**
Items classified as investing/financing activities				
Net gain on investments	(392)	(15,669)	(1,076)	(22,429)
Net gain on sale of property, plant and equipment	(354)	(314)	(206)	(669)
Finance lease interest revenue	-	(2)	-	(3)
	(746)	(15,985)	(1,281)	(23,100)
Add/(less) non cash and non-operating items:				
Depreciation and amortisation	6,422	34,692	6,214	32,058
Proceeds from amortisation of investments	-	-	(154)	(154)
Vested asset revenue	(306)	(306)	-	-
Gain on interest rate swap	(73)	(73)	-	-
Borrower notes fair value adjustment	7	7	-	-
Decrease in deferred taxation expense	-	(126)	-	(682)
Seeka share rebate scheme	-	-	-	-
Share based payment reserve	-	2,038	-	2,117
Amortisation of interest rate collar premium	-	86	-	64
Reversal of previous revaluation deficit	-	-	-	(446)
Share of (profit)/losses retained by equity accounted investees	-	(7,075)	-	(15,253)
Ineffective portion of change in fair value of cash flow hedge	-	1	244	270
Equity investments - share rights issued for no consideration	-	(208)	-	-
Net change in impairment of hotswap loans	5	5	(15)	(15)
Impairment of property, plant and equipment	-	499	-	-
Loss on sale of property, plant and equipment	2,543	2,543	294	294
Gain on revaluation of put option	(11,600)	-	-	-
	(3,002)	32,083	6,583	18,253

Reconciliation of surplus/(deficit) after tax to net cash flow from operating activities *continued*

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Add/(less) movements in working capital				
Change in receivables	(6,824)	(18,136)	1,895	(5,516)
Change in prepayments	144	144	(507)	(507)
Change in inventories	(8)	(835)	(23)	(596)
Change in taxation payable	-	296	-	1,677
Change in foreign cash deposits	-	143	-	(142)
Change in payables	(2,773)	2,156	8,584	10,117
Change in employee provisions	(275)	(277)	558	558
	(9,736)	(16,509)	10,507	5,591
Net cashflow from operating activities	**2,833**	**88,475**	**(2,154)**	**75,660**

Notes to the Financial Statements

1 Statement of accounting policies

Reporting entity

Bay of Plenty Regional Council is a Regional Council established under the Local Government Act 2002 (LGA), and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The group consists of the ultimate parent, Bay of Plenty Regional Council and its subsidiary, Quayside Holdings Limited (a 100% owned investment company). Quayside Holdings Limited has a 100% shareholding in Quayside Properties Limited, Quayside Unit Trust, Quayside Investment Trust, and Quayside Securities Limited. The principal activity of Quayside Securities Limited is to act as trustee for the Quayside Unit Trust and Quayside Investment Trust. Quayside Securities Limited as trustee owns 54.14% of the shares in Port of Tauranga Limited (Port Company). The Council's subsidiaries are incorporated and domiciled in New Zealand.

The Council and group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the Council and group are for the year ended 30 June 2019. The financial statements were authorised for issue by Council on 26 September 2019.

Council does not have the power to amend the financial statements after issue.

Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the Council and group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which includes the requirement to comply with generally accepted accounting practice in New Zealand (GAAP).

The financial statements have been prepared in accordance with and comply with PBE standards.

Measurement base

The financial statements have been prepared on a historical cost basis, except that the following assets and liabilities are stated at their fair value: available for sale financial assets, other financial assets and liabilities (including derivatives) at fair value through the statement of comprehensive revenue and expense, land, buildings, harbour improvements, wharves and hardstanding, kiwifruit licences and investment properties.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000), other than the related party transaction disclosures in note 32, the remuneration disclosures in note 33, and the severance payment disclosures in note 34. The related party transaction, remuneration, and severance payment disclosures are rounded to the nearest dollar.

Changes in accounting policies

There have been changes in accounting policies this year to reflect the transition to, and adoption of, a new accounting standard IFRS 9.

New and amended accounting standards adopted

Approved budget (amendments to PBE IPSAS 1)

The amendments replace the reference to an 'approved budget' in PBE IPSAS 1 with a reference to the existing requirements regarding comparisons of 'general purpose prospective financial statements' and historical financial statements. When an entity is required to present a comparison of prospective and actual financial statements, the amendments also clarify how this shall be disclosed. Equivalent amendments have also been made to PBE IAS 34. Effective date: 1 January 2018.

NZ IFRS 9 Financial Instruments (Subsidiary)

This standard became mandatory for the Subsidiary's 2019 consolidated financial statements effect 1 July 2018.

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.

To give effect to the adoption of NZ IFRS 9, at 1 July 2018 an amount of $0.274 million has been transferred from retained earnings to provision for doubtful debts. This amount represents the impact of the new impairment model for financial assets. A full restatement of financial statements is not required as the impact of doing so is not considered to be material. Hedging relationships continue to be effective.

Standards issued and not yet effective that have been early adopted

PBE IFRS 9 Financial instruments

The NZASB has issued this standard in advance of the IPSASB issuing a new financial instruments standard based on IFRS 9. This standard gives PBEs in a mixed group the opportunity to early adopt a PBE Standard that is based on the for-profit standard NZ IFRS 9 on the same date that NZ IFRS 9 becomes mandatory in the for-profit sector. Effective date: 1 January 2021. The Bay of Plenty Regional Council has early adopted this standard in line with the financial statements of its Subsidiary, Quayside Holdings Limited.

The main changes under PBE IFRS 9 are:

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

New accounting standards and interpretations not yet adopted

Impairment of revalued assets (amendments to PBE IPSAS 21 and 26)

The amendments bring revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26. The amendments clarify that an impairment of an individual asset outside of the revaluation cycle will not necessitate the revaluation of the entire class of assets to which the impaired asset belongs. Effective date: 1 January 2019

PBE IPSAS 34 Separate financial statements

Locates in one standard the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements with no significant changes to the underlying requirements. Effective date: 1 January 2019

PBE IPSAS 35 Consolidated financial statements

Introduces a new definition of control requiring both power and exposure to variable benefits and includes more guidance on assessing control (including additional guidance on substantive and protective rights).

Provides an exception from consolidation for investment entities. This exception also applies to the parent of an investment entity that is not itself an investment entity (which is different from the equivalent exception in the for-profit standards).

Includes guidance on principal/agent relationships and factors to consider when determining whether an investor has control or is acting as an agent. Adds guidance on network and partner agreements.

Incorporates guidance from PBE IPSAS 6 on the application of consistent accounting policies when consolidating for-profit entities into a PBE group. Effective date: 1 January 2019

PBE IPSAS 36 Investments in associates and joint ventures

Requires the use of the equity method in accounting for all interests in associates and joint ventures (eliminating the option of using proportionate consolidation for jointly controlled entities). Effective date: 1 January 2019

PBE IPSAS 37 Joint arrangements

Establishes two 'types' of joint arrangement: (i) joint operations; and (ii) joint ventures based on whether the investor has rights to the assets and obligations for the liabilities of the joint arrangement or rights to the net assets of the joint arrangement. Effective date: 1 January 2019

PBE IPSAS 38 Disclosure of interests in other entities

Creates a new category of entity called structured entities (intended to capture special purposes entities). It requires disclosures regarding:

• interests in (i) controlled entities; (ii) unconsolidated controlled entities; (iii) joint arrangements and associates; and (iv) structured entities that are not consolidated and significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Effective date: 1 January 2019

PBE IPSAS 39 Employee benefits

PBE IPSAS 39 replaces PBE IPSAS 25, which is substantially converged with NZ IAS 19. The main changes relate to the removal of options for the recognition and presentation of actuarial gains and losses arising from defined benefit plans and replacing interest cost and expected return on plan assets with a single net interest component. Effective date: 1 January 2019

PBE IPSAS 41 Financial instruments

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Council has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

NZ IFRS 16 Leases

This standard becomes mandatory for the *Quayside 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. The estimated impact of the adoption of NZ IFRS 16, based on the current leases and terms, in the *Quayside Group's* 2020 consolidated financial statements is forecast to increase total assets and liabilities by $23.3 million and is forecast to decrease net profit after tax by $0.2 million. The *Quayside Group* intends to adopt this standard from 1 July 2019

PBE FRS 48 Service performance reporting

PBE FRS 48 establishes principles and requirements for presenting service performance information that is useful for accountability and decision-making purposes. These high-level requirements provide flexibility for entities to determine how best to 'tell their story'. Effective date: 1 January 2021

Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flows of entities in the group on a line-by-line basis. All intra-group balances, transactions, revenues and expenses are eliminated on consolidation.

Group

The Council consolidates, in the group financial statements, all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

Goods and Service Tax (GST)

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Subsidiary

Quayside Investment Trust and Quayside Unit Trust include GST on items in their financial statements as they are not GST registered.

Budget figures

The budget figures are those approved by the Council in its Long Term Plan 2018 - 2028. The budget figures have been prepared in accordance with New Zealand GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue 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 (note 17)
- assessment of significant influence or joint control in relation to Equity Accounted Investees (note 22)
- valuation of derivative financial instruments (note 16)
- trade receivables includes an estimated sale price for kiwifruit sold (note 12)
- valuation of bearer plants (note 17)
- impairment assessment of intangible assets (note 18)
- lease classification and accounting for arrangements containing a lease (note 30)
- valuation of provisions
- valuation of share rights

Classification of property

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

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

Classification of Perpetual Preference Shares

The directors have considered the terms and conditions of Perpetual Preference Shares and the subsidiary has classified these shares as equity. Upon consolidation they are recognised as debt by the group. Note 32 explains the terms and conditions of the perpetual preference shares.

Put option

The key factors which impact on the valuation of the put option are:

- The ability of Quayside Holdings Limited as a stand-alone entity to meet future Perpetual Preference Share dividends payments;
- The ability of the Council to meet the obligations of the put option if it were to be exercised; and
- The risk that the holders of the Perpetual Preference Share will be able to realise the capital invested in the Perpetual Preference Share

A credit default swaps valuation technique has been used to value the put option. This technique is consistent with the requirements of International Financial Reporting Standards to determine the fair value of a put option. Two independently developed valuation models have been used to manage the model risk, the results of the models being cross-checked to ensure there are no material valuations differences.

The key inputs and assumptions used in the models are:

- Nominal amount of credit protection on reference credit $200 million;
- Term of credit protection 10 years; and
- Probability of default is consistent with a BB^- to BB^+credit quality. (Source: Moody's, based on empirical observations in the period 1982 to 2012.)

The valuation of the put option as at 30 June 2019 was carried out by PricewaterhouseCoopers, Wellington, on 13 September 2019.

Infrastructural assets

There are a number of assumptions and estimates used when performing Optimised Depreciated Replacement Cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under-estimating the annual depreciation charge, recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, the Council's infrastructural asset useful lives have been determined, with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines, published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's Asset Management Planning, which gives the Council further assurance over its useful life estimates.

Experienced independent valuers perform a review of the Council's infrastructural asset revaluations.

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 (ie as prices) or indirectly (ie derived from prices)
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

2 Summary group of activity financial statement

Actual 2017/18 $000		Actual 2018/19 $000	Budget 2018/19 $000
	Revenue by group of activity		
20,816	Integrated Catchment Management	18,894	21,831
13,731	Flood Protection and Control	14,962	15,180
16,766	Resource Regulation and Monitoring	19,993	18,417
21,558	Transportation	25,070	25,466
2,279	Regional Development	1,738	1,518
16,366	Regional Planning and Engagement	19,968	19,897
2,941	Emergency Management	3,401	3,439
7,574	Technical Services	14,616	14,450
(615)	Corporate Services	19,713	2,579
101,416	**Revenue**	**138,355**	**122,777**
(1,691)	Less internal interest	(4,330)	(4,074)
648	Capital revenue received	8,572	12,522
100,372	**Total revenue**	**142,597**	**131,225**
	Expenditure by group of activity		
27,027	Integrated Catchment Management	20,389	26,747
10,712	Flood Protection and Control	13,143	13,300
18,042	Resource Regulation and Monitoring	19,890	17,685
21,742	Transportation	24,865	26,033
15,334	Regional Development	13,591	13,394
17,389	Regional Planning and Engagement	18,900	19,897
2,847	Emergency Management	2,861	3,437
7,084	Technical Services	13,277	14,450
(152)	Corporate Services	3,694	2,111
120,026	**Expenditure**	**130,610**	**137,054**
(1,691)	Less internal interest	(4,330)	(4,074)
118,335	**Total expenditure**	**126,280**	**132,980**
(17,963)	**Net cost of service**	**16,317**	**(1,755)**

3 Rates Revenue

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
General rates	26,362	26,362	23,755	23,755
Targeted rates	25,098	25,098	16,152	16,152
Less: remissions	(581)	(581)	(487)	(487)
Total rates revenue	**50,879**	**50,879**	**39,420**	**39,420**

The seven city and district councils in the Bay of Plenty collect and administer most rates on behalf of Bay of Plenty Regional Council.

Bay of Plenty Regional Council aligns its general policy on the remission and postponement of rates with the policies and objectives of each of these councils.

There are 128,750 rating units within the region as at 30 June 2019, compared to 127,505 as at 30 June 2018.

Bay of Plenty Regional Council use land valuations as a rating mechanism.

The total land value of rating units within the region is $50,234,082,992 as at 30 June 2019, this is consistent with prior year.

Policies

General rates, targeted rates (excluding water by meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Rates remissions are recognised as a reduction in rates revenue when the Council has received an application that satisfies its rates remission policy.

4 Subsidies and grants

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
New Zealand Transport Agency (Passenger Transport)	10,460	10,460	8,736	8,736
Ministry for the Environment (Te Arawa Rotorua Lakes deed funding)	2,455	2,455	2,402	2,402
Ministry for the Environment (Kopeopeo Canal)	3,782	3,782	(472)	(472)
Local Authorities contribution to Civil Defence	1,083	1,083	1,359	1,359
Other subsidies and grants	3,952	3,952	1,652	1,652
	21,732	**21,732**	**13,677**	**13,677**

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2018: nil).

Policies

Government grants

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the Council's passenger transport services. The subsidies are recognised as revenue upon entitlement once conditions pertaining to eligible expenditure have been fulfilled.

The Council also receives grants in respect of qualifying operating and capital expenditure from Central Government for the Rotorua Lakes Protection and Restoration Action Plan as detailed in the funding deed. These grants are recognised as revenue in the period they are received.

Other grants

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

5 Finance revenue and finance costs

	Council 2018/19	Group 2018/19	Council 2017/18	Group 2017/18
Finance revenue	$000	$000	$000	$000
Foreign dividends	-	2,416	-	1,789
New Zealand dividends	31,342	3,121	25,604	3,327
Interest income	7,462	9,246	6,744	7,738
Income amortisation investments	-	-	154	154
Interest on advances to equity accounted investees	-	292	-	261
Ineffective portion of changes in fair value of cash flow hedges	73	73	-	-
Interest on finance lease	-	2	-	3
Change in fair value of hedged risk	-	-	-	-
Total finance revenue	**38,877**	**15,150**	**32,502**	**13,272**
Finance costs				
Interest expense on borrowings	2,571	22,424	-	20,102
Less: interest capitalised to property, plant and equipment	-	-	-	-
Ineffective portion of changes in fair value of cashflow hedges	-	1	-	26
Interest on finance leases	-	-	-	-
Currency option expense	-	44	-	-
Amortisation of interest rate collar premium	-	86	-	64
Total finance costs	**2,571**	**22,555**	**-**	**20,192**
Net finance revenue	**36,306**	**(7,405)**	**32,502**	**(6,919)**

Policies

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

Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions, impairment losses recognised on financial assets (except for trade receivables), and losses on hedging instruments that are recognised in the statement of comprehensive revenue and expense. All borrowing costs are recognised in the statement of comprehensive revenue and expense using the effective interest method except for borrowing costs on constructed assets (subsidiary only) which are capitalised (refer to note 17). The Council does not capitalise borrowing costs and this difference is adjusted for on consolidation.

Dividend Income is recognised on the date that the Group's right to receive payment is established, being the ex-dividend date.

Interest revenue is recognised using the effective interest method.

6 Trading and other revenue

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Port services income	-	276,819	-	251,388
Rental income	159	29,386	87	27,336
Marshalling services income	-	4,855	-	4,929
User fees and charges	11,342	11,342	9,694	9,694
Sale of goods - kiwifruit	-	4,268	-	2,996
Other revenue	6,959	6,830	3,709	4,286
Total trading and other revenue	**18,460**	**333,500**	**13,490**	**300,629**

Council:

There are no unfulfilled conditions and other contingencies attached to New Zealand Transport Agency subsidies recognised.

Subsidiary:

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

Kiwifruit income this year has been derived from 29.21 canopy hectares (2018: 29.21 hectares).

Kiwifruit income this year includes an upward adjustment of $95,696 in relation to the prior year crop (2018: $185,930 increase on prior year crop income). This was due to a revision during the year in the estimate of income receivable shown in the accounts at 30 June 2018.

Policies

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

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

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.

Rail revenue: this includes providing rail transport services, for which revenue is recognised at a point in time on when the delivery service is completed and goods have been delivered to destination.

Dividend Income: is recognised on the date that the Group's right to receive payment is established, being the ex-dividend date.

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Resource consent revenue

Fees and charges for resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Vested or donated physical assets

For assets received for no, or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

Sale of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

7 Other gains/(losses)

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Gains				
Gain on sale of property, plant and equipment	354	354	206	206
Realised foreign exchange gains	-	88	-	84
Realised gain on equity investments	391	3,542	1,076	5,313
gain on revaluation of biological assets	-	-	-	-
Change in fair value of intangibles	-	-	-	-
Change in fair value of investment property	-	3,487	-	2,824
Unrealised foreign exchange gain on equity investments	-	2	-	44
Gain on revaluation of Put Option	11,600	-	-	-
Unrealised gain on equity investments	-	23,123	-	19,283
Total gains	**12,345**	**30,596**	**1,281**	**27,753**
Losses				
Realised capital loss on investments	202	1,584	-	-
Realised foreign exchange losses	-	132	-	1
Change in fair value on investment property	-	-	-	-
Ineffective portion of changes in fair value of cash flow hedges	-	-	244	244
Loss on sale of fixed assets	2,543	2,543	294	294
Loss on revaluation of biological assets	-	95	-	-
Change in fair value of intangibles	-	-	-	-
Unrealised foreign exchange losses	-	102	-	-
Unrealised capital loss on investments	-	13,013	-	4,975
Impairment of inter entity loans	-	-	-	-
Fair value adjustment	-	-	-	-
Impairment of property, plant and equipment on revaluation	-	-	-	-
Net revaluation loss through income statement	7	7	-	-
Total losses	**2,752**	**17,476**	**538**	**5,514**
Net gains/(losses)	**9,593**	**13,120**	**744**	**22,240**

Policies

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.

8 Employee benefit expenses

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Salaries and wages	34,435	71,733	33,928	70,627
Superannuation	1,142	2,576	1,066	2,308
Other employee related expenses	2,726	3,290	2,708	3,312
	38,303	**77,599**	**37,702**	**76,247**

9 Trading and other expenses

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Fees to auditors				
-fees to Audit New Zealand for audit of Council and Quayside Holdings Group financial statements	132	241	131	233
-fees to Audit New Zealand for audit of Council LTP	-	-	79	79
-fees to Audit New Zealand for audit of Council Debenture Trust Deed	6	6	5	5
-fees to KPMG for audit of Port of Tauranga Group Financial Statements	-	153	-	163
-fees to KPMG for review of Port of Tauranga half year financial statements	-	12	-	12
-fees to KPMG for Port of Tauranga Group Treasury function review	-	33	-	-
-fees to KPMG for Port of Tauranga Group Data insights risk review of GST and tax fixed asset register	-	12	-	-
-fees to KPMG for Port of Tauranga Group Hedge accounting policy review	-	7	-	-
-fees to KPMG for Port of Tauranga payments data analysis review	-	-	-	22
Bad debts written-off	861	861	109	109
Consultation fees	5,118	5,118	4,792	4,792
Contracted services for port operations	-	63,775	-	58,797
Contract work	36,267	36,267	30,871	30,871
Direct fuel and power expenses	745	10,091	711	9,941
Directors' fees	-	1,104	-	1,059
Grants, contributions and sponsorships	15,174	15,174	16,454	16,454
Insurance	1,163	1,163	697	697
Legal fees	1,699	1,699	1,589	1,589
Maintenance costs	2,045	14,024	1,635	10,981
Operating lease payments	1,225	2,937	1,018	2,357
Operational materials	1,964	1,964	2,522	2,522
Orchard expenses	-	1,363	-	794
Other expenses	8,251	24,627	11,485	25,241
Professional development	1,087	1,087	1,276	1,276
Rates	220	220	196	196
Valuation costs	273	273	310	310
Total trading and other expenses	**76,230**	**182,211**	**73,880**	**168,500**

The total value of all assets that are covered by insurance contracts, are $130 million and the maximum amount to which they are insured is unknown, as it depends on market value and/or replacement value as well as the inflation at the time of loss; and

The total value of all assets that are covered by financial risk sharing arrangements are $313 million and the maximum amount available to the local authority under those arrangements is $60 million; and

The total value of all assets that are self-insured is zero and there is a no fund maintained for that purpose.

Policies

Grant expenditure

Non-discretionary Grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant.

10 Taxation

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Profit/(loss) before income tax for the period	**16,317**	**124,204**	**(17,963)**	**107,940**
Income tax on the surplus/(deficit) for the period at 28%	4,569	46,838	(5,030)	37,412
Tax effect of amounts which are non deductible / (taxable) in calculating taxable income:				
Non-taxable income	7,565	7,565	14,947	14,947
(Gain)/loss on investments	-	(3,224)	-	(5,179)
Fair value loss/(gain) on investment property	-	(976)	-	(791)
Fair value loss/(gain) on biological assets		27		
Foreign dividend regime	-	350	-	243
Share of equity accounted investees after tax income, excluding CODA group	-	(2,972)	-	(3,210)
Dividend imputation credits	(12,133)	(12,861)	(9,917)	(10,744)
Other attributed (income)/loss		(256)	-	(123)
Tax losses utilised		(41)	-	(262)
Non assessable income/expenditure	-	91	-	67
Temporary differences	-	902	-	725
Other	-	(125)	-	(62)
Income tax expense	-	**35,317**	-	**33,023**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
The income tax is represented by:				
Current tax expense				
Tax payable in respect of the current period	-	35,736	-	33,707
Adjustment for prior period	-	(293)	-	(2)
Total current tax expense	-	**35,443**	-	**33,705**
Deferred tax expense				
Origination/reversal of temporary differences	-	(44)	-	(683)
Adjustment for prior period	-	(82)	-	1
Total deferred tax expense	-	**(126)**	-	**(682)**
Income tax expense	-	**35,317**	-	**33,023**

Subsidiary	**Group 2018/19** $000	**Group 2017/18** $000
Income tax recognised in other comprehensive revenue and expense:		
Impairment of property, plant and equipment	-	-
Revaluation of intangibles	100	106
Revaluation of property, plant and equipment	395	16,088
Cashflow hedges	(2,844)	(504)
Total	**(2,349)**	**15,690**

Imputation credit account - Subsidiary	**Group 2018/19** $000	**Group 2017/18** $000
Quayside Holdings Limited		
Imputation credits available for use in subsequent periods	**103,098**	**96,140**

Council had available tax losses of $4.56 million for use. An agreement between Council and Quayside Holdings Limited has utilised $3 million of these tax losses by way of Subvention payment (refer note 36).

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 is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.

11 Cash and cash equivalents

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Cash at bank and in hand	11,322	78,309	9,838	51,526
Term deposits with maturities less than 3 months	126,788	126,788	64,700	64,700
Total cash and cash equivalents	**138,110**	**205,097**	**74,538**	**116,226**

While cash and cash equivalents at 30 June 2019 are subject to the expected credit loss requirements of IFRS 9, no loss allowance has been recognised because the estimated loss allowance for the credit losses is trivial.

Policies

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Financial assets at fair value through other comprehensive revenue and expenses.

In respect of the Parent accounts, the accounting policy is to account for subsidiary investments at fair value through other comprehensive revenue and expenses. 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

Financial assets at fair value through other comprehensive revenue and expenses are non-derivative assets that are designated as financial assets at fair value through other comprehensive revenue and expenses 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.

Accounting policy for the comparative year under NZ IAS 39 (Subsidiary)

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

12 Trade and other receivables (current)

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Rates receivables	6,000	6,000	4,341	4,341
Trade receivables	2,160	53,393	1,727	43,835
Kiwifruit income receivable	-	2,844	-	2,162
Trade receivables from equity accounted investees, subsidiaries and related parties	-	616	-	746
Advances to equity accounted investees	-	5,319	-	6,319
Taxation receivable	-	19	-	-
Prepayments and sundry receivables	12,256	15,880	6,809	9,969
	20,416	**84,071**	**12,877**	**67,372**
Less provision for impairment trade and rates receivables	(1,161)	(1,161)	(300)	(300)
Total current trade and other receivables	**19,255**	**82,910**	**12,577**	**67,072**

	Council 2018/19 $000	Council 2017/18 $000
Total current receivables comprise:		
Receivables from non-exchange transactions - this includes outstanding amounts for rates (excluding clean heat rates), grants, trade debtors, GST and other receivables	12,299	8,150
Receivables from exchange transactions - this includes outstanding amounts for the sale of goods and services and clean heat rates	6,956	4,427
Total current receivables	**19,255**	**12,577**

The ageing of trade receivables at reporting date was:

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Not past due	1,465	36,353	1,513	26,484
Past due but not impaired 0 - 30 days	381	14,781	39	16,070
Past due but not impaired 30 - 60 days	58	1,397	39	930
Past due but not impaired 60 - 90 days	0	601	28	49
More than 90 days	256	260	108	302
	2,160	**53,393**	**1,727**	**43,835**

Impairment

The Council provides for impairment on rates receivable and also has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts.

All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history, debt write-offs and future expected losses.

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Individual impairment	125	125	70	70
Collective impairment	1,036	1,036	230	230
Total provision for impairment	**1,161**	**1,161**	**300**	**300**

Judgements

A provision for doubtful receivables is established when the assessment under PBE IFRS 9 or NZ IFRS 9 (Council or Subsidiary) deems a provision is required. Movements in the provision for impairment of receivables were as follows:

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
At 1 July	300	300	196	196
Additional provisions made during the year	931	931	127	127
Provisions reversed during the year	(70)	(70)	(23)	(23)
At 30 June	**1,161**	**1,161**	**300**	**300**

Advances to Equity Accounted Investees

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

Kiwifruit income receivable

The kiwifruit income receivable is based on a forecast of proceeds to be received from Zespri on the harvest of the 2019 crop. This is based on the actual number of trays supplied to Zespri and latest forecast information from Zespri on the $ per tray expected to be received. Revisions of income receivable during the year are recorded against profit and loss.

Fair Values

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

Policies

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

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The simplified expected credit loss model of recognising lifetime expected credit losses for receivables is applied.

In measuring expected credit losses, short-term trade and sundry receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Previous accounting policy for impairment of receivables

In the previous year, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

13 Inventories

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Inventory of parts and consumables	235	1,773	227	937
Kiwifruit stock on hand	-	-	-	-
	235	**1,773**	**227**	**937**

There were no inventories written off or pledged as security for liabilities during the year (2018: nil)

Policies

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the first in–first out method) adjusted, where applicable for any loss in service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the first in-first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of purchased inventory is determined using the first in–first out method.

The amount of any write down for the loss of service potential or from cost to net realisable value, is recognised in the surplus or deficit in the period of the write-down.

14 Trade and other receivables (non-current)

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Other receivables	-	12	-	25
Rotorua Hot Swap debtors	1,820	1,820	2,146	2,146
	1,820	**1,832**	**2,146**	**2,171**

	Council 2018/19 $000	Council 2017/18 $000
Total non-current receivables comprise:		
Receivables from exchange transactions - this includes outstanding amounts for clean heat rates	1,820	2,146
Total non-current receivables	**1,820**	**2,146**

Rotorua Hot Swap debtors

The Rotorua Hot Swap Loan Scheme was launched in August 2010. This scheme helps upgrade clean heating devices by providing an interest free loan for zero emission products and interest bearing loans for low emission burners and insulation to homeowners. This loan is repaid over 10 years through a targeted rate.

15 Other financial assets

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Term deposits	23,000	48,000	25,000	25,000
Receivables				
Loan to Quayside Holdings Ltd	50,000	-	-	-
Fair value through equity				
Bond and other fixed rate notes	5,069	5,069	13,309	13,309
Total current portion	78,069	53,069	38,309	38,309
Non-current portion				
Investment in CCO's and similar entities				
Shares in subsidiaries (cost)	91	-	11	-
Unlisted shares in NZ LGFA Ltd	6,153	6,153	1,866	1,866
Borrower notes LGFA	803	803		
Total investment in CCO's and other similar entities	**7,047**	**6,956**	**1,877**	**1,866**
Non-current portion				
Fair value through surplus or deficit				
Other equity investments	105	178,625	67	171,580
Floating rate notes - interest swaps	-		-	-
Fair value through equity				
Bond and other fixed rate notes	-	-	15,416	15,416
Term deposits	-	-	-	-
Total investments in other entitles	**105**	**178,625**	**15,483**	**186,996**
Total non-current portion	**7,152**	**185,581**	**17,360**	**188,862**
Total other financial assets	**85,221**	**238,650**	**55,669**	**227,171**

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.

Other financial assets represent the diversified equity portfolio of the Group that are traded in active markets and investments in managed funds. Current other financial assets comprise a $48 million (2018: nil) term deposit held by Quayside Holdings Limited and Council.

Quayside Holdings Limited has an uncalled capital capital commitments of $22.8 million (2018: $8.9 million) in relation to equity managed fund investments.

Impairment

There were no impairment expenses or provisions for other financial assets. None of the financial assets are either past due or impaired.

Redeemable preference shares

On or about 28 July 1991, capital of nine thousand (9,000) redeemable preference shares of $1 each (issued at a premium of $9,999 per share) were issued to Bay of Plenty Regional Council by its subsidiary, Quayside Holdings Limited. On the same day the Council subscribed $0.01 for each 9,000 redeemable preference shares (total paid $90). As at 30 June 2007, 817 shares had been fully repaid.

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 one cent) were split into 2003,190,217 Redeemable Preference Shares (paid to 0.000004 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 of Quayside Holdings Limited. 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 Quayside Holdings Limited in a general meeting. As at 30 June 2019, the amount uncalled is $81.8 million (2018: $81.8 million). Quayside Holdings Limited 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 the 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 Council retained 783 Perpetual Preference Shares.

Council financial assets

The proceeds from the sale of the Perpetual Preference Shares are fully allocated to infrastructure projects in the Bay of Plenty. Funds which are allocated but not due to be paid immediately are invested in term deposits, bonds and other fixed and floating rate notes.

Policies

Term deposits

The carrying amount of term deposits, floating rate notes and bonds and other fixed rate notes approximates their fair value.

Bonds and other fixed rate notes

Bonds and other fixed rate notes are measured at their fair value after initial recognition based on independent valuations from Bancorp Limited. Gains or losses on re-measurement are recognised in equity.

Listed shares

Listed shares in subsidiaries are carried at fair value. The fair value of shares are determined by reference to published current bid price quotations in an active market.

Other Financial assets

The fair value of equity investments measured at fair value through comprehensive revenue and expenses is based on quoted market prices at the reporting date and are categorised under the level 1 fair value hierarchy.

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: equity securities.

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).

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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).

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

Held-to-maturity investments

If the group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Held to maturity investments are term deposits.

Financial assets at fair value through surplus or deficit

A financial asset is classified at fair value through surplus or deficit if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through the surplus or deficit if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Attributable transaction costs are recognised in the surplus or deficit as incurred. Financial assets at fair value through surplus or deficit are measured at fair value and changes therein, which takes in to account any dividend income, are recognised in the surplus or deficit.

Financial assets designated at fair value through the surplus or deficit include: equity securities that otherwise would have been classified as available for sale.

Advances and receivables

Advances and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Advances and receivables include: cash and cash equivalents and trade and other receivables.

Available-for-sale financial assets

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

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive revenue and expense and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to the surplus or deficit.

Available-for-sale financial assets include: shares held in the Port of Tauranga Limited, 'A' units held in Quayside Unit Trust, units in Quayside Investment Trust, shares in Quayside Properties Limited, shares in Quayside Securities Limited and bonds and other fixed rate notes held by Council.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council and group includes in this category:

- Investments that it intends to hold long-term but which may be realised before maturity; and
- Shareholdings that it holds for strategic purposes

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

Bay of Plenty Regional Council's investment in its subsidiary is carried at fair value.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

16 Derivative financial instruments

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current assets	-	-	-	-
Total current assets	-	-	-	-
Non-current assets				
Interest rate derivatives - not designated as hedges	-	-	-	-
Total non current assets	**-**	**-**	**-**	**-**
Total assets	**-**	**-**	**-**	**-**
Current liabilities				
Foreign currency derivatives - cash flow hedges	-	266	-	-
Interest rate derivatives - cash flow hedges	-	872	-	-
Total current liabilities	**-**	**1,138**	**-**	**-**
Non-current liabilities				
Interest rate derivatives - not designated as hedges	-	-	73	73
Interest rate derivatives - cash flow hedges	-	20,895	-	11,787
Total non current liability portion	**-**	**20,895**	**73**	**11,860**
Total liabilities	**-**	**22,033**	**73**	**11,860**

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 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.

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.

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.

Valuation inputs for valuing derivatives are as follows:

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.

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.

17 Property plant and equipment

2019	Cost / revaluation 01 July 2018 $000	Accumulated depreciation and impairment charges 01 July 2018 $000	Carrying amount 01 July 2018 $000	Current year additions $000	Current year disposals $000	Current year adjustments $000	Current year impairment charges $000	Current year depreciation $000	Revaluation surplus $000	Depreciation write back on disposals $000	Depreciation write back on revaluation adjustments $000	Cost / revaluation 30 June 2019 $000	Accumulated depreciation and impairment charges 30 June 2019 $000	Net book value amount 30 June 2019 $000
Bay of Plenty Regional Council														
Operational assets:														
Land	7,030	-	7,030	-	(1,100)	-	-	-	591	-	-	6,521	-	6,521
Buildings	11,938	(3)	11,935	18,263	-	(45)	-	(171)	(8,004)	3	171	22,152	-	22,152
Plant and Equipment	26,962	(16,937)	10,025	2,590	(2,546)	74	-	(3,170)	-	2,275	(6)	27,080	(17,838)	9,242
Maritime	687	(6)	681	-	(2)	(0)	-	(66)	-	0	-	685	(72)	613
Works In Progress	9,101	-	9,101	(989)	-	7	-	-	-	-	-	8,119	-	8,119
Infrastructural assets:														
Flood Protection														
Kaituna	52,090	(253)	51,837	454	(0)	21	-	(340)	9,670	-	281	62,233	(312)	61,921
Rangitaiki/Tarawera	77,699	(229)	77,471	2,576	(110)	-	-	(270)	15,595	-	229	95,760	(270)	95,490
Whakatāne/Tauranga	53,494	(210)	53,284	1,552	(122)	(0)	-	(246)	12,199	-	212	67,123	(244)	66,879
Waioeka/Otara	35,304	(109)	35,194	2,094	(212)	-	-	(134)	7,718	-	109	44,904	(135)	44,769
Rangitaiki Drainage	14,405	(30)	14,375	-	(26)	(26)	-	(18)	(69)	-	25	14,284	(23)	14,261
Communal Pumping	5,272	(3,048)	2,224	-	-	-	-	(235)	-	-	-	5,272	(3,283)	1,989
Other Structures	1,060	-	1,060	-	-	-	-	-	-	-	-	1,060	-	1,060
WIP Rivers & Drainage	41,560	-	41,560	28,341	-	(2)	-	-	-	-	-	69,899	-	69,899
Lakes Restoration	10,552	(97)	10,455	1	-	-	-	(890)	-	-	-	10,553	(987)	9,566
WIP Lakes Restoration	2,101	-	2,101	719	(1,790)	4	-	-	-	-	-	1,034	-	1,034
Restricted assets:														
Parks Land	9,663	-	9,663	32	-	0	-	-	(1,505)	-	-	8,190	-	8,190
Parks Buildings	1,281	(81)	1,200	261	-	-	-	(38)	-	-	-	1,542	(119)	1,423
Other Restricted Land	125	-	125	-	-	-	-	-	-	-	-	125	-	125
Flood Protection	2,340	(61)	2,279	-	-	-	-	(3)	(676)	-	33	1,664	(31)	1,633
Council property plant and equipment	**362,666**	**(21,065)**	**341,602**	**55,895**	**(5,908)**	**33**	**-**	**(5,582)**	**35,520**	**2,279**	**1,052**	**448,199**	**(23,313)**	**424,886**

	Cost / revaluation 01 July 2018	Accumulated depreciation and impairment charges 01 July 2018	Carrying amount 01 July 2018	Current year additions	Current year disposals	Current year adjustments	Current year impairment charges	Current year depreciation	Revaluation surplus	Depreciation write back on disposals	Depreciation write back on revaluation adjustments	Cost / revaluation 30 June 2019	Accumulated depreciation and impairment charges 30 June 2019	Net book value amount 30 June 2019
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Subsidiary														
Freehold land	730,406	-	730,406	22					72,776			803,204	-	803,204
Freehold buildings	105,991	(38)	105,953	10,237	(1,300)		(463)	(4,170)		466		114,928	(4,205)	110,723
Wharves and hardstanding	301,579	-	301,579	17,233				(11,147)				318,812	(11,147)	307,665
Harbour improvements	173,284	-	173,284	1,183				(1,291)				174,467	(1,291)	173,176
Bearer Plants	9,167	-	9,167					(539)	1,709		539	10,876	-	10,876
Plant and equipment	217,309	(87,696)	129,613	2,909	(1,036)		(36)	(10,471)		938		219,182	(97,265)	121,917
Capital work in progress	5,573	-	5,573	9,083								14,656	-	14,656
Subsidiary property plant and equipment	**1,543,309**	**(87,734)**	**1,455,575**	**40,667**	**(2,336)**	**-**	**(499)**	**(27,618)**	**74,485**	**1,404**	**539**	**1,656,125**	**(113,908)**	**1,542,217**
Elimination of interest capitalised	(4,654)	-	(4,654)	(274)	-	-	-	-	-	-	-	(4,928)	-	(4,928)
Total Group property plant and equipment	**1,901,322**	**(108,799)**	**1,792,523**	**96,288**	**(8,244)**	**33**	**(499)**	**(33,200)**	**110,005**	**3,683**	**1,591**	**2,099,396**	**(137,221)**	**1,962,175**

Rivers and Drainage assets were damaged in the April 2017 flood event. This resulted in an impairment being applied against each major river and drainage asset totalling $10.1 million in 2017. No further impairment was recognised in the 2018 year. In 2019 the impairment was adjusted down by $3 million, to $7.1 million.

The latest valuation for Flood Protection assets was at 1 July 2019 with the estimated replacement cost as below:

	Closing Book Value	Constructed by Council	Transferred to Council	Estimated Replacement Cost
Flood Protection & Control Works	$000	$000	$000	$000
as at 30 June 2019	$292,024	6,131	$0	$295,819
as at 30 June 2018	$244,483	1,669	$0	$248,362

2018	Cost / revaluation 01 July 2017	Accumulated depreciation and impairment charges 01 July 2017	Carrying amount 01 July 2017	Current year additions	Current year disposals	Current year adjustments	Current year impairment charges	Current year depreciation	Revaluation surplus	Depreciation write back on disposals	Depreciation write back on revaluation adjustments	Cost / revaluation 30 June 2018	Accumulated depreciation and impairment charges 30 June 2018	Net book value amount 30 June 2018
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Bay of Plenty Regional Council														
Operational assets:														
Land	6,620	-	6,620	-	-	-	-	-	410	-	-	7,030	-	7,030
Buildings	6,966	-	6,966	-	(50)	(20)	-	(110)	5,042	-	107	11,938	(3)	11,935
Plant and Equipment	25,221	(15,145)	10,076	3,150	(1,408)	-	-	(3,076)	-	1,284	-	26,962	(16,937)	10,025
Maritime	643	(84)	559	-	-	-	-	(75)	44	-	153	687	(6)	681
Works In Progress	2,489	-	2,489	6,605	-	7	-	-	-	-	-	9,101	-	9,101
Infrastructural assets:														
Flood Protection														
Kaituna	49,949	(756)	49,193	120	-	(21)	-	(281)	2,041	-	785	52,089	(252)	51,837
Rangitaiki/Tarawera	75,730	(4,551)	71,180	927	-	1,356	-	(228)	(314)	-	4,551	77,699	(228)	77,471
Whakatāne/Tauranga	53,878	(4,450)	49,427	498	-	-	-	(211)	(881)	-	4,451	53,495	(210)	53,285
Waioeka/Otara	33,125	(439)	32,686	124	-	-	-	(109)	2,055	-	439	35,304	(109)	35,195
Rangitaiki Drainage	16,400	(705)	15,695	-	-	(1,334)	-	(25)	(660)	-	700	14,405	(30)	14,375
Communal Pumping	5,272	(2,813)	2,459	-	-	-	-	(235)	-	-	-	5,272	(3,048)	2,224
Other Structures	1,060	-	1,060	-	-	-	-	-	-	-	-	1,060	-	1,060
WIP Rivers & Drainage	17,815	-	17,815	23,745	-	-	-	-	-	-	-	41,560	-	41,560
Lakes Restoration	11,994	(2,190)	9,804	87	-	-	-	(753)	(1,529)	-	2,846	10,552	(97)	10,455
WIP Lakes Restoration	1,272	-	1,272	830	-	-	-	-	-	-	-	2,101	-	2,101
Restricted assets:														
Parks Land	9,390	-	9,390	272	-	-	-	-	-	-	-	9,663	-	9,663
Parks Buildings	984	(109)	874	-	-	20	-	(22)	278	-	50	1,282	(81)	1,201
Other Restricted Land	125	-	125	-	-	-	-	-	-	-	-	125	-	125
Flood Protection	2,321	(63)	2,258	-	-	-	-	(33)	19	-	35	2,340	(61)	2,279
Council property plant and equipment	**321,254**	**(31,305)**	**289,948**	**36,358**	**(1,458)**	**8**	**-**	**(5,158)**	**6,505**	**1,284**	**14,117**	**362,667**	**(21,065)**	**341,602**

	Cost / revaluation 01 July 2017 $000	Accumulated depreciation and impairment charges 01 July 2017 $000	Carrying amount 01 July 2017 $000	Current year additions $000	Current year disposals $000	Current year adjustments $000	Current year impairment charges $000	Current year depreciation $000	Revaluation surplus $000	Depreciation write back on disposals $000	Depreciation write back on revaluation adjustments $000	Cost / revaluation 30 June 2018 $000	Accumulated depreciation and impairment charges 30 June 2018 $000	Net book value amount 30 June 2018 $000
Subsidiary														
Freehold land	580,318	-	580,318	-	-	-	-	-	150,088	-	-	730,406	-	730,406
Freehold buildings	96,874	(6,291)	90,583	9,965	-	(939)	-	(3,478)	91	-	9,731	105,991	(38)	105,953
Wharves and hardstanding	272,936	(18,213)	254,723	8,310	-	548	-	(9,806)	19,785	-	28,019	301,579	-	301,579
Harbour improvements	157,838	(2,679)	155,159	619	-	391	-	(1,132)	14,436	-	3,811	173,284	-	173,284
Bearer Plants	8,378	-	8,378	-	-	-	-	(465)	789	-	465	9,167	-	9,167
Plant and equipment	214,058	(77,715)	136,343	4,799	(1,548)	-	-	(10,398)	-	417	-	217,309	(87,696)	129,613
Capital work in progress	10,133	-	10,133	(4,560)	-	-	-	-	-	-	-	5,573	-	5,573
Subsidiary property plant and equipment	**1,340,537**	**(104,900)**	**1,235,637**	**19,133**	**(1,548)**	**-**	**-**	**(25,279)**	**185,189**	**417**	**42,026**	**1,543,309**	**(87,734)**	**1,455,575**
Elimination of interest capitalised	(4,478)	-	(4,478)	(176)	-	-	-	-	-	-	-	(4,654)	-	(4,654)
Total Group property plant and equipment	**1,657,312**	**(136,205)**	**1,521,107**	**55,315**	**(3,006)**	**8**	**-**	**(30,437)**	**191,694**	**1,701**	**56,143**	**1,901,322**	**(108,799)**	**1,792,523**

Council

Land

The most recent valuation of land was performed by an independent registered valuers, Grant Utteridge, Miles Mander, Michael Reay and Dean Brunton, of Telfer Young. The valuation was effective as at 30 June 2019.

Regional parks were revalued on 30 June 2018 by Geoff Canham Consulting.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values.

Buildings

The most recent valuation of buildings was performed by an independent registered valuer, Grant Utteridge, of Telfer Young. The valuation was effective as at 30 June 2019.

Buildings are valued at fair value using market based evidence. Market rents and capitalisation rates were applied to reflect market value.

Maritime assets

The most recent valuation of Maritime assets was performed by Deputy Harbourmaster of the Council to Optimised Depreciated Replacement Cost (ODRC) in accordance with Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17) and peer reviewed by Beca Projects NZ Limited (BECA). The valuation was effective as at 30 April 2018.

Infrastructure assets

Infrastructure assets are valued using the optimised replacement cost method.

Infrastructural assets were revalued on 1 July 2019 by engineers of the Council to Optimised Depreciated Replacement Cost (ODRC) in accordance with Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17), and Property Institute of New Zealand standards with peer review from Opus International Consultants Limited. The revaluation for Lakes was carried out as at 30 June 2018 by Darroch Limited.

Restricted Assets

Council restricted assets consist of regional parks and buildings on those parks, and public water pumps. These assets are subject to either restrictions on use, or disposal or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977) or other restrictions.

Subsidiary:

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	
	2019	**2018**
	Notional Carrying Amount	Notional Carrying Amount
	$000	$000
Freehold land	117,601	117,579
Freehold buildings	81,329	75,125
Wharves and hardstanding	116,739	105,174
Harbour improvements	61,118	62,393
Bearer Plants	1,052	1,117
Total notional Carrying amount	**377,839**	**361,388**

Restriction on Title

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

Security

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of *Port of Tauranga Group.*

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 $19.6m (2018: $13.9m).

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.

The *Port of Tauranga Group* revalued land assets at 30 June 2019, due to indicators of potential material movement in the fair value of the asset class. At 30 June 2019, the assessment is that there is no material change compared with carrying value in the fair value of buildings, 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 2019 undertaken by Telfer Young. The fair value measurement has been categorised as a level 2 fair value based on the inputs to the valuation technique. Fair value has been determined with reference to comparative orchard sales in the region, taking in to account the quality of the orchard, potential production and orchard gate return. The increases in fair value reflect the strong returns of the orchards growing Green variety kiwifruit, and the production returns of the new G3 variety.

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 $72.8 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	2019		2018	
			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	$330 - $770	$411	$300-700	$374
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	$568 - $596	$592	$500-525	$522
	Rolleston land – MetroPort Christchurch per square metre	15	$100	$100	$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 last valuation was carried out at 30 June 2018 by Colliers International New Zealand Limited. The majority of assets are valued on a combined land and building basis using a Capitalised Income Model with either contract income or market income. A small number of specialised assets, such as gatehouses and toilet blocks, are valued on a Depreciated Replacement Cost basis due to their specialised nature and the lack of existing market.

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

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

Asset valuation method	Key valuation assumptions	2019		2018	
		Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Capitalised income model	Market capitalisation rate	5.00 - 8.00%	5.47%	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 Were 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.

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

Asset valuation method	Key valuation assumptions	2019		2018	
		Range of significant assumptions	Weighted average	Range of significant assumptions	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

Buildings

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

- Current market expectations: This is based on yield and recent local sales
- Current occupancy rates of premises
- Market value of buildings: This is made on a depreciated replacement cost basis with that assessment compared against actual or likely market rental capitalised at an appropriate rate of return between 5% and 10%

Future Port plans: The impact of major building relocation and demolition planned by Port of Tauranga Limited to facilitate better utilisation of the wharf areas, including the prospect of increased berthage at Sulphur Point.

Policies

The group has the following classes of property, plant and equipment:

- *Operational assets* – These include land, buildings, plant and equipment, maritime assets and motor vehicles
- *Restricted assets* – Restricted assets are regional parks owned by Bay of Plenty Regional Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions
- *Infrastructure assets* – Infrastructure assets are rivers and drainage networks and Rotorua lakes' structures managed by Bay of Plenty Regional Council. Each class includes all items that are required for it to function, such as stopbanks, flood gates and drainage networks and structures
- *Harbour improvements*
- *Wharves and hardstanding*
- *Bearer plants*

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.

Revaluation

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

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

Any increased 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.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

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:

Council:

Class	Useful Life	Depreciation Rate
Buildings	5 to 100 years	1% - 20%
Plant and equipment	2 to 10 years	10% - 50%
Infrastructural assets:		
Concrete wall	50 years	2%
Culvert	50 years	2%
Concrete structures	70 years	1.43%
Other structures	40 years	2.50%
Pump station	70 years	1.43%
Pump components	various	various
Waterways	N/A	0%
Edge protection	N/A	0%
Buffer zone plantings	N/A	0%
Fencing	N/A	0%
Stopbanks	see below	0.30%

The stopbanks are maintained to convey their design flood carrying capacity. However, settlement of 50 percent of the freeboard will be allowed before stopbank reconstruction is undertaken. Stopbank reconstruction will be required on average every 20 years. To account for this, a depreciation rate of 0.3 percent is used, in this instance, after 20 years, the stopbanks will have lost six percent of their value.

Subsidiary:

Class	Useful Life	Depreciation Rate
Bearer plants	20 years	5%
Freehold buildings	33 to 85 years	1% - 3%
Maintenance dredging	3 years	33.33%
Wharves and hardstanding:		
Wharves	44 to 70 years	1.43% to 2.27%
Basecourse	50 years	2%
Asphalt	15 years	6.67%
Plant and equipment		
Gantry cranes	10 to 40 years	2.5% to 10%
Floating plant	10 to 25 years	4% to 10%
Other plant and equipment	5 to 25 years	4% to 20%
Electronic equipment	3 to 5 years	20% to 33.33%

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.

Impairment of property, plant, and equipment

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets:

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets:

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

18 Intangible assets

2019	Cost	Accumulated amortisation and impairment charges	Carrying amount	Additions	Disposals	Adjustments	Amortisation charges	Revaluation surplus	Impairment Charges	Current year disposals	Depn write back on reval-uation adjustments	Cost / revaluation	Accumulated amortisation and impairment charges	Net book value
	01 July 2018	01 July 2018	01 July 2018				Current Year					30 June 2019	30 June 2019	30 June 2019
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Bay of Plenty Regional Council														
Intangible assets:														
Computer Software	11,200	(6,638)	4,563	2,143	(268)	-	(996)	-	-	268	-	13,075	(7,366)	5,709
Work in Progress	1,154	-	1,154	(644)	-	(59)	-	-	-	-	-	451	-	451
Council Intangible Assets	**12,354**	**(6,638)**	**5,715**	**1,499**	**(268)**	**(59)**	**(996)**	**-**	**-**	**268**	**-**	**13,526**	**(7,366)**	**6,160**
Subsidiary Intangible Assets														
Computer Software	4,154	(1,736)	2,418	486	-	-	(422)	-	-	-	-	4,640	(2,158)	2,482
Rail Services Agreement	10,000	(9,387)	613	567	-	-	(124)	-	-	-	-	10,567	(9,511)	1,056
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	2,238	-	2,238	-	-	-	(106)	249	-	-	106	2,487	-	2,487
Subsidiary Intangible Assets	**31,882**	**(11,123)**	**20,759**	**1,053**	**-**	**-**	**(652)**	**249**	**-**	**-**	**106**	**33,184**	**(11,669)**	**21,515**
Group Intangible Assets														
Computer Software	15,354	(8,374)	6,981	2,629	(268)	-	(1,418)	-	-	268		17,715	(9,524)	8,191
Rail Services Agreement	10,000	(9,387)	613	567	-	-	(124)	-	-	-		10,567	(9,511)	1,056
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-		15,490	-	15,490
Kiwifruit Licence	2,238	-	2,238	-	-	-	(106)	249	-	-		2,487	-	2,487
Work in Progress	1,154	-	1,154	(644)	-	(59)	-	-	-	-		451	-	451
Group Intangible Assets	**44,236**	**(17,761)**	**26,475**	**2,552**	**(268)**	**(59)**	**(1,648)**	**249**	**-**	**268**	**-**	**46,710**	**(19,035)**	**27,675**

2018	Cost	Accumulated amortisation and impairment charges	Carrying amount	Additions	Disposals	Adjustments	Amortisation charges	Revaluation surplus	Impairment Charges	Current year disposals	Depn write back on reval-uation adjustments	Cost / revaluation	Accumulated amortisation and impairment charges	Net book value
	01 July 2017	**01 July 2017**	**01 July 2017**				**Current Year**					**30 June 2018**	**30 June 2018**	**30 June 2018**
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Bay of Plenty Regional Council														
Intangible assets:														
Computer Software	10,798	(5,616)	5,182	420	(17)	-	(1,039)	-	-	17	-	11,200	(6,638)	4,563
Work in Progress	117	-	117	1,037	-	-	-	-	-	-	-	1,154	-	1,154
Council Intangible Assets	**10,914**	**(5,616)**	**5,298**	**1,457**	**(17)**	**-**	**(1,039)**	**-**	**-**	**17**	**-**	**12,354**	**(6,638)**	**5,716**
Subsidiary Intangible Assets														
Computer Software	3,167	(1,374)	1,793	987	-	-	(362)	-	-	-	-	4,154	(1,736)	2,418
Rail Services Agreement	10,000	(9,264)	736	-	-	-	(123)	-	-	-	-	10,000	(9,387)	613
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	3,125	-	3,125	-	-	(1,176)	(80)	289	-	-	80	2,238	-	2,158
Subsidiary Intangible Assets	**31,782**	**(10,638)**	**21,144**	**987**	**-**	**(1,176)**	**(565)**	**289**	**-**	**-**	**80**	**31,882**	**(11,123)**	**20,679**
Group Intangible Assets														
Computer Software	13,965	(6,990)	6,975	1,407	(17)	-	(1,401)	-	-	17	-	15,354	(8,374)	6,981
Rail Services Agreement	10,000	(9,264)	736	-	-	-	(123)	-	-	-	-	10,000	(9,387)	613
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	3,125	-	3,125	-	-	(1,176)	(80)	289	-	-	-	2,238	-	2,238
Work in Progress	117	-	117	699	-	-	-	-	-	-	-	1,154	-	1,154
Group Intangible Assets	**42,697**	**(16,254)**	**26,443**	**2,106**	**(17)**	**(1,176)**	**(1,604)**	**289**	**-**	**17**	**-**	**44,236**	**(17,761)**	**26,476**

	Group	
	2018/19	2017/18
Kiwifruit Licence Revaluation Reserve	$000	$000
Opening Balance	1,670	1,446
Revaluation reversal	-	(47)
Revaluation, net of tax	255	271
Closing Balance	**1,925**	**1,670**

G3 Licences

The G3 licences held are for a total of 8.29 hectares (2018: 8.29 hectares). The 2014 to 2019 harvest returns has increased the value of G3 licences. A registered valuer at 30 June 2019 has determined that the fair value for licences held by the Quayside Group is $2,487,000. The original cost of the licences is $57,649. 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 $50,129 (2018: $52,636).

Judgements

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

Goodwill was tested for impairment at 30 June 2019 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 pledges 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.

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

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

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

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

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.

Computer software assets are stated at cost, less accumulated amortisation and impairment.

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

19 Biological Assets

	Group	Group
	2018/19	2017/18
Forestry	$000	$000
Balance at 1 July	**-**	**-**
Additions	485	
Change in fair value less estimated costs to sell	(95)	-
Balance at 30 June	**390**	**-**

During the year an investment property was purchased in Paengaroa, which included a 113.6ha radiata pine forestry block. Fair value of the forestry block has been determined by independent registered valuation at 30 June 2019 as $404,000 less costs to sell. 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. 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.

3. A pre-tax implied discount rate of 7.5% p.a. which was derived from the recent market transactions.

Sensitivity of tree crop value to discount rate Tree Crop Value Discount Rate (pre-tax) (NZ$ 000's)	
6.00%	805
6.50%	654
7.00%	521
7.50%	**404**
8.00%	301
8.50%	210
9.00%	130

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's)					
(NZ$'000)	**Log Prices**				
Production Costs	-10%	-5%	Base	5%	10%
10%	125	228	331	434	537
5%	**161**	**264**	**368**	**471**	**574**
Base	198	301	404	507	610
-5%	235	338	441	544	647
-10%	271	374	478	581	684

Kiwifruit Crop

Harvesting kiwifruit crop takes place in April to June each year. At 30 June the crop is measured at fair value which is nil (2018:nil). The fair value is deemed to be cost as insufficient biological transformation has occurred.

20 Investment properties

The Council has no investment properties. This note is for the subsidiary only.

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Balance at 1 July	-	21,918	-	17,405
Additions - work in progress (at cost)	-	66	-	362
Subsequent expenditure (at cost)	-	-	-	1,327
Additions - Acquisitions (at cost)	-	2,415	-	-
Realised gains on sale	-	-	-	-
Fair value gains on valuation	-	3,487	-	2,824
Balance at 30 June	**-**	**27,886**	**-**	**21,918**
Rental income from investment properties	-	457	-	303
Expenses from investment property generating income	-	113	-	37

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

Work in progress includes the costs incurred to date in drilling of an exploratory water bore for the Rangiuru Business Park. The value of this work was not included in the independent registered valuations, as the bore is not yet operational.

During the year a new investment property was purchased in Paengaroa. This property consists of horticultural land, a forestry block and a residential rental.

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

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

Policies

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

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

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

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

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

21 Investments in subsidiaries

Investments in subsidiaries comprise:

Name of Entity	Principal Activity	Interest Held by Group 2019 %	2018 %	Balance date
Subsidiaries of Bay of Plenty Regional Council:				
BoPLASS Limited		16.13	17.24	30 June
Quayside Holdings Limited		100.00	100.00	30 June
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 and QIT	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		30 June
Aqua Curo Limited (ACL)	Shell company	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.

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.

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% (2018: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2018: 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 2018 was $6.25 (2018: $5.09) which has resulted in an increase in the fair value of the investment in Port of Tauranga Limited of $427.4 million (2018: $239.5 million).

Ownership interest in Port of Tauranga Limited	2019 $000	2018 $000
Non current assets	1,682,982	1,599,147
Current assets	65,879	57,884
Non current liabilities	(213,280)	(214,038)
Current liabilities	(369,696)	(321,013)
Net Assets (100%)	1,165,885	1,121,980
Group's share of net assets 54.14% (2017: 54.14%)	631,210	607,440
Non Controlling Interest 45.86% (2017: 45.86%)	534,675	514,540
Accounting adjustment to non controlling interest	(9,005)	(8,990)
Reported non controlling interest	525,670	505,550
Port of Tauranga Group - summary of financial performance and cashflow		
Operating revenue	313,263	283,726
Profit after income tax	100,577	94,273
Total comprehensive income	165,533	304,397
Net cash inflow from operating activities	112,189	99,431
Ending cash and cash equivalents	3,903	5,836

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 revenue and expenses

In respect of Quayside Holdings Limited 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

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.

Accounting policy for the comparative year under NZ IAS 39

In respect to Quayside Holdings Limited accounts subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the revaluation reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

22 Investments in equity accounted investees

The Council has no investments in equity accounted investees. This note is for the subsidiary only.

Name of Entity	Principal Activity		2019 %	2018 %	Balance Date $000
Quayside Holdings Limited					
Huakiwi Developments Limited Partnership	Orchard development	Joint venture	50.00	50.00	31 Mar*
WNT Ventures	Technological incubator	Associate	20.00	20.00	30 June
Ōpōtiki Packing & Coolstorage Limited	Kiwifruit packhouse	Associate	10.10	10.10	31 Dec*
HoneyLab Limited	Honey products	Associate	18.79	18.84	31 Mar*
Rhondium Limited	Dental technology	Associate	10.60	10.13	31 Dec*
Techion Holdings Limited	Diagnostic technology	Associate	20.82	20.82	30 June
Oriens Capital	Private equity fund	Associate	19.77	19.77	31 Mar*
Quayside Properties Limited					
Lakes Commercial Developments Limited	Commercial property development	Joint venture	50.00	-	30 June
Tauranga Commercial Developments Limited	Commercial property development	Joint venture	50.00	-	30 June
Port of Tauranga Limited					
Coda Group Limited Partnership	Freight logistics and warehousing	Joint venture	50.00	50.00	30 June
Northport Limited	Sea Port	Joint venture	50.00	50.00	30 June
PrimePort Timaru Limited	Sea Port	Joint venture	50.00	50.00	30 June
PortConnect Limited	On line cargo management	Joint venture	50.00	50.00	30 June
Timaru Container Terminal Limited	Sea Port	Joint venture	50.10	50.10	30 June

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

The equity accounted investees of the group are all incorporated/established in New Zealand.

Carrying value of investments in Equity Accounted Investees:

	Group 2019 $000	Group 2018 $000
Associates		
Balance at 1 July	14,471	10,431
Share of after net profit after tax	(673)	276
Share of revaluation reserve	143	(24)
Share of total comprehensive income	**(530)**	**252**
New investment during the year	5,966	3,909
Distributions received	(277)	(121)
Balance at 30 June	**19,630**	**14,471**
Joint Ventures		
Balance at 1 July	140,165	127,583
Share of after net profit after tax	7,748	14,977
Share of hedging reserve	(308)	(71)
Share of revaluation reserve	448	1,711
Share of total comprehensive income	**7,888**	**16,617**
New investment during the year	10,835	6,000
Distributions received	(9,850)	(10,035)
Balance at 30 June	**149,038**	**140,165**
Total Equity Accounted Investees	**168,668**	**154,636**

Quayside Group

The Parent has committed uncalled capital in its equity accounted investees of $12.2 million (2018: $9.7 million).

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

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

	2019	2018
Subsidiary	**$000**	**$000**
Cash and cash equivalents	2,257	2,501
Total current assets	**28,024**	**22,138**
Total non current assets	**82,498**	**60,262**
Total assets	**110,522**	**82,400**
Current financial liabilities excluding trade and other payables and provisions	11,173	11,392
Total current liabilities	**22,105**	**19,389**
Non current financial liabilities excluding trade and other payables and provisions	29,308	22,340
Total non current liabilities	**29,308**	**22,340**
Total liabilities	**51,413**	**41,729**
Net assets	**59,109**	**40,671**
Group's share of net assets	8,834	5,067
Goodwill acquired on acquistion of equity accounted investees	10,796	9,404
Carrying amount of equity accounted investees	**19,630**	**14,471**
Revenues	61,228	61,227
Depreciation and amortisation	(3,896)	(3,069)
Interest expense	(1,043)	(731)
Net profit before tax	(4,161)	3,785
Tax expense	(397)	(757)
Net profit after tax	(4,558)	3,028
Other comprehensive income	1,416	(350)
Total comprehensive income	**(3,142)**	**2,678**
Group's share of net profit after tax	**(673)**	**300**
Group's share of total comprehensive income	**(530)**	**253**
Group's share of dividends/distributions	**277**	**121**

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:

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 acquistion 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**

2018	Northport Limited NZ $000	Coda Group Limited Partnership NZ $000	Other equity accounted investees NZ $000	Total NZ $000
Cash and cash equivalents	196	4,841	5,322	10,359
Total current assets	4,644	29,831	12,186	46,661
Total non current assets	132,243	37,972	92,185	262,400
Total assets	**136,887**	**67,803**	**104,371**	**309,061**
Current financial liabilities excluding trade and other payables and provisions	-	1,145	7,843	8,988
Total current liabilities	4,537	15,692	11,914	32,143
Non current financial liabilities excluding trade and other payables and provisions	33,850	6,413	23,000	63,263
Total non current liabilities	35,536	6,413	23,204	65,153
Total liabilities	**40,073**	**22,105**	**35,118**	**97,296**
Net assets	96,814	45,698	69,253	211,765
Group's share of net assets	48,407	22,849	34,633	105,889
Goodwill acquired on acquistion of equity accounted investees	-	29,414	4,862	34,276
Carrying amount of equity accounted investees	**48,407**	**52,263**	**39,495**	**140,165**
Revenues	42,172	201,702	36,555	280,429
Depreciation and amortisation	(4,148)	(2,021)	(2,517)	(8,686)
Interest expense	(1,809)	(70)	(1,238)	(3,117)
Net profit before tax	24,589	7,660	5,490	37,739
Tax expense	(6,208)	-	(1,581)	(7,789)
Net profit after tax	18,381	7,660	3,909	29,950
Other comprehensive income	1,928	-	1,352	3,280
Total comprehensive income	**20,309**	**7,660**	**5,261**	**33,230**
Group's share of net profit after tax	**9,191**	**3,830**	**1,956**	**14,977**
Group's share of total comprehensive income	**10,155**	**3,830**	**2,632**	**16,617**
Group's share of dividends/distributions	**9,333**	**-**	**702**	**10,035**

Tax Treatment of Coda Group

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

Judgements

Quayside Holdings Limited

As at 30 June 2019 the Parent had either appointed a director to the board or was entitled to appoint a director to the board of its associates. The entitlement to appoint a director and appointment of a director permits Quayside Holdings to participate in the financial and operating policy decisions of the companies. Despite holding less than 20% of the voting rights of the entities, an entitlement and appointment of a director is considered “significant influence” and allows the accounting for each investment as an equity accounted investee.

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

The investment in Coda Group was tested for impairment at 30 June 2019 and confirmed that no adjustment was required.

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.

23 Trade and other payables

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current				
Trade payables	4,515	16,817	3,411	14,891
Accrued expenses	9,525	31,138	15,858	37,713
Payables to equity accounted investees and related parties	-	5,013	-	45
Income in advance	3,898	4,158	1,316	1,595
Total trade and other payables	17,937	57,125	20,585	54,244
Non current				
Accounts payable	-	-	-	-
Total trade and other payables	**17,937**	**57,125**	**20,585**	**54,244**

Trade and other payables are non-interest bearing and are normally settled on 30 day terms. Therefore the carrying value of creditors and other payables approximates their fair value.

Payables denominated in currencies other than the functional currency are nil (2018: nil).

Policies

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

Payables - current

	Council 2018/19 $000	Council 2017/18 $000
Total current payables comprise:		
Payables and deferred revenue under non-exchange transactions - this includes grants payable	-	-
Payables and deferred revenue under exchange transactions - this includes trade payables, income in advance and accruals	17,937	20,585
Total current receivables	**17,937**	**20,585**

24 Deferred taxation

The Council has no deferred taxation. This note is for the subsidiary only.

	Assets		Liabilities		Net	
	2018/19	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Subsidiary	$000	$000	$000	$000	$000	$000
Deferred tax (asset)/liability						
Tax Losses	-	(123)	-	-	-	(123)
Biological assets	(27)	-	-	-	(27)	-
Property, plant and equipment	-	-	76,799	77,566	76,799	77,566
Investment property	-	(838)	118	-	118	(838)
Intangible assets	-	-	1,237	1,028	1,237	1,028
Finance lease receivables	-	-	7	10	7	10
Derivatives	(6,246)	(3,402)	-	-	(6,246)	(3,402)
Provisions and accruals	(1,993)	(1,871)	-	-	(1,993)	(1,871)
Total	**(8,266)**	**(6,234)**	**78,161**	**78,604**	**69,895**	**72,370**

	Recognised in the Income Statement		Recognised in Comprehensive income	
	2018/19	**2017/18**	**2018/19**	**2017/18**
Subsidiary	$000	$000	$000	$000
Tax Benefit	123	(123)	-	-
Property, plant and equipment	(1,163)	(1,266)	395	16,088
Investment property	956	752	-	-
Intangible assets	110	(32)	100	106
Finance lease receivables	(3)	(3)	-	-
Derivatives	-	-	(2,844)	(504)
Provisions and accruals	(122)	(10)	-	-
Total	**(126)**	**(682)**	**(2,349)**	**15,690**

Unrecognised Tax Losses or Temporary Differences

A deferred tax asset of $40,971 was not recognised in the prior year for excess imputation credits converting to tax losses of $146,327 in relation to Quayside Unit Trust – this loss was utilised in the current period. There are no material unrecognised temporary differences in the Group.

Policies

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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

25 Employee benefit liabilities

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current				
Accrued Pay				
Opening balance	2,065	2,065	1,833	1,833
Charged/credited to the income statement				
Additional provisions	2,027	2,027	2,065	2,065
Used during year	(2,065)	(2,065)	(1,833)	(1,833)
Closing balance	**2,027**	**2,027**	**2,065**	**2,065**
Annual Leave				
Opening balance	2,700	2,700	2,417	2,417
Charged/credited to the income statement				
Additional provisions	2,467	2,467	2,700	2,700
Used during year	(2,700)	(2,700)	(2,417)	(2,417)
Closing balance	**2,467**	**2,467**	**2,700**	**2,700**
Sick leave				
Opening balance	55	55	55	55
Charged/credited to the income statement	-	-		-
Additional provisions	57	57	55	55
Used during year	(55)	(55)	(55)	(55)
Closing balance	**57**	**57**	**55**	**55**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Long service leave				
Opening balance	170	170	127	127
Charged/credited to the income statement				
Additional provisions	86	86	170	170
Used during year	(92)	(92)	(127)	(127)
Closing balance	**164**	**164**	**170**	**170**
Employee benefits - profit sharing and bonuses				
Opening balance	-	2,262	-	1,933
Charged/credited to the income statement		-		
Additional provisions	-	2,698	-	3,061
Used during year	-	(2,782)	-	(2,732)
Closing balance	**-**	**2,178**	**-**	**2,262**
Employee benefits - Management Long Term Incentive (LTI)				
Opening balance	-	818	-	401
Charged/credited to the income statement		-		
Utilised during the period	-	(958)	-	(401)
Additional provisions	-	140	-	386
Transferred to/from non-current	-	-	-	432
Closing balance	**-**	**-**	**-**	**818**
Total Current	**4,715**	**6,893**	**4,990**	**8,070**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Non current				
Long service leave				
Opening balance	1,119	2,865	1,017	2,473
Charged/credited to the income statement				
- Additional provisions	1,202	1,396	1,119	1,629
- Unused amounts reversed	(1,119)	(1,194)	(1,017)	(1,072)
Used during year	-	(82)	-	(165)
Closing balance	**1,202**	**2,985**	**1,119**	**2,865**
Employee benefits - Management Long Term Incentive (LTI)				
Opening balance	-		-	432
Charged/credited to the income statement	-		-	-
- Additional provisions	-		-	-
- Transferred to/from current	-		-	(432)
Used during year			-	-
Closing balance	**-**		**-**	**-**
Total non current	**1,202**	**2,985**	**1,119**	**2,865**
Total employee benefit liabilities	**5,917**	**9,879**	**6,109**	**10,936**

Long Service Leave

Council

The present value of retirement and long service leave obligations depend on a number of factors. Two key assumptions used in calculating this liability include the discount rates and the salary inflation rate. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand Government bonds. This discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns.

Subsidiary

Employee Benefits - Long Service Leave Provision

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

Employee Benefits – Management Long Term Incentive Plan

Members of Port of Tauranga Limited's Executive Management Team are eligible to receive payment under the Management Long Term Incentive Plan. The plan is classified as a cash settled share based payment plan and is based upon a combination of total shareholder return versus an index and earnings per share growth, both over a three year period. The amount recognised in the income statement during the period is $0.14m (2018: $0.39m)

The current cash settled share based payment plan has been replaced and vested for the last time in the 2018 financial year with payment made in August 2018

Employee benefits – profit sharing and bonuses

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

Policies

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

Employee benefits

Long-term employee benefits

The group grants employees certain one-off annual leave entitlements upon reaching certain long service targets. The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on New Zealand Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Short-term employee benefits

Employee benefits expected to be settled within 12 months after the end of period in which the employee renders the related service are measured on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised by the subsidiary for the amount expected to be paid under short term cash bonus or profit sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for a defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

26 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 36.

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current				
Borrowings from LGFA NZ Limited	90,490	90,490	-	-
Westpac debt facility	-	-	-	46,510
Commercial papers	-	220,000	-	220,000
Fixed Rate Bond - 1st issue	-	50,000	-	
Advances from employees	-	-	-	335
Multi-option facility	-	2,000	-	5,000
Standby revolving cash advance facility	-	50,000	-	50,000
	90,490	**412,490**	**-**	**321,845**
Non current				
Borrowings from LGFA NZ Limited	50,628	50,628	-	-
Westpac debt facility	-	28,102	-	-
Fixed Rate Bond - 1st issue	-	-	-	50,000
Fixed Rate Bond - 2nd issue	-	75,000	-	75,000
Standby revolving cash advance facility	-	49,000	-	5,000
Advances from employees	-	213	-	21
Perpetual Preference Share Quayside Holdings Limited	-	194,885		194,885
	50,628	**397,828**	**-**	**324,906**
Total borrowings	**141,118**	**810,318**	**-**	**646,751**

Term and debt repayment schedule

Council 2019 Non current	**Maturity**	**Coupon**	**Committed Facilities** NZ$000	**Undrawn Facilities** NZ$000	**Carrying Value** NZ$000
LGFA NZ Ltd Borrowing	2025	2.47%	15,000	-	15,000
LGFA NZ Ltd Borrowing	2023	2.15%	15,000	-	15,000
LGFA NZ Ltd Borrowing	2021	1.77%	20,500	-	20,500
Total non current			50,500	-	50,500
Current					
LGFA NZ Ltd Borrowing	2019	2.23%	20,000	-	20,000
LGFA NZ Ltd Borrowing	2019	2.16%	25,000	-	25,000
LGFA NZ Ltd Borrowing	2019	1.92%	25,000	-	25,000
LGFA NZ Ltd Borrowing	2019	Floating	20,000	-	20,000
Total current			90,000	-	90,000
Total			**110,500**	**-**	**110,500**

Subsidiary 2018	Maturity	Coupon	Committed Facilities $000	Undrawn Facilities $000	Carrying Value $000
Non current					
Standby revolving cash advance facility	2022	Floating	100,000	100,000	-
Fixed rate bond - 2nd issue	2021	4.792%	75,000	-	75,000
Standby revolving cash advance facility	2021	Floating	100,000	100,000	-
Standby revolving cash advance facility	2020	Floating	80,000	75,000	5,000
Fixed rate bond - 1st issue	2019	5.865%	50,000	-	50,000
Advances from employees	Various	0%	-	-	21
Total non current			405,000	275,000	130,021
Current					
Westpac borrowings (Quayside Holdings Limited)	2018	Floating	70,000	23,490	46,510
Standby revolving cash advance facility	2019	Floating	100,000	50,000	50,000
Multi option facilitiy	2017	Floating	5,000	-	5,000
Commercial papers	<3 months	Floating	-	-	220,000
Advances from employees	Various	0%	-	-	335
Total current			175,000	73,490	321,845
Total			**580,000**	**348,490**	**451,866**

LGFA NZ Borrowings

Council has various facilities with the LGFA, totalling $140.0 million (2018: $nil). The facilities are for pre-funding 2018/19 capital expenditure ($50.0 million), investment in Term Deposits ($40.0 million), and undertaken for on-lending to Quayside ($50.0 million).

In October 2018, Coucnil borrowed from the LGFA, which then provided the ability to enter a $50 million financing arrangement with Quayside Holdings Limited. This facility expires on 30 June 2021.

Council's debt to revenue ratio at year end was 109 percent, this is within the limit of 250 percent.

Westpac Banking Corporation

Quayside Holdings Limited has a $55.0 million (2017: $70.0 million) financing arrangement with Westpac Banking Corporation. This facility is secured by a mortgage over shares held in the Port of Tauranga Limited, and provides direct borrowings for the *Quayside Group*. The facility is for a term of 3 years expiring 20 October 2021.

Fixed rate bonds

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

Commercial papers

Commercial papers are secured, short term discounted debt instruments issued by the Port of Tauranga Limited for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities. At 30 June 2019 the Port of Tauranga Group had $220.0 million of commercial paper debt that is classified within current liabilities (2018: $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 $430.0 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 (2018: $380.0 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). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers. The facility was refinanced on 29 July 2019.

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 (2018: $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 ($17.3 million, 2018: $17.9 million), mortgages over the land and building assets ($913.8 million, 2018: $836.2 million), and by a general security agreement over the assets of the Port of Tauranga Limited ($1,631.6 million, 2018: $1,611.9 million).

Covenants

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

Fair Values

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

Interest rates

The weighted average interest rate of interest bearing loans was 3.75% at 30 June 2019 (2018: 3.26%) for the Group and 3.08% (2018: 3.10%) 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.

After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Council or group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue

27 Retained earnings

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Retained Earnings				
Balance at 1 July	204,279	336,696	173,854	262,294
Adjustment on adoption of IFRS9 and PBE IFRS9	-	(148)	-	-
Profit share	16,317	43,364	(17,963)	32,325
Dividends paid	-	(6,221)	-	(6,221)
Reclassification of prior year retained earnings	-	-	-	-
Non-controlling interest adjustments	-	27	-	1
Movement in subsidiary's employee share scheme	-	(547)	-	(800)
Adjustment for vesting of equity settled share based payment	-	-	-	709
Revaluation surplus transferred to retained earnings on asset disposal	-	25	-	-
Transfers from:				
Restricted reserve - disaster	2,426	2,426	4,363	4,363
Asset replacement reserve	59,548	59,548	10,032	10,032
Infrastructure fund reserve	31,953	31,953	43,383	43,383
Regional project fund	45,000	45,000	4,159	4,159
Environmental enhancement fund	257	257	441	441
Equalisation fund reserve	10,120	10,120	7,619	7,619
Current account reserve	2,169	2,169	4,605	4,605
Rotorua Lakes restoration reserve	2,484	2,484	2,332	2,332
CDEM Group reserve	-	-	-	-
Kaituna river authority	45	45	26	26
Rotorua Air	755	755	4,434	4,434
Transfers to:				
Restricted reserve - disaster	(54)	(54)	(2,264)	(2,264)
Asset replacement reserve	(72,323)	(72,323)	(8,200)	(8,200)
Infrastructure fund reserve	(1,212)	(1,212)	-	-
Regional project fund	(23,789)	(23,789)	(4,843)	(4,843)
Toi Moana reserve	(45,000)	(45,000)	-	-
Environmental enhancement fund	(306)	(306)	(310)	(310)
Equalisation fund reserve	(16,313)	(16,313)	(7,619)	(7,619)
Current account reserve	(3,932)	(3,932)	(5,400)	(5,400)
Rotorua Lakes restoration reserve	(4,732)	(4,732)	(215)	(215)
CDEM Group reserve	(113)	(113)	(174)	(174)
Kaituna river authority	(4)	(4)	(5)	(5)
Rotorua Air	(560)	(560)	(3,976)	(3,976)
General reserve	(112)	(112)	-	-
Balance as at 30 June	**206,903**	**359,503**	**204,279**	**336,696**

28 Other reserves

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Asset revaluation reserve				
Opening balance	144,508	663,791	123,878	526,120
Revaluation - land and buildings	(8,745)	(8,745)	5,895	5,895
Revaluation - Maritime	-	-	188	188
Revaluation - infrastructure assets	45,285	45,284	14,547	14,546
Revaluation - Port assets	-	39,541	-	115,001
Net change in share of equity accounted revaluation reserve	-	389	-	914
Bearer plant revaluation	-	1,619	-	903
Kiwifruit licence revaluation	-	255	-	224
Transfers to:	-	-	-	-
Retained earnings	-	-	-	-
Closing balance	**181,048**	**742,135**	**144,508**	**663,791**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Opening balance	(5,514)	(5,513)	(3,681)	(3,683)
Transfers from:				
Retained Earnings	72,322	72,322	8,200	8,200
Transfers to:				
Retained Earnings	(59,548)	(59,548)	(10,033)	(10,033)
Closing balance	**7,261**	**7,261**	**(5,514)**	**(5,514)**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Environmental enhancement fund				
Opening balance	416	416	547	547
Transfers from:				
Retained Earnings	306	306	310	310
Transfers to:				
Retained Earnings	(257)	(257)	(441)	(441)
Closing balance	**465**	**465**	**416**	**416**
Restricted reserve - disaster				
Opening balance	4,000	4,000	6,098	6,098
Transfers from				
Retained earnings	54	54	2,264	2,264
Transfers to:				
Retained earnings	(2,426)	(2,426)	(4,362)	(4,362)
Closing balance	**1,628**	**1,628**	**4,000**	**4,000**
Hedging cash flow reserve				
Opening balance	-	(5,066)	-	(4,317)
Net effective portion of changes in fair value of cashflow hedges, net of tax	-	(4,902)	-	(1,930)
Net change in fair value of cashflow hedges transferred to profit or loss, net of tax	-	893	-	1,220
Net changes in cashflow hedges transferred to property, plant and equipment, net of tax	-	-	-	-
Net change in share of equity accounted investees revaluation reserve	-	(169)	-	(39)
Non-controlling interest adjustments	-	-	-	-
Retained earnings	-	-	-	-
Closing balance	**-**	**(9,244)**	**-**	**(5,066)**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Equalisation fund reserve				
Opening balance	-		-	-
Transfers from:				
Retained earnings	16,313	16,313	7,619	7,619
Transfers to:				
Retained earnings	(10,120)	(10,120)	(7,619)	(7,619)
Environmental enhancement fund	-	-	-	-
Closing balance	**6,193**	**6,193**	**-**	**-**
CDEM Group Reserve				
Opening balance	775	775	601	601
Transfers from:				
Retained earnings	113	113	174	174
Transfers to:				
Retained earnings	-	-	-	-
Environmental enhancement fund	-	-	-	-
Closing balance	**888**	**888**	**775**	**775**
Kaituna River Authority Reserve				
Opening balance	234	234	255	255
Transfers from:				
Retained earnings	4	4	5	5
Transfers to:				
Retained earnings	(45)	(45)	(26)	(26)
Environmental enhancement fund	-	-	-	-
Closing balance	**193**	**193**	**234**	**234**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Infrastructure fund reserve				
Opening balance	46,257	46,257	89,641	89,641
Transfer from:				
Retained earnings	1,212	1,212	-	-
Transfer to:				
Retained earnings	(31,954)	(31,954)	(43,384)	(43,384)
Closing balance	**15,515**	**15,515**	**46,257**	**46,257**
Regional Fund				
Opening balance	51,832	51,832	51,147	51,147
Transfer from:				
Retained earnings	23,788	23,788	4,843	4,843
Transfer to:				
Retained earnings	-	-	(4,159)	(4,159)
Toi Moana Fund	(45,000)	(45,000)		
Closing balance	**30,619**	**30,619**	**51,831**	**51,831**
Toi Moana				
Opening balance	-	-	-	-
Transfer from:				
Regional Fund	45,000	45,000	-	-
Transfer to:				
Retained earnings	-	-	-	-
Closing balance	**45,000**	**45,000**	**-**	**-**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current accounts				
Opening balance	3,517	3,517	3,180	3,180
Transfer from:				
Retained earnings	3,936	3,936	4,942	4,942
Rotorua Air Clean Heat	-	-	4,434	4,434
Transfer to:				
Retained earnings `	(2,923)	(2,923)	(5,063)	(5,063)
Rotorua Air Clean Heat	556	556	(3,976)	(3,976)
Closing balance	**5,087**	**5,087**	**3,517**	**3,517**
Rotorua Lakes restoration reserve				
Opening balance	(208)	(208)	1,909	1,909
Transfer from:				
Retained earnings	4,732	4,732	215	215
Current account reserve	-	-	-	-
Transfer to:				
Retained earnings `	(2,484)	(2,484)	(2,332)	(2,332)
Closing balance	**2,040**	**2,040**	**(208)**	**(208)**
Financial assets available for sale reserve				
Opening balance	613	613	1,634	1,634
Net fair value gains / (losses)	3,862	3,862	(1,021)	(1,021)
Reclassification to surplus or deficit on disposal	-	-	-	-
Closing balance	**4,475**	**4,475**	**613**	**613**
Total reserves	**300,413**	**852,256**	**246,429**	**760,646**

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves include those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

The group holds the following reserves. All reserves are cash reserves except for the asset revaluation reserve and financial asset reserve.

Equalisation reserve

This reserve is used to record surpluses from all general funded activities.

Asset revaluation reserve

This reserve is used by Council to reflect the net increase in the fair value of Property and Infrastructure assets. This is a non cash reserve and is available for use by any activity that controls infrastructure or property assets.

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

Asset replacement reserve

This is a reserve fund for asset replacement. Contributions to the reserve are from depreciation funding. Funds from the reserve are used for the purchase of replacement assets, and transfers to the Regional Fund. This reserve is used by all activities.

Environmental enhancement fund

This reserve was established to support local projects that aim to enhance, preserve or protect the region's natural or historic character. Transfers to and from this reserve are approved by Council resolution. This reserve funds the Environmental Enhancement Programme in the Kotahitanga/Strategy Engagement Activity.

Flood and disaster reserves

This reserve holds funds accumulated for the purpose of contributing to flood damage or disaster events incurred by any of the five major river and/or drainage schemes.

Contributions to this reserve are from interest earned by the funds. There is a specific bank account for these funds. Withdrawals from this account are approved by Council resolution.

This reserve is used by the Rivers, Drainage and Flood Management Activity.

Infrastructure fund reserve

This reserve is used to fund infrastructure projects that benefit the wider regional community. It was established with the proceeds of the perpetual preference share issue. Use of this reserve must comply with the Inland Revenue Department Binding Ruling. It is available for use by any activity that has infrastructure projects that meet this criteria.

Regional Fund reserve

This reserve is used to fund future infrastucture projects. It is replenished through budgeted contributions from activities, and is available for use by all activities.

Rates current accounts

The purpose of this reserve is to record the under or over-recovery of targeted rates carried forward to fund activities in future years. This is used by all activities that have targeted rates including Rotorua Lakes, Rotorua Air Quality, Passenger Transport, and Rivers, Drainage and Flood Management.

Rotorua Lakes restoration reserve

This reserve records the accumulation of funds available to finance deed funded lakes projects. This reserve holds all deed funded surpluses from Central Government (MfE) and the Council (general and targeted rate) funding allocated to match MfE funds. This reserve is used by the Rotorua Lakes Activity.

Financial assets available for sale reserve

This reserve reflects the net change in fair value of financial assets available for sale during the year. This is a non-cash reserve. It is used by the Treasury programme within the Corporate Activity and by the subsidiary.

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. This reserve is used by the subsidiary.

CDEM Group reserve

This reserve records the accumulation of funds available to finance Civil Defence Emergency Management group related projects. This reserve holds all the group funded surpluses from the Territorial Authorities and the Regional Council funding. This reserve funds expenditure within the Emergency Management Activity.

Kaituna River Authority reserve

This reserve holds accumulated funds received from the Ministry for the Environment on behalf of the Kaituna River Authority.

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 specified in the 10 year Container Volume Commitment Agreement. In the prior year 1,500,000 shares were vested in accordance with the volume commitment agreement, which resulted in an adjustment to non-controlling interest. Refer to further information below in (e) below.

The increase in the reserve of $1.30 million (2018: $1.20 million) recognises the shares earned based on containers delivered during the period.

Equity Settled Share Based Payments

The grant-date fair value of equity settled share based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. As at 30 June 2019 the balance of the equity settled share-based payment reserve was $2.40 million (2018: $1.10 million). 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.

Employee Share Ownership Plan

The Port of Tauranga Limited has an Employee Share Ownership Plan (ESOP). During the year 128,820 shares at $3.02 per share were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2018: 53,400 shares at $2.88 per share).

During the year 194,200 shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2018: 18,450).

Non Controlling interest

Non controlling interest of 45.86% (2018: 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.

29 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 2019 is $0.8 million (2018: $0.9 million) with a corresponding increase in the share based payments reserve

Number of Share Rights Issued to Executives:

Grant Date	Scheme End Date	Right Type	Balance as at 30 June 2018	Granted During the Year	Balance as at 30 June 2019
1 March 2018	30 June 2019	EPS	127,470	-	127,470
1 March 2018	30 June 2019	TSR	106,225	-	106,225
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
Total LTI Plan			**457,241**	**198,917**	**656,158**

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	Vesting 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 2019	EPS	5.09	1.79	15.10	4.92
1 March 2018	30 June 2019	TSR	5.09	1.79	15.10	4.48
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

Prior to the introduction of the equity settled LTI plan, members of the Port of Tauranga Limited's executive team were eligible to receive payment under a cash settled LTI plan. This plan vests for the last time for the 2018 financial year with payment expected to be made in August 2018.*Management Long Term Incentive Plan – Cash Settled*

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.

Cash Settled Transactions

The fair value of cash settled transactions is determined at each reporting date, and the change in fair value is recognised in the income statement with a corresponding change recognised in the provisions' liability.

30 Commitments

Capital commitments

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Estimated capital commitments contracted for at balance date but not yet provided for	11,377	11,377	16,376	30,276
	11,377	**11,377**	**16,376**	**30,276**

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Operating leases as lessee

The Council leases land, buildings, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months.

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Not later than one year	750	750	768	861
Later than one year and not later than five years	506	506	1,147	1,147
Later than five years	285	285	267	267
Total non-cancellable operating leases	**1,541**	**1,541**	**2,182**	**2,275**

The majority of leases can be renewed at the Council and group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council and group does not have an option to purchase the assets at the end of the lease term. There are no restrictions placed on the Council and group by any leasing arrangement.

Operating leases as lessor

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

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Not later than one year	128	18,619	77	14,956
Later than one year and not later than five years	434	41,471	308	21,207
Later than five years	1,480	41,201	-	33,007
Total non-cancellable operating leases	**2,041**	**101,290**	**385**	**69,170**

Policies

Council

Where the group is the lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

At the commencement of a lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payment. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Payments made under finance leases are allocated between the liability and finance charges, using the effective interest method, so as to achieve a constant periodic rate of interest on the finance balance outstanding. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset’s useful life and the lease term.

Payments made under operating leases are recognised in the statement of comprehensive revenue and expense on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

Where the group is the lessor

When assets are leased under a finance lease, where the lessee effectively receives substantially all the risks and benefits of ownership of the leased items, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Assets leased under operating leases are included in investment property or property, plant and equipment in the statement of financial position as appropriate.

Payments and receivables received under operating leases are recognised in the Statement of comprehensive revenue and expense on a straight line basis over the term of the lease.

Subsidiary:

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.

31 Contingencies

Contingent liabilities

Financial guarantee - New Zealand Local Government Funding Agency

The Bay of Plenty Regional Council is a shareholder of The New Zealand Local Government Funding Agency Limited (LGFA). This entity was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. Standard and Poor's have given the entity a credit rating of AA+ which is equal to New Zealand Government sovereign rating.

As at 30 June 2019 Bay of Plenty Regional Council is one of the31 shareholders made up of 30 local authorities and the Crown. All 30 local authority shareholders have uncalled capital equal to their individual shareholding and totalling $20 million in aggregate which can be called on in the event that an imminent default is identified.Also together with the other shareholders, Bay of Plenty Regional Council is a guarantor of all of LGFA borrowings. As at 30 June 2019, LGFA had borrowings totalling $9,531 million (2018: $8,272 million).

Financial reporting standards require Bay of Plenty Regional Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be minimal on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- Local Government legislation would enable local authorities to levy a rate, to recover sufficient funds to meet any debt obligations if further funds were required.

Uncalled capital

The Council is liable for the uncalled capital in its wholly owned subsidiary, Quayside Holdings Limited, of $81,829,918 being 2,003,190,217 Redeemable Preference Shares at 0.000004 cents per share.

Subsidiary

At 30 June 2019 for the subsidiary there were no contingent liabilities.

32 Related party transactions

Bay of Plenty Regional Council is the parent of the Group and controls Quayside Holdings Limited and its subsidiaries, Quayside Properties Limited, Quayside Securities Limited, Quayside Investment Trust and Quayside Unit Trust. Through the shareholding in Quayside Securities Limited as Trustee for Quayside Unit Trust, a controlling interest is held in the Port of Tauranga (POTL) and its subsidiaries and equity accounted investees.

Related party transactions with subsidiaries and equity accounted investees:

Transactions with Related Parties:	2018/19 $000	2017/18 $000
Bay of Plenty Regional Council		
Loan payable by Quayside Holdings Limited	50,000	-
Interest payable by Quayside Holdings Limited	478	-
Interest paid by Quayside Holdings Limited	250	-
Loan facility fees received from Quayside Holdings Limited	75	-
Subvention payment payable by Quayside Holdings Limited	3,005	-
Services provided to Quayside Holdings Limited	-	-
Services provided to Quayside Properties Limited	-	2
Services provided to Port of Tauranga Limited	-	29
Quayside Unit Trust		
Dividends paid to Quayside Holdings Limited	78,900	59,500
Interest received by Quayside Holdings Limited	271	356
Interest receivable by Quayside Holdings Limited	13	60
Loan receivable by Quayside Holdings Limited	8,331	10,331
Loan repayment received by Quayside Holdings Limited	2,000	8,000
Dividends received from Port of Tauranga Limited	66,318	62,267
Quayside Properties Limited		
Interest received by Quayside Holdings Limited	641	522
Interest receivable by Quayside Holdings Limited	167	72
Loan receivable by Quayside Holdings Limited	23,421	17,157
Office lease provided to Quayside Holdings Limited	38	18
Accounts payable by Quayside Holdings Limited	-	15
Accounts receivable by Quayside Holdings Limited	33	21
Management fees paid to Quayside Holdings Limited	111	110

Transactions with Related Parties:	2018/19 $000	2017/18 $000
Quayside Investment Trust		
Consideration for units redeemed by Quayside Holdings Limited	-	-
Consideration for units purchased by Quayside Holdings Limited	13,000	20,250
Quayside Securities Limited		
Management fees paid to Quayside Holdings Limited	76	74
Quayside Group Transactions with Equity Accounted Investees		
Services provided by Quayside Holdings Limited	112	144
Accounts payable by Quayside Holdings Limited	1,400	-
Accounts receivable by Quayside Holdings Limited	31	5
Port of Tauranga Group Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	556	441
Services provided by Port of Tauranga Limited	3,824	2,743
Accounts receivable by Port of Tauranga Limited	239	285
Accounts payable by Port of Tauranga Limited	125	45
Advances by Port of Tauranga Limited	5,319	6,319
Services provided to Quality Marshalling (Mount Maunganui) Limited	3	-
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	3,913	3,973
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	345	455
Accounts receivable by Port of Tauranga Trustee Company Limited	3	-

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.

Perpetual preference shares

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

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

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

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

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

Option Deed

There exists an Option Deed relating to Perpetual Preference Shares dated 31 January 2008 between Quayside Holdings Limited, Bay of Plenty Regional Council and The New Zealand Guardian Trust Company Limited.

Net Tangible Assets

NZX Listing Rule 10.4.2 requires issuers to disclose net tangible assets per share. On a simple paid up capital basis, this equates to $12.82 per share (2018: $10.45) for the Parent. However, this calculation does not reflect the legal form of a holder's entitlement. Under the Investment Statement, the net tangible asset per share should equate to $1.00 (2018: $1.00) per Perpetual Preference Share. The net tangible asset per share on the ordinary shares is $256,344 (2018: $209,008).

PPS Put Option trigger events

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

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

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

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

- The Perpetual Preference Shares have no fixed term, and are not redeemable.
- The quarterly payment of dividends by Quayside Holdings Limited to Perpetual Preference shareholders is optional and resolved on by the Board of Quayside Holdings Limited.

- Dividends on the Perpetual Preference Shares may be imputed, and as such are equity instruments.
- PUT or CALL options, if exercised are payable by Council, the ordinary shareholder of Quayside Holdings Limited.

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

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

Call Option trigger events

After 12 March 2010 Bay of Plenty Regional Council may exercise the Call Option at any time. The Bay of Plenty Regional Council does not have any intention of exercising the call option.

Dividend payment

A significant transaction between Council and Quayside Holdings Limited is a dividend payment of $31.2 million. (2017/18: $25.5 million).

Loan to Quayside Holdings

During the year a loan was established between the Council to Quayside Holdings Ltd. Council has worked with Quayside Holdings Ltd to achieve the best funding outcomes and available returns achieve the best funding outcomes and available returns.

Other related entities

Other related parties include subsidiaries in the Quayside Group.

During the year, the subsidiary 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.

BOPLASS Limited

BOPLASS Limited was incorporated on 14 January 2008, and has share capital of 31 shares at 30 June 2019. The purpose of the company is to foster collaboration between the nine shareholder councils in the delivery of "back office" services. Fiona McTavish, Chief Executive of Bay of Plenty Regional Council is a director of BOPLASS Limited. Bay of Plenty Regional Council holds five shares (16.13%).

During 2018/19 the Council was invoiced by BOPLASS for the following services:

	2018/19	**2017/18**
	$	**$**
Advisory group levies	-	-
Aerial photography	96,583	96,583
Annual contribution	57,209	57,209
Directors workshop	-	-
GIS projects	-	-
GIS shared services	-	2,856
Maintenance	6,174	16,971
Media monitoring services	31,320	23,434
Memberships, licenses and training	24,033	14,810
Other projects	-	14,123
Regional network lease	120,483	203,386
Shared services	4,600	-
Video conferencing network	-	-
	340,402	**429,372**

During 2018/19 the Council was paid by BOPLASS for the following services:

	2018/19	**2017/18**
	$	**$**
Other operational costs	18,559	18,559
	18,559	**18,559**

Key management personnel

Council

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Bay of Plenty Regional Council (such as payment of rates).

Two Councillors of the Bay of Plenty Regional Council (Stuart Crosby and Paula Thompson) were directors of Quayside Holdings Limited, Quayside Securities Limited and Quayside Properties Limited at 30 June 2019. The Chief Executive of Bay of Plenty Regional Council (Fiona McTavish) was appointed as Director of the above companies in effective 30 June 2018. The Chairman of the Bay of Plenty Regional Council (Douglas Leeder) was appointed as a director of Port of Tauranga Limited in October 2015.

Councillors entered into no related party transactions with Council.

Key management personnel include the chief executive, other senior management personnel, Councillors and directors within the group.

Key management personnel compensation

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Salaries and other short-term employee benefits	1,147	6,012	1,465	7,156
Other long-term benefits	-	-	-	-
Post employment benefits	23	23	29	29
Councillor remuneration	1,013	1,013	53	53
Directors fees	-	1,104	-	1,059
Termination Benefits	-	-	-	-
	2,183	**8,152**	**1,547**	**8,297**

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 28).

	Council 2018/19 $000	Council 2017/18 $000
Councillors - Full time equivalent members*	14	14
Executive Leadership Team - Full time equivalent	5	6

**Due to the difficulty in determining the full time equivalent for Councillors, the full time equivalent figure is taken as the number of Councillors*

No provision has been required, nor any expense recognised for impairment of receivables, for any loans or other receivables to related parties.

33 Remuneration

Remuneration of the Chief Executive (Council)

The Chief Executive of the Bay of Plenty Regional Council (Fiona McTavish, appointed on 30 June 2019 under section 42(1) of the Local Government Act 2002) received remuneration of $320,000.

Remuneration of Councillors

	2018/19 $	2017/18 $
D Leeder	143,742	138,592
J Nees	86,484	87,030
P Thompson	89,735	79,220
A Tahana	67,339	67,696
J Cronin	67,339	67,016
L Thurston	67,339	67,016
N Bruning	67,339	67,016
S Crosby	67,339	67,016
A Von Dadelszen	70,245	61,546
D Love	57,120	57,406
S Marr	57,120	56,846
K Winters	57,120	56,846
B Clark	57,120	56,846
M McDonald	57,120	56,846
	1,012,500	**986,938**

Remuneration of Directors

	2018/19	2017/18
	$	$
D A Pilkington	167,000	167,000
R Mcleod*	180,500	133,416
K R Ellis	102,500	102,500
J C Hoare	100,000	100,000
A R Lawrence	92,500	92,500
D W Leeder	90,000	90,000
R Tait	69,000	69,000
M Smith*	-	58,500
J M Nees	18,000	53,000
P Thompson	53,000	53,000
W Parker	53,000	53,000
B Hewlett	53,000	35,000
A W Baylis**	-	30,833
A M Andrew**	90,000	21,250
S Crosby	35,000	-
	1,103,500	**1,058,999**

The Group does not provide any non cash benefits to Directors in addition to their Directors' fees.

*M Smith retired from the Board of Directors on 31 October 2017 and R McLeod was appointed on 31 October 2017.

** A W Baylis retired from the Board of Directors on 19 December 2017 and A M Andrew was appointed on 1 April 2018.

Remuneration of Council Employees

		2018/19	2017/18
	< $60,000	128	125
	$60,000 - $79,999	86	83
	$80,000 - $99,999	113	113
	$100,000 - $119,999	56	38
	$120,000 - $139,999	17	21
	$140,000 - $159,999	12	11
*	$160,000 - $319,999	9	10
	Total Employees	421	401

* This is an example of a combined band disclosure. Schedule 10, clause 32A of the LGA requires where the number of employees in any band is 5 or fewer, the number for that band is combined with the next-highest band.

Total remuneration includes any non-financial benefits provided to employees.

At 30 June 2019, the Council employed 330 full-time employees (2018: 330), with the balance of staff (79 representing 56 full-time equivalent staff (2018: 49). A full time employee is determined on the basis of a 37.5 or 40 hour working week.

34 Severance

For the year ended 30 June 2019, the Council made one (2018: nil) severance payment to employees for $45,261 (2018: $0).

35 Segmental reporting

This note is for the subsidiary only.

At 30 June 2019 the Group comprises two main operating segments: The first being the business of facilitating export and import activities (Port), and the second being the business of investment (Investing). Both operating segments operate in one geographic segment, being New Zealand, are managed separately as they provide different services to customers and have their own operational and marketing requirements. The only transaction during the year between these two operating segments was the payment and recording of a dividend by the Port segment to the Investing segment.

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

The segment results for the year ended 30 June are:

	Port	Investing	Total
	$000	$000	$000
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 and 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)
Shaire of profit of Equity Accounted Investees	8,100	(1,025)	7,075
Net profit after tax	**100,577**	**15,066**	**115,643**

	Port	Investing	Total
	$000	$000	$000
30 June 2018			
Total segment revenue	283,263	65,566	348,829
Inter-segment revenue	-	(62,267)	(62,267)
Revenue (from external customers)	283,263	3,299	286,562
Other income/gains	463	31,598	32,061
Finance income	391	867	1,258
Finance costs	(18,418)	(1,599)	(20,017)
Depreciation and amortisation	(25,269)	(575)	(25,844)
Reversal of previous revaluation deficit	446	-	446
Other expenditure/losses	(129,631)	(8,510)	(138,141)
Share of profit of equity accounted investees	15,141	112	15,253
Income tax expense	(32,113)	(910)	(28,146)
Net profit after tax	**94,273**	**24,282**	**118,555**

The segment assets at 30 June are:

Segment Assets	$000	$000	$000
30 June 2019	1,748,861	348,006	2,096,867
30 June 2018	1,657,031	264,288	1,921,319

Policies

The *Quayside 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).

36 Events after the balance sheet date

On 1st July 2019, Quayside Holdings Limited established a new PIE Trust the 'Toi Moana Trust'. The Trustee of this Trust will be Quayside Securities Limited and the majority of units in the new Trust will be issued to Bay of Plenty Regional Council.

Subsidiary

On 29 July 2019, the Port of Tauranga Limited refinanced a tranche of its $430m Standby Revolving Cash Advance Facility, increasing the facility size by $50m to $480m. The Tranche 1 $50m facility was increased by $50m to $100m and the maturity date of this tranche was extended from 1 October 2019 to 29 January 2021.

37 Financial instruments

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and commodity risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. 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.

The group comprises three governance structures:

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

Council

The Council has a series of policies to manage the risks associated with financial instruments and is risk averse and seeks to minimise exposure from its treasury activities.The Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Subsidiary

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% (2018: 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.

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

	Fair Value through other Comprehensive Income	Fair Value through Profit & Loss	Hedge accounted derivatives	Other amortised cost	Total carrying amount	Fair value
	$000	$000	$000	$000	$000	$000
Group 2018/19						
Financial assets						
Cash and cash equivalents	-	-	-	205,097	205,097	205,097
Other financial assets	-	-	-	53,069	53,069	53,069
Trade and other receivables	-	-	-	75,644	75,644	75,644
Total current financial assets	-	-	-	333,810	333,810	333,810
Trade and other receivables	-	-	-	1,832	1,832	1,832
Other financial assets	185,583	-	-	-	183,161	183,161
Total non current financial assets	185,583	-	-	1,832	184,993	184,993
Total financial assets	**185,583**	**-**	**-**	**335,643**	**518,803**	**518,803**
Financial liabilities						
Borrowings	-	-	-	412,000	412,000	413,099
Trade and other payables	-	-	-	28,423	28,423	28,423
Derivative instruments	-	-	1,138	-	1,138	1,138
Total current financial liabilities	-	-	1,138	440,423	441,561	442,660
Derivative financial instruments	-	-	20,895	-	20,895	20,895
Borrowings	-	-	-	202,815	202,815	205,807
Put option provision	-	3,400	-	-	15,000	15,000
Total non current financial liabilities	-	3,400	20,895	202,815	238,710	241,702
Total financial liabilities	**-**	**3,400**	**22,033**	**643,238**	**680,271**	**684,362**

	Fair Value through other Comprehensive Income	Fair Value through Profit & Loss	Hedge accounted derivatives	Other amortised cost	Total carrying amount	Fair value
	$000	$000	$000	$000	$000	$000
Council 2018/19						
Financial assets						
Cash and cash equivalents	-	-	-	138,110	138,110	138,110
Other financial assets	-	-	-	78,069	78,069	78,069
Trade and other receivables	-	-	-	18,169	18,169	18,169
Total current financial assets	-	-	-	234,348	234,348	234,348
Investments in subsidiaries	91	-	-	-	91	91
Trade and other receivables	-	-	-	1,820	1,820	1,820
Other financial assets	7,063	-	-	-	4,641	4,641
Total non current financial assets	7,154	-	-	1,820	6,552	6,552
Total financial assets	**7,154**	**-**	**-**	**236,169**	**240,900**	**240,900**
Financial liabilities						
Borrowings	-	-	-	90,000	90,000	90,490
Trade and other payables	-	-	-	14,039	14,039	14,039
Derivative instruments	-	-	-	-	-	-
Total current financial liabilities	-	-	-	104,039	104,039	104,529
Derivative financial instruments	-	-	-	-	-	-
Borrowings	-	-	-	50,500	50,500	50,628
Put option provision	-	3,400	-	-	15,000	15,000
Total non current financial liabilities	-	3,400	-	50,500	65,500	65,628
Total financial liabilities	**-**	**3,400**	**-**	**154,539**	**169,539**	**170,157**

	Loans and receivables	Assets designated at fair value	Assets held for trading	Available for-sale	Held to maturity	Other amortised cost	Total carrying amount	Fair value
	$000	$000	$000	$000	$000	$000	$000	$000
Group 2017/18								
Financial assets								
Cash and cash equivalents	116,226	-	-	-	-	-	116,226	116,226
Other financial assets	38,309	-	-	-	-	-	38,309	38,309
Derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	62,929	-	-	-	-	-	62,929	62,929
Total current financial assets	217,464	-	-	-	-	-	217,464	217,464
Derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	2,171	-	-	-	-	-	2,171	2,171
Other financial assets	-	171,513	1,933	15,416	-	-	188,862	188,862
Total non current financial assets	2,171	171,513	1,933	15,416	-	-	191,034	191,034
Total financial assets	**219,635**	**171,513**	**1,933**	**15,416**	**-**	**-**	**408,498**	**408,498**
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	321,845	321,845	321,845
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	31,411	31,411	31,411
Total current financial liabilities	-	-	-	-	-	353,256	353,256	353,256
Derivative financial instruments	(3,340)	15,127	-	-	-	73	11,860	11,860
Borrowings	-	-	-	-	-	324,906	324,906	329,599
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-	-
Put option provision	-	-	-	-	-	-	-	-
Total non current financial liabilities	(3,340)	15,127	-	-	-	324,979	336,766	341,459
Total financial liabilities	**(3,340)**	**15,127**	**-**	**-**	**-**	**678,235**	**690,022**	**694,715**

	Loans and receivables	Assets designated at fair value	Assets held for trading	Available for-sale	Held to maturity	Other amortised cost	Total carrying amount	Fair value
	$000	$000	$000	$000	$000	$000	$000	$000
Council 2017/18								
Financial assets								
Cash and cash equivalents	74,538	-	-	-	-	-	74,538	74,538
Other financial assets	38,309	-	-	-	-	-	38,309	38,309
Derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	11,347	-	-	-	-	-	11,347	11,347
Total current financial assets	124,194	-	-	-	-	-	124,194	124,194
Derivative financial instruments	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	11	-	-	11	11
Trade and other receivables	2,146	-	-	-	-	-	2,146	2,146
Other financial assets	-	-	1,933	15,416	-	-	17,349	17,349
Total non current financial assets	2,146	-	1,933	15,427	-	-	19,507	19,507
Total financial assets	**126,341**	**-**	**1,933**	**15,427**	**-**	**-**	**143,701**	**143,701**
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	19,268	19,268	19,268
Total current financial liabilities	-	-	-	-	-	19,268	19,268	19,268
Derivative financial instruments	-	-	-	-	-	73	73	73
Borrowings	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-	-
Put option provision	-	15,000	-	-	-	-	15,000	15,000
Total non current financial liabilities	-	15,000	-	-	-	73	15,073	15,073
Total financial liabilities	**-**	**15,000**	**-**	**-**	**-**	**19,341**	**34,341**	**34,341**

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:

	Council		Group	
	2018/19	**2017/18**	**2018/19**	**2017/18**
	$000	$000	$000	$000
Trade and other receivables - current	18,169	11,347	75,644	62,929
Trade and other receivables - non current	1,820	2,146	1,832	2,146
Derivative financial instruments	-	-	-	-
Other financial assets	78,069	38,309	53,069	38,309
Cash and cash equivalents	138,110	74,538	205,097	116,226
	236,169	126,341	335,643	219,611

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.

Subsidiary

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 has been obtained 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.

On that basis, the following tables details loss allowance for trade receivables for Council, and Subsidiary:

Council 2018/19	**Expected loss rate (default rate)**	**Trade Receivables as at 30 June 2019**	**Loss allowance on trade receivables**
Aging	%	$000	$000
Current	0.94%	1,465	14
30 -60 days	36.31%	381	138
60 - 90 days	36.94%	58	22
90 + days	51.76%	0	0
180+ days	0.20%	255	1
		2,160	175

Subsidiary 2018/19	**Expected loss rate (default rate)**	**Trade Receivables as at 30 June 2019**	**Loss allowance on trade receivables**
Aging	%	$000	$000
Current	0.01%	35,368	5
30 -60 days	0.03%	14,400	4
60-90 Days	0.28%	1,339	4
90+ Days	1.49%	605	9
		51,712	22

Quayside Group

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

Port of Tauranga Group

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

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

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

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the *Port of Tauranga Group's* business means that the top ten customers account for 62.7% of total Group revenue (2018: 65.9%). The *Port of Tauranga Group* is satisfied with the credit quality of these debtors and does not anticipate any non performance.

Liquidity Risk

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

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

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

Group 2018/19	Statement of financial position	Contractual cash flows	6 Months or less	6-12 months	1-2 years	2-5 years	More than five years
	$000	$000	$000	$000	$000	$000	$000
Non derivative financial liabilities							
Borrowings	860,318	548,612	377,906	4,295	133,321	32,965	371
Deferred consideration	-	-	-	-	-	-	-
Trade and other payables	31,904	31,904	31,904	-	-	-	-
	892,222	580,516	409,810	4,295	133,321	32,965	371
Derivatives							
Interest rate derivatives							
- Outflow	21,767	23,656	1,643	2,159	9,804	7,053	2,997
Forward exchange contracts							
- Inflow	-	-	-	-	-	-	-
Foreign currency derivatives							
- Outflow	294	295	295	-	-	-	-
- Inflow	(28)	(28)	(28)	-	-	-	-
	22,033	23,923	1,910	2,159	9,804	7,053	2,997
Total	**914,255**	**604,439**	**411,720**	**6,454**	**143,125**	**40,018**	**3,368**

Council 2018/19	Statement of financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than five years
	$000	$000	$000	$000	$000	$000	$000
Non derivative financial liabilities							
Borrowings	141,118	4,232	766	528	1,056	1,757	371
Trade and other payables	14,039	14,039	14,039	-	-	-	-
	155,157	18,271	14,805	528	1,056	1,757	371
Derivatives							
Interest rate derivatives							
-Outflow	-	-	-	-	-	-	-
-Inflow	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	**155,157**	**18,271**	**14,805**	**528**	**1,056**	**1,757**	**371**

Group 2017/18	Statement of financial position $000	Contractual cash flows $000	6 Months or less $000	6-12 months $000	1-2 years $000	2-5 years $000	More than five years $000
Non derivative financial liabilities							
Borrowings	646,751	471,675	331,772	3,966	56,064	79,873	-
Deferred consideration	-	-	-	-	-	-	-
Trade and other payables	31,329	31,329	31,329	-	-	-	-
	678,080	503,004	363,101	3,966	56,064	79,873	-
Derivatives							
Interest rate derivatives							
- Outflow	11,860	13,212	1,365	1,329	2,912	6,481	1,125
Forward exchange contracts							
- Inflow	-	-	-	-	-	-	-
Foreign currency derivatives							
- Outflow	-	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-	-
	11,860	13,212	1,365	1,329	2,912	6,481	1,125
Total	**689,940**	**516,216**	**364,466**	**5,295**	**58,976**	**86,354**	**1,125**

Council 2017/18	Statement of financial position $000	Contractual cash flows $000	6 months or less $000	6-12 months $000	1-2 years $000	2-5 years $000	More than five years $000
Non derivative financial liabilities							
Borrowings	-	-	-	-	-	-	-
Trade and other payables	19,268	19,268	19,268	-	-	-	-
	19,268	19,268	19,268	-	-	-	-
Derivatives							
Interest rate derivatives							
-Outflow	73	73	-	-	73	-	-
-Inflow	-	-	-	-	-	-	-
	73	73	-	-	73	-	-
Total	**19,341**	**19,341**	**19,268**	**-**	**73**	**-**	**-**

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 (iii) Other Price Risk. 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 total nominal value of interest rate derivatives outstanding is $125m.

The average interest rate on interest rate derivatives is 3.9%.

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

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

Carrying amount	**Council 2018/19**	**Council 2017/18**	**Group 2018/19**	**Group 2017/18**
	$000	$000	$000	$000
Fixed rate instruments				
Term Deposits	154,857	38,309	179,857	38,309
Bonds and fixed rate notes	5,000	15,416	5,000	15,416
Finance lease receivables	-	-	-	-
Fixed Rate Bond	-	-	(125,000)	(125,000)
Finance lease payables	-	-	-	-
Deferred consideration	-	-	-	-
Interest rate derivatives (net)	-	-	-	-
Total	**159,857**	**53,725**	**59,857**	**(71,276)**
	-			
Variable rate instruments	-			
Commercial papers	-	-	(220,000)	(220,000)
Standby revolving cash advance facility	-	-	(99,000)	(55,000)
Interest rate derivatives	-	-		
Westpac borrowings	-	-	(28,102)	(46,510)
Floating rate notes	-	-	(2,000)	(5,000)
Cash balances	11,318	74,538	78,305	116,226
Total	**11,318**	**74,538**	**(270,797)**	**(210,284)**

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 2018.

	Profit or Loss		**Cash Flow Hedge Reserve**	
Group	**100 bp decrease**	**100 bp increase**	**100 bp decrease**	**100 bp increase**
	$000	$000	$000	$000
Variable rate instruments	(2,389)	2,419	-	-
Interest rate derivatives	1,659	(1,488)	7,337	(7,774)
30 June 2019	(730)	931	7,337	(7,774)
Variable rate instruments	(2,037)	2,067	-	-
Interest rate derivatives	1,356	(1,185)	6,271	(7,080)
30 June 2018	(681)	882	6,271	(7,080)

	Profit or Loss		**Cash Flow Hedge Reserve**	
Council	**100 bp decrease**	**100 bp increase**	**100 bp decrease**	**100 bp increase**
	$000	$000	$000	$000
Variable rate instruments				
Interest rate derivatives	524	(353)		
30 June 2019	524	(353)	-	-
Variable rate instruments	-	-	-	-
Interest rate swaps	524	(353)	-	-
30 June 2018	524	(353)	-	-

(ii) Currency Risk

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

	Group		**Council**	
	2017/18	**2018/19**	**2017/18**	**2018/19**
		$000	$000	$000
Cash - AUD	6,704	2,571	-	-
Cash - USD, EUR, GBP	8,182	531	-	-
Equities - AUD	27,404	33,333	-	-
Equities - USD, EUR, GBP	45,561	48,867	-	-
	87,851	**85,302**	**-**	**-**

Sensitivity Analysis

If at reporting date, a 10% strengthening/weakening of the above currencies against the New Zealand dollar occurred with all other variables held constant, it would increase/(decrease) post tax profit or loss and the cash flow hedges reserve by the amounts shown below. The analysis is performed in the same basis for 2018.

	Profit or loss		**Reserves**	
Subsidiary	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
	$000	$000	$000	$000
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)	-	-
Cash - AUD	257	(257)		
Cash - USD, EUR, GBP	53	(53)	-	-
Equities - AUD	3,333	(3,333)	-	-
Equities - USD, EUR, GBP	4,887	(4,887)	-	-
30 June 2018	8,530	(8,530)	-	-

(iii) Other Price Risk

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

Subsidiary	2017/18	2018/19
	$000	$000
Equities - NZD	97,897	89,313
Equities - AUD	27,404	33,333
Equities - USD, EUR, GBP, CAD, SGD	45,561	48,867
30 June 2019	**170,862**	**171,513**

Sensitivity Analysis

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

	10% increase	10% decrease
	$000	$000
Equities - NZD	9,790	(9,790)
Equities - AUD	2,740	(2,740)
Equities - USD, EUR, GBP, CAD, SGD	4,556	(4,556)
30 June 2019	**17,086**	**(17,086)**
Equities - NZD	8,931	(8,931)
Equities - AUD	3,333	(3,333)
Equities - USD, EUR, GBP, CAD	4,887	(4,887)
30 June 2018	**17,151**	**(17,151)**

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 2019, 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 $367,887 (2018: $352,632).

38 Capital management

Council

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The LGA requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of using the Council's assets and not expecting them to meet the full cost of long-term assets, that will benefit ratepayers in future generations. Additionally, the Council has in place, Asset Management Plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The LGA sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

Bay of Plenty Regional Council has the following Council created reserves:

- reserves for different areas of benefit; and
- self-insurance reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. Release of these funds generally can only be approved by Council.

Quayside Group

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.

The *Quayside Group's* objectives when managing capital are to safeguard the *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.

The *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, the *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.

The *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 the *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 Board endeavours to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. 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 dividend payout is maintained between a level of between 70% and 100% of profit for the period.

The Port of Tauranga Limited has complied with all capital management policies and covenants during the reporting period.

39 Explanation of major variances against budget

Explanations for major variations from the Council's budget figures in the 2018-2028 Long Term Plan are as follows:

Statement of comprehensive revenue and expense

Operating revenue

Total operating revenue was $142.6 million which was $11.4 million higher than budget of $131.2 million. The major reason for the increased revenue was due to a gain on the revaluation of the Put Option Liability of $11.6 million. This is a non-cash gain which is eliminated on the consolidation of the Group accounts.

Other major variances within the revenue classes are identified below:

- Subsidies and grant revenue - $1.1 million less than budget due to reduced grant funding from Ministry for Environment due to reduced uptake of the Land Incentive contract payments made (Te Arawa Rotorua Lakes).
- Finance revenue - $0.8 million higher than budget due to Council borrowing an additional $40 million from the LGFA to pre-fund capital expenditure and investing these funds to obtain interest enhanced position.
- Council received additional revenue of $3 million due to a subvention payment from Quayside for group tax advantages. This additional revenue offset lower than anticipated interest earned on the Toi Moana fund and insurance recoveries not received during the year.

Operating expenditure

Operating expenditure is $6.7 million less than budget. This mainly relates to:

- Underspend of $6.1 million within the Te Arawa Rotorua Lakes programme due to low uptake of the Land Incentive payments
- Savings of $1.2 million due to the organisational fit for purpose review

Please refer to the activity section of the annual report for more details on our financial performance.

Statement of financial position

Assets

Current assets are $185.5 million higher than planned, this is attributed from:

- Cash and cash equivalents are $119.8 million higher than planned. Term deposits were invested for shorter periods than originally planned due to cashflow requirements and favourable shorter term interest rates.
- Other financial assets includes a $50 million loan to Quayside Holdings Limited. This was budgeted for in non-current assets.

Non-current assets are $72.3 million less than planned, this is attributed from:

- Other financial assets were $124.2 million less than planned. $50 million is for the loan to QHL reported in current assets. The balance relates to term deposits that were planned as long term however due to the maturity profile, are now recorded as cash and cash equivalents.
- This decrease was partially offset by Property Plant and Equipment $52.5 million being more than planned, this is mainly due to higher than expected asset revaluations.

Liabilities

Total liabilities are $41.3 million more than planned. The increase is mainly due to an additional $40 million drawn down to invest in term deposits. Council has increased borrowings, with a total of $140 million borrowed from the LGFA. These funds include $50 million to pre-fund some 2018/19 capital expenditure, and $50 million has been undertaken to on-lend to Quayside.

Equity

Total equity has increased by $73.1 million. This is mainly due to higher than planned infrastructure asset revaluations in 2017/18 and 2018/19, and a higher than expected surplus mainly due to the decrease in the value of the Put Option Liability.

Statement of Cashflows

Net cash from operating activities was $10.2 million less than planned mainly due lower cash receipts from customers.

Net cash from investing activities is $28.4 million higher than planned. Borrowings have been used to fund additional term deposits.

Net cash from financing activities is $47.3 million higher than planned due to increased borrowings used to fund term investments.

40 Put option

The Perpetual Preference Share issue has a Put Option; the purpose of the Put Option is to reduce the credit risk of the Perpetual Preference Share to holders. The Option Deed relating to the Perpetual Preference Shares dated 31 January 2008, outlines the Put Option trigger events, these are:

- Quayside Holdings Limited fails (for whatever reason) to pay the cash component of a dividend payable on a Dividend Payment Date within five business days after the payment date; or
- Quayside Holdings Limited elects not to pay a dividend payable on a dividend payment date; or
- Quayside Holdings Limited ceases to carry on business or operations; or
- An encumbrancer takes possession, or a trustee, receiver and manager, liquidator, administrator, inspector under any companies or securities legislation; or
- A recommendation by the Securities Commission is made to appoint a Statutory Manager; or
- Quayside Holdings Limited is declared or becomes insolvent

While the Council would take steps to prevent the Put Option being exercised, the Council has no binding obligation to intervene. For this reason the valuation of the Put Option is based on Quayside Holdings Limited as a stand-alone entity.

A significant factor in the valuation of the Put Option is Quayside Holdings Limited's substantial degree of reliance on the dividends received from its shareholding in the Port of Tauranga (POT), to fully meet the Perpetual Preference Share dividend payments. Whilst there is currently no apparent reason to believe that Quayside Holdings Limited will not receive dividends from the POT in the future, adverse business, financial or economic conditions may impair the ability and willingness of the POT to pay future dividends.

The valuation of the Put Option as at 30 June 2018 was carried out by PricewaterhouseCoopers (PwC), Wellington on 14 September 2018. PwC has assigned Quayside Holdings Limited a credit rating of BB+ based on their analysis of the Perpetual Preference Share obligations and Quayside Holdings Limited's historical earnings for the Perpetual Preference Share.

Based on the above factors, PwC has given the Council an indicative range of $11.6 million to $15 million for the Put Option.

Sensitivity of the indicative valuation to the notional credit rating for QHL:

Credit rating	Rating score	A-/BBB+	BBB	BB+
	Income statement	$12 million	$10.5 million	$2.1 million
	Balance sheet	$2.9 million	$4.5 million	$12.9 million

Sensitivity of the indicative valuation to the credit recovery rate for QHL:

Credit recovery rate	Rating score	33.9%	26.8%	14.0%
	Income statement	$12.4 million	$12.1 million	$11.6 million
	Balance sheet	$2.6 million	$2.9 million	$3.4 million

41 Funding impact statements

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 (whole of Council)

	Annual Plan 2017/18 $000	Actual 2017/18 $000	Annual Plan 2018/19 $000	Actual 2018/19 $000
Source of operating funding				
General rates, uniform annual general charges, rates penalties	22,950	23,494	25,728	26,077
Targeted rates	16,034	15,926	24,780	24,802
Subsidies and grants for operating purposes	14,714	13,030	17,770	13,239
Fees and charges	9,563	9,710	10,625	11,352
Interest and dividends from investments	32,687	32,316	38,025	38,804
Local authorities fuel tax, fines infringement fees and other receipts	1,825	6,580	1,775	7,420
Total operating funding (A)	**97,772**	**101,056**	**118,703**	**121,694**
Applications of operating funding				
Payments to staff and suppliers	118,069	111,392	122,659	114,442
Finance costs	0	1,691	2,827	2,773
Other operating funding applications	231	191	131	91
Total applications of operating funding (B)	**118,301**	**113,274**	**125,617**	**117,306**
Surplus (deficit) of operating funding (A-B)	**(20,529)**	**(12,219)**	**(6,914)**	**4,388**
Sources of capital funding				
Subsidies and grants for capital expenditure	342	648	5,100	8,492
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	0	0	44,340	54,352
Gross proceds from sale of assets	398	158	1,035	1,181
Lump sum contributions	0	0	0	0
Other dedicated capital funding	0	0	7,422	80
Total sources of capital funding (C)	**740**	**806**	**57,897**	**64,105**

	Annual Plan 2017/18 $000	Actual 2017/18 $000	Annual Plan 2018/19 $000	Actual 2018/19 $000
Applications of capital funding				
Capital expenditure				
- to meet additional demand	0	0	0	0
- to improve levels of service	28,196	24,607	37,150	37,821
- to replace existing assets	15,209	11,829	20,747	18,766
Increase (decrease) in reserves	(63,792)	(47,854)	(7,470)	11,345
Increase (decrease) of investments	597	5	556	560
Total applications of capital funding (D)	**(19,789)**	**(11,413)**	**50,983**	**68,493**
Surplus (deficit) of capital funding (C-D)	**20,529**	**12,219**	**6,914**	**(4,388)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**	**0**
Note: This financial statement excludes:				
Depreciation and amortisation	6,463	6,214	7,363	6,422
Loss on sale of property, plant and equipment	0	294	0	2,543
Investment amortisation	0	(154)	0	0
Gain on sale of property, plant and equipment	0	(206)	0	(354)
Fair value of cash flow hedge	0	0	0	(66)
Gain on revaluation of Put Option	0	0	0	(11,600)
Vested asset revenue	0	0	0	(306)

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Integrated Catchment Management

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	6,079	5,036	5,036
Targeted rates	4,014	3,134	3,134
Subsidies and grants for operating purposes	4,655	5,931	2,384
Fees and charges	289	21	2
Internal charges and overheads recovered	889	520	506
Local authorities fuel tax, fines infringement fees and other receipts	12,166	7,708	8,338
Total operating funding (A)	**28,092**	**22,351**	**19,400**
Applications of operating funding			
Payments to staff and suppliers	23,223	21,490	13,227
Finance costs	883	797	829
Internal charges and overheads applied	7,518	4,167	4,159
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**31,624**	**26,454**	**18,215**
Surplus (deficit) of operating funding (A-B)	**(3,532)**	**(4,103)**	**1,185**
Sources of capital funding			
Subsidies and grants for capital expenditure	250	250	125
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	7,828	13,207
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	**250**	**8,078**	**13,332**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	3,248	8,078	13,262
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(6,530)	(4,103)	1,256
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**(3,282)**	**3,975**	**14,518**
Surplus (deficit) of capital funding (C-D)	**3,532**	**4,103**	**(1,185)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**

Note 1: This financial statement excludes:			
Depreciation and amortisation	833	813	891
Note 2: This financial statement includes:			
Internal interest	883	797	829

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Flood Protection & Control

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	1,504	1,614	1,614
Targeted rates	9,543	10,110	10,110
Subsidies and grants for operating purposes	60	714	0
Fees and charges	11	11	55
Internal charges and overheads recovered	0	1,331	1,371
Local authorities fuel tax, fines infringement fees and other receipts	2,943	2,730	2,877
Total operating funding (A)	**14,063**	**16,510**	**16,027**
Applications of operating funding			
Payments to staff and suppliers	5,841	7,744	7,012
Finance costs	2,367	2,302	2,672
Internal charges and overheads applied	2,462	3,174	3,112
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**10,670**	**13,221**	**12,795**
Surplus (deficit) of operating funding (A-B)	**3,392**	**3,289**	**3,231**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	4,850	7,647
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	10,243	19,771
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	7,422	0
Total sources of capital funding (C)	**0**	**22,515**	**27,418**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	4,751	8,900	10,137
- to replace existing assets	3,320	13,615	11,814
Increase (decrease) in reserves	(4,679)	3,289	8,698
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**3,392**	**25,804**	**30,649**
Surplus (deficit) of capital funding (C-D)	**(3,392)**	**(3,289)**	**(3,231)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**

Note 1: This financial statement excludes:

Depreciation and amortisation	1,248	1,410	1,249
Loss on sale of fixed assets	0	0	470
Vested asset revenue	0	0	(306)

Note 2: This financial statement includes:

Internal interest	2,367	2,302	2,672

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Resource Regulation & Monitoring

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	3,789	4,902	4,902
Targeted rates	1,903	1,031	1,050
Subsidies and grants for operating purposes	0	60	0
Fees and charges	3,705	4,655	5,379
Internal charges and overheads recovered	0	0	103
Local authorities fuel tax, fines infringement fees and other receipts	6,014	7,768	8,661
Total operating funding (A)	**15,411**	**18,417**	**20,096**
Applications of operating funding			
Payments to staff and suppliers	8,806	11,567	13,788
Finance costs	431	175	130
Internal charges and overheads applied	5,260	5,726	5,857
Other operating funding applications	645	131	91
Total applications of operating funding (B)	**15,143**	**17,599**	**19,866**
Surplus (deficit) of operating funding (A-B)	**268**	**818**	**230**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	915	106	106
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	**915**	**106**	**106**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	105	0	0
- to replace existing assets	0	106	106
Increase (decrease) in reserves	(932)	262	(330)
Other operating funding applications	0	0	0
Increase (decrease) of investments	2,010	556	560
Total applications of capital funding (D)	**1,183**	**924**	**336**
Surplus (deficit) of capital funding (C-D)	**(268)**	**(818)**	**(230)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	64	85	78
Loss on Sale of fixed assets	0	0	49
Note 2: This financial statement includes:			
Internal interest	431	175	130

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Transportation

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	1,849	807	807
Targeted rates	3,672	8,405	8,405
Subsidies and grants for operating purposes	7,190	9,978	9,768
Fees and charges	5,224	4,309	3,959
Internal charges and overheads recovered	0	734	236
Local authorities fuel tax, fines infringement fees and other receipts	3,592	1,966	2,131
Total operating funding (A)	**21,527**	**26,200**	**25,305**
Applications of operating funding			
Payments to staff and suppliers	20,188	25,008	24,117
Finance costs	0	10	7
Internal charges and overheads applied	1,238	1,460	955
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**21,426**	**26,478**	**25,078**
Surplus (deficit) of operating funding (A-B)	**101**	**(278)**	**227**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	692
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	712	1,147
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	**0**	**712**	**1,839**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	0	712	1,147
- to replace existing assets	0	0	0
Increase (decrease) in reserves	101	(278)	919
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**101**	**434**	**2,066**
Surplus (deficit) of capital funding (C-D)	**(101)**	**278**	**(227)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	1,073	288	23
Note 2: This financial statement includes:			
Internal interest	0	10	7

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Regional Development

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	538	599	599
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	8	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines infringement fees and other receipts	1,179	911	1,139
Total operating funding (A)	**1,717**	**1,518**	**1,738**
Applications of operating funding			
Payments to staff and suppliers	14,926	12,872	13,068
Finance costs	0	2	3
Internal charges and overheads applied	745	489	484
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**15,671**	**13,363**	**13,555**
Surplus (deficit) of operating funding (A-B)	**(13,954)**	**(11,844)**	**(11,817)**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	122	261
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	**0**	**122**	**261**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	0	122	261
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(13,954)	(11,844)	(11,817)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**(13,954)**	**(11,722)**	**(11,556)**
Surplus (deficit) of capital funding (C-D)	**13,954**	**11,844**	**11,817**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	17	32	36
Note 2: This financial statement includes:			
Internal interest	0	2	3

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Regional Planning & Engagement

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	5,470	7,893	7,893
Targeted rates	0	0	0
Subsidies and grants for operating purposes	150	0	7
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines infringement fees and other receipts	8,404	12,004	12,068
Total operating funding (A)	**14,024**	**19,897**	**19,968**
Applications of operating funding			
Payments to staff and suppliers	9,611	12,992	12,022
Finance costs	0	0	0
Internal charges and overheads applied	5,865	6,905	6,879
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**15,475**	**19,897**	**18,900**
Surplus (deficit) of operating funding (A-B)	**(1,451)**	**(0)**	**1,067**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	**0**	**0**	**0**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	0	0	0
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(1,451)	0	1,067
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**(1,451)**	**0**	**1,067**
Surplus (deficit) of capital funding (C-D)	**1,451**	**0**	**(1,067)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	0	0	0
Note 2: This financial statement includes:			
Internal interest	0	0	0

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Emergency Management

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	534	0	0
Targeted rates	0	2,311	2,311
Subsidies and grants for operating purposes	1,511	1,087	1,080
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	(1)
Local authorities fuel tax, fines infringement fees and other receipts	866	41	10
Total operating funding (A)	**2,911**	**3,439**	**3,400**
Applications of operating funding			
Payments to staff and suppliers	2,151	2,498	1,930
Finance costs	0	1	0
Internal charges and overheads applied	921	939	929
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**3,072**	**3,437**	**2,859**
Surplus (deficit) of operating funding (A-B)	**(161)**	**2**	**541**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	36	3
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	**0**	**36**	**3**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	38	36	3
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(199)	2	541
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**(161)**	**38**	**544**
Surplus (deficit) of capital funding (C-D)	**161**	**(2)**	**(541)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	8	0	0
Note 2: This financial statement includes:			
Internal interest	0	1	0

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Technical Services

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	2,295	5,084	5,084
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	932	1,444	1,548
Internal charges and overheads recovered	3,803	0	56
Local authorities fuel tax, fines infringement fees and other receipts	3,733	7,921	7,984
Total operating funding (A)	**10,763**	**14,450**	**14,672**
Applications of operating funding			
Payments to staff and suppliers	6,578	9,087	8,345
Finance costs	0	12	6
Internal charges and overheads applied	3,659	4,608	4,402
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**10,238**	**13,707**	**12,753**
Surplus (deficit) of operating funding (A-B)	**525**	**743**	**1,919**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	1,060	432
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	**0**	**1,060**	**432**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	47	758	355
- to replace existing assets	836	301	77
Increase (decrease) in reserves	(359)	743	1,919
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**525**	**1,803**	**2,351**
Surplus (deficit) of capital funding (C-D)	**(525)**	**(743)**	**(1,919)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	1,009	743	580
Note 2: This financial statement includes:			
Internal interest	0	12	6

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Corporate Services

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	(71)	(208)	141
Targeted rates	(99)	(211)	(209)
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	176	409
Internal charges and overheads recovered	22,977	30,106	33,139
Local authorities fuel tax, fines infringement fees and other receipts	608	2,823	7,348
Total operating funding (A)	**23,415**	**32,686**	**40,828**
Applications of operating funding			
Payments to staff and suppliers	19,499	19,410	21,146
Finance costs	718	3,602	3,457
Internal charges and overheads applied	0	5,214	8,421
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**20,217**	**28,226**	**33,024**
Surplus (deficit) of operating funding (A-B)	**3,198**	**4,461**	**7,805**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	28
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	24,232	19,423
Gross proceeds from sale of assets	323	1,035	1,181
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	80
Total sources of capital funding (C)	**323**	**25,267**	**20,712**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	8,556	18,543	12,655
- to replace existing assets	3,887	6,724	6,768
Increase (decrease) in reserves	(8,922)	4,461	9,094
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**3,521**	**29,728**	**28,517**
Surplus (deficit) of capital funding (C-D)	**(3,198)**	**(4,461)**	**(7,805)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	2,687	3,992	3,565
Loss on sale of property, plant and equipment	0	0	236
Investment amortisation	0	0	0
Gain on sale of property, plant and equipment	0	0	(354)
Gain on revaluation of Put Option	0	0	(11,600)
Fair value of cash flow hedges	0	0	(66)
Vested asset revenue	0	0	0
Note 2: This financial statement includes:			
Internal interest	718	(3,299)	(3,647)

42 Internal loans

Council

	Opening Balance 01 July 2018	Loan Advances	Loan Repayments	Closing Balance 30 June 2019	Interest Charges
	$000	$000	$000	$000	$000
Integrated Catchment Group of Activities					
Kaituna Catchments	2,430	12,543	(243)	14,731	288
Rotorua Lakes	12,953	4,057	(2,541)	14,469	541
	15,383	16,600	(2,784)	29,200	829
Resource Regulation and Monitoring Group of Activities					
Rotorua Air Activity - Clean Heat	3,292	295	(759)	2,828	129
Maritime	0	106	(1)	105	1
	3,292	401	(759)	2,934	130
Flood Protection and Control Works Group of Activities					
Kaituna Catchment Control Scheme	3,832	2,074	(261)	5,644	167
Rangitaiki - Tarawera Rivers Scheme	31,926	8,287	(6,757)	33,456	1,384
Whakatāne - Tauranga Rivers Scheme	6,213	1,774	(1,394)	6,593	261
Waioeka - Otara Rivers Scheme	4,376	3,012	(1,176)	6,213	214
Rangitaiki Drainage Scheme	1,064	51	(46)	1,068	42
Non-Scheme	14,603	6,583	(4,310)	16,876	604
	62,014	21,781	(13,944)	69,851	2,672

	Opening Balance 01 July 2018	Loan Advances	Loan Repayments	Closing Balance 30 June 2019	Interest Charges
	$000	$000	$000	$000	$000
Corporate Services Group of Activities					
Communications	0	4	(0)	4	0
Buildings	9,431	15,528	(732)	24,227	631
Plant	0	383	(5)	378	10
Vehicles	0	1,142	(11)	1,132	11
Information Services	0	1,207	(40)	1,168	16
Information Technology	0	1,384	(12)	1,371	15
	9,431	19,648	(801)	28,279	683
Transportation Group of Activities					
Tauranga Passenger Transport	0	1,279	(697)	582	7
	0	1,279	(697)	582	7
Regional Development Group of Activities					
Regional Parks	0	259	(2)	257	3
	0	259	(2)	257	3
Emergency Management Group of Activities					
CDEM Group	0	3	(0)	3	0
	0	3	(0)	3	0
Technical Services Group of Activities					
Geospatial	0	116	(3)	113	3
Data Services	0	245	(2)	243	2
Science	0	77	(1)	77	1
	0	438	(5)	433	6
Total	**90,120**	**60,410**	**(18,993)**	**131,538**	**4,330**

43 Depreciation and amortisation expense by Group of Activity

	Council 2018/19 $000	Council 2017/18 $000
Directly attributable depreciation and amortisation expense by group of activity:		
Integrated Catchment Management	891	754
Flood Protection & Control	1,249	1,122
Resource Regulation & Monitoring	78	84
Transportation	23	40
Regional Development	36	34
Regional Planning & Engagement	0	0
Emergency Management	0	0
Technical Services	580	637
Corporate Services	3,565	3,544
Total depreciation and amortisation	**6,422**	**6,214**

44 Financial Prudence

Annual report disclosure statement for year ending 30 June 2019

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general dealings.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Rates affordability benchmark

The council meets the rates affordability benchmark if-

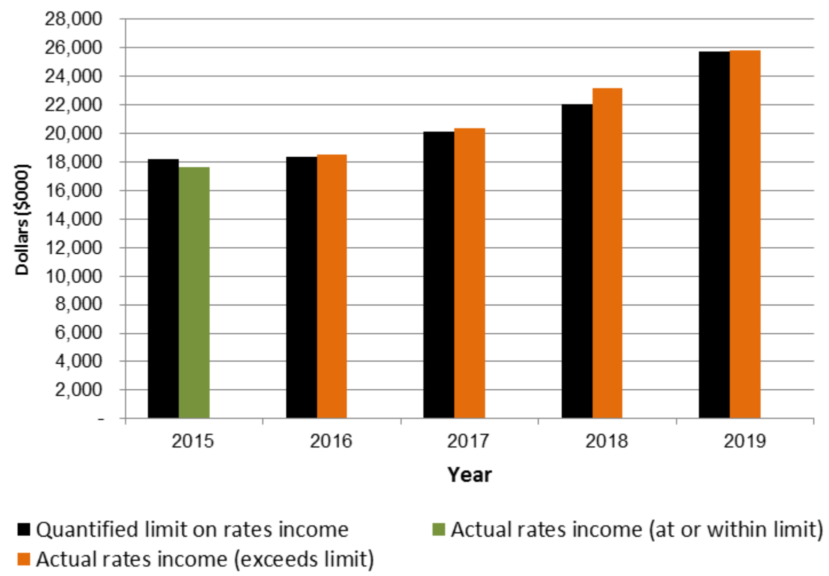
- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increase equal or are less than each quantified limit on rates increases

Rates (income) affordability

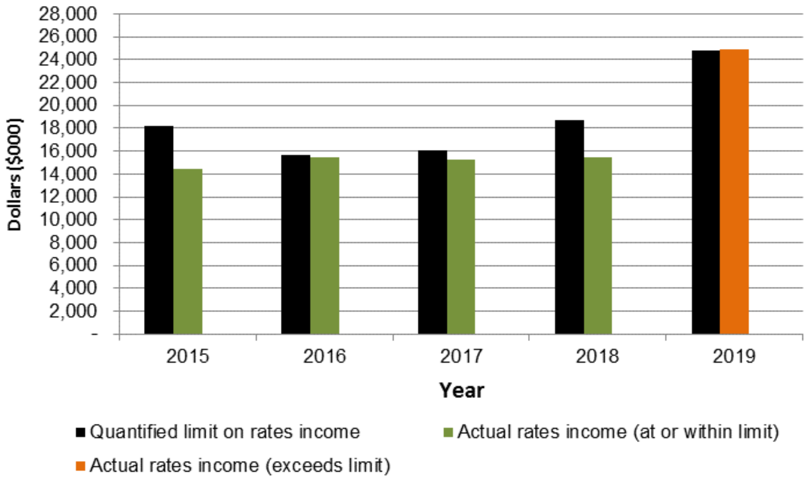
The following graphs compare the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is set in the Council financial summary statement and measured in thousands of dollars. The quantified limits for rates are from long-term plan 2018-2028.

Quantified limit on rates	2015	2016	2017	2018	2019
	$000	$000	$000	$000	$000
General rates	18,169	18,340	20,080	21,988	25,728
Targeted rates	18,205	14,940	16,092	18,669	24,780
Planned rates	**36,374**	**33,280**	**36,172**	**40,657**	**50,508**

General rates



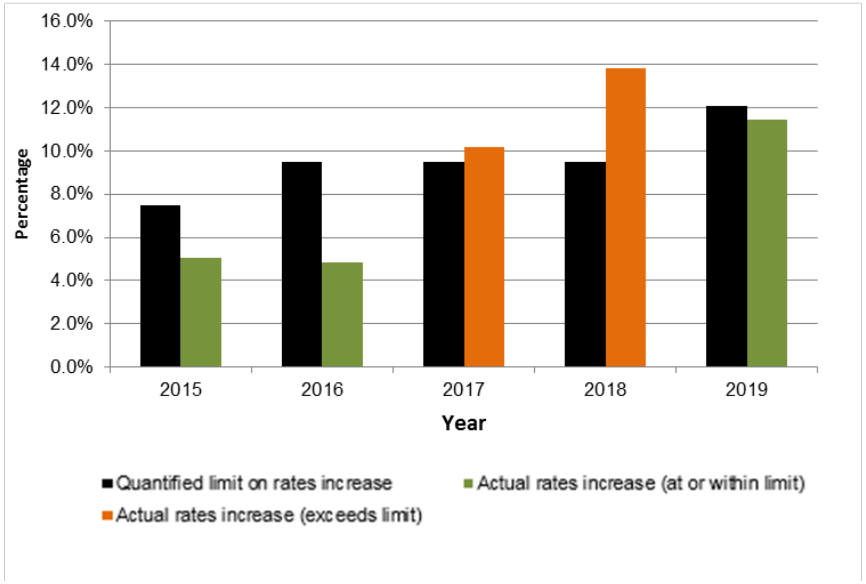
Targeted rates



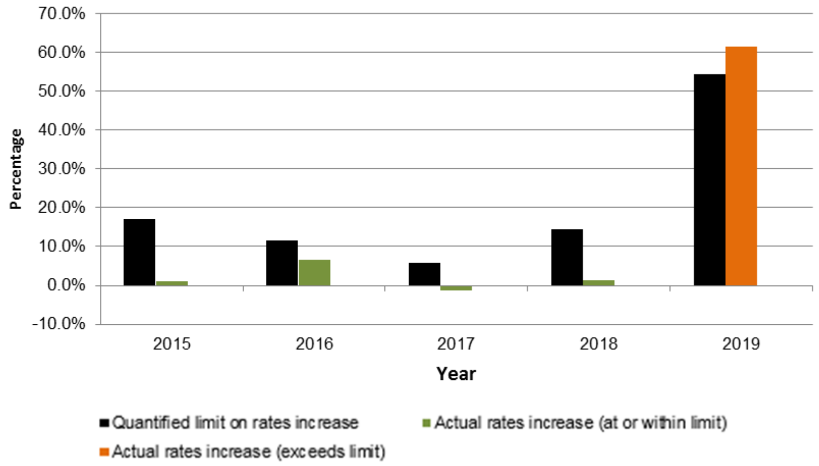
Rates (increases) affordability

The following graphs compare the Council's actual rates increases, with a quantified limit on rates increases included in the financial strategy included in the Council's LTP. The quantified limit is set for each financial year and measured as percentage rate rise from the prior financial year.

General rates



Targeted rates



Debt affordability benchmark

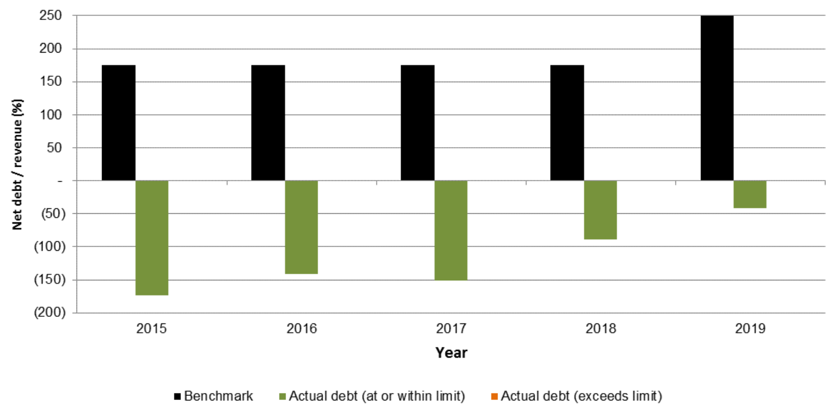
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graphs compare the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The quantified limit is set for borrowing within the following macro limits:

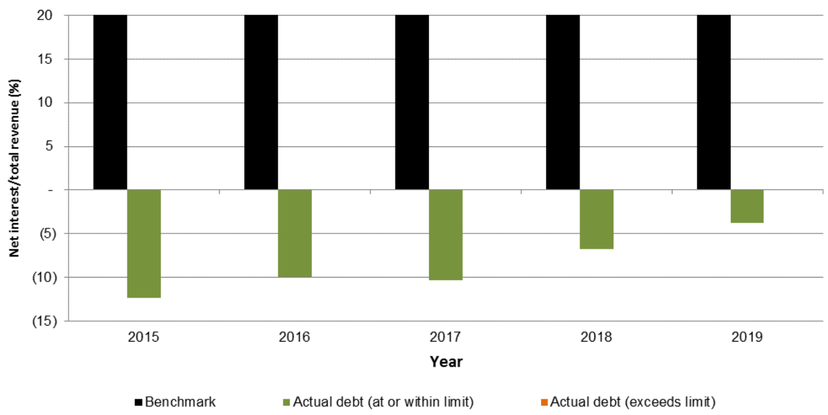
Financial covenant [1]	Limit
Net debt [2] / Total revenue [3]	<250%
Net interest / Total revenue	<20%
Net interest / Annual rates revenue	<30%
Liquidity [4]	>110%

1. Financial covenants are measured on Council only, not the consolidated group.
2. Net debt is defined as total debt less liquid financial assets and investments.
3. Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. vested assets).
4. Liquidity is defined as external debt plus committed loan facilities plus liquid investments dividend by external debt.

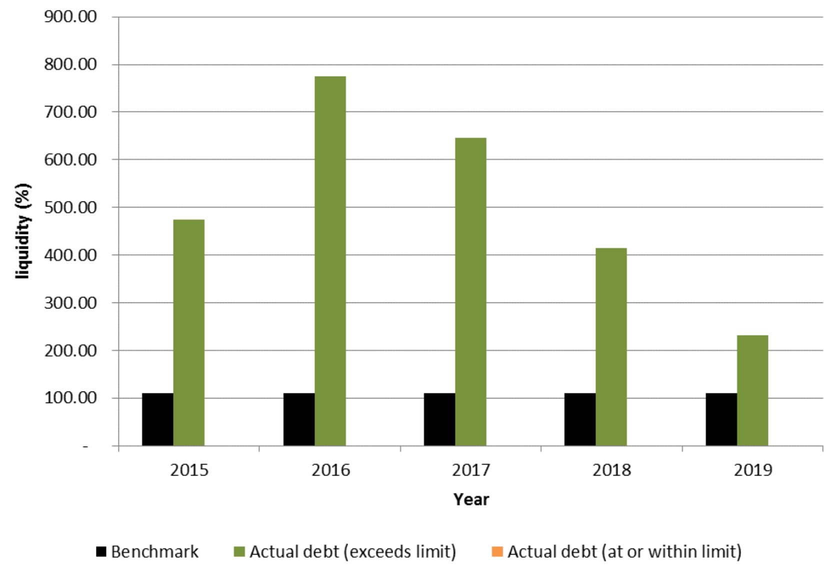
Net debt / total revenue



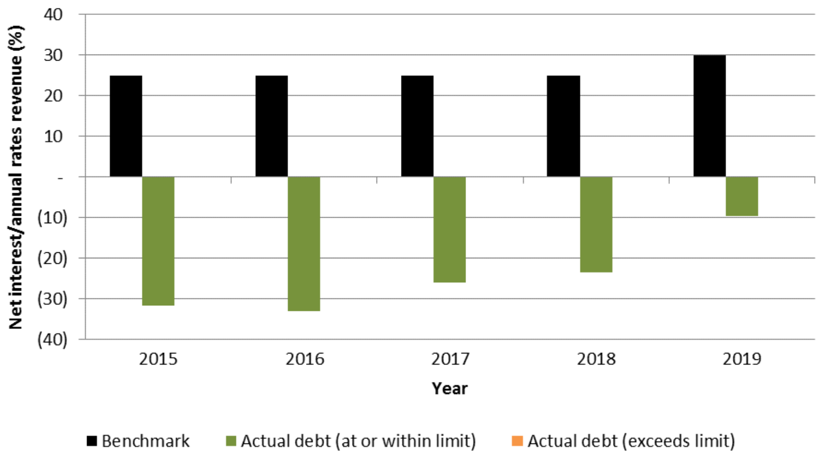
Net interest / total revenue



Liquidity



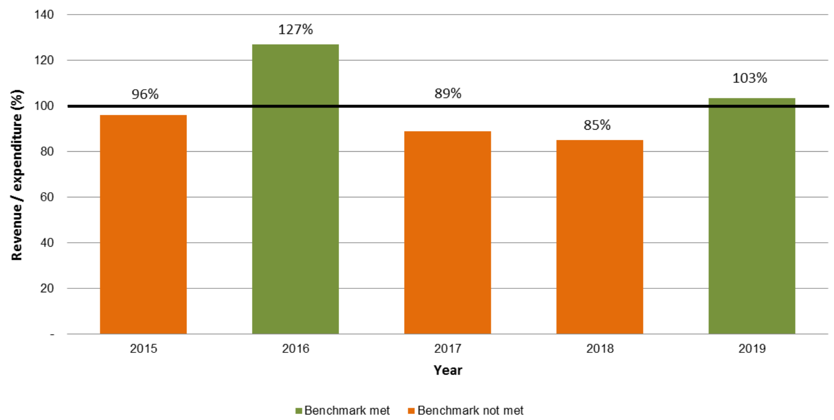
Net interest / annual rates revenue



Balanced budget benchmark

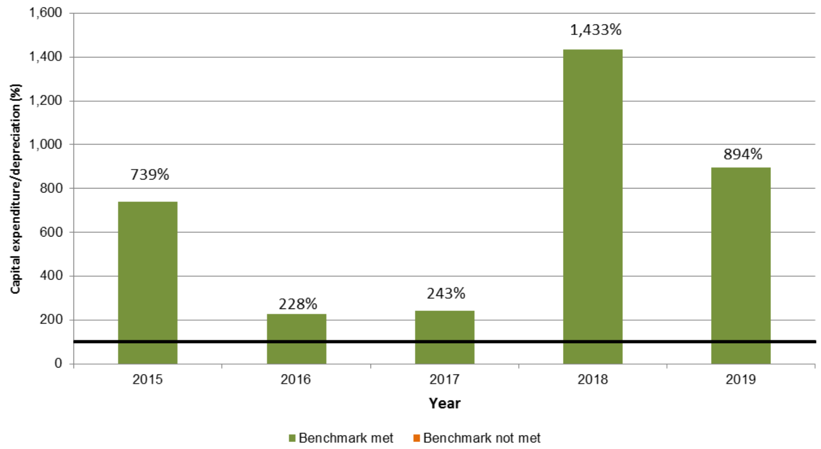
The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

The Council meets this benchmark if revenue equals or is greater than its operating expenses.



Essential services benchmark

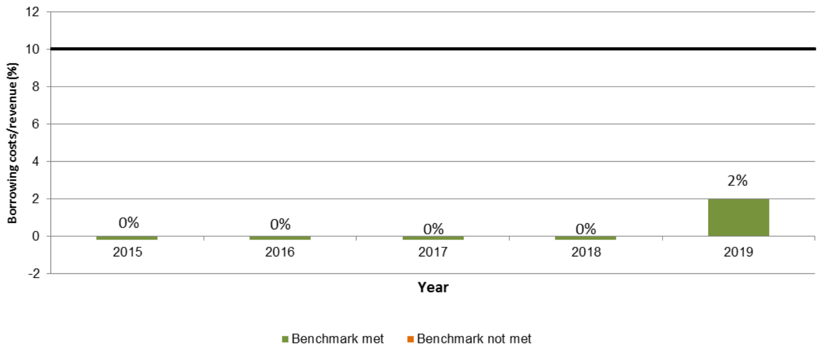
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals, or is greater than depreciation on network services.



Debt servicing benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

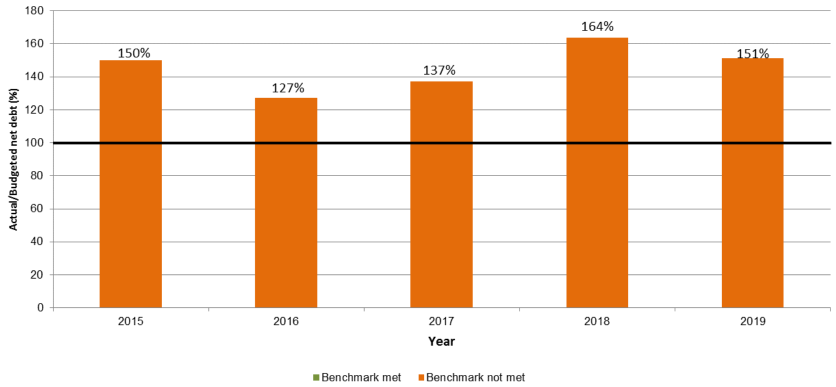
Because Statistics New Zealand projects the Council's population will grow *more slowly* than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 % of its revenue.



Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).

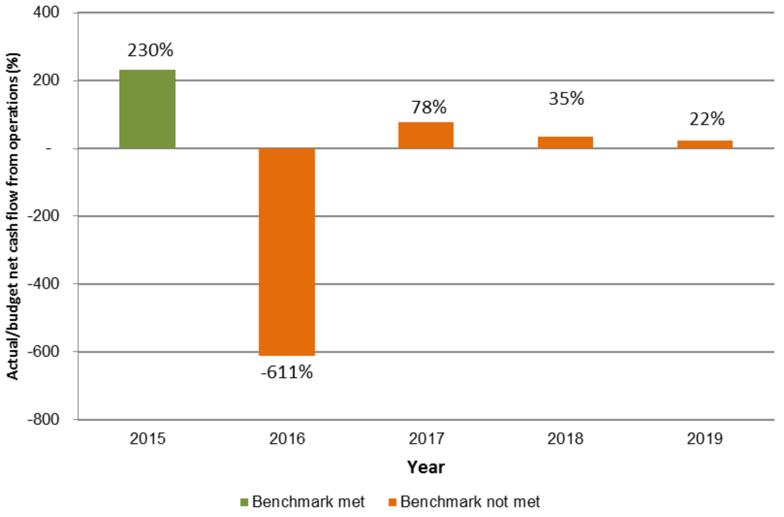
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Statement of Compliance

Compliance

The Council and management of Bay of Plenty Regional Council confirm that all statutory requirements in relation to this Annual Report, as outlined in the Local Government Act 2002, have been complied with.

Responsibility

The Council and management of the Bay of Plenty Regional Council accept responsibility for the preparation of annual financial statements and the judgements used in them, and hereby adopt the financial statements as presented. They also accept responsibility for establishing and maintaining a system of internal control, designed to provide reasonable assurance as to the integrity and reliability of financial reporting and service performance reporting. In the opinion of the Council and management, the annual financial statements for the year ended 30 June 2019 fairly reflect the financial position, financial performance and service performance achievements of the Bay of Plenty Regional Council and Group.

xxxxxxx , **Chairman**
xx September 2019

Fiona McTavish, **Chief Executive**
xx September 2019

Audit Report

Placeholder

Placeholder

Placeholder

Placeholder