



QUAYSIDE
HOLDINGS

Half Year Report

Quayside Holdings Limited,
Subsidiaries and Joint Ventures

For the half year to 31 December 2019

Quayside Holdings Limited and Subsidiaries

For the six months ending 31 December 2019

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Directors' report to shareholders

Unaudited Results for the Six Months to 31 December 2019

Quayside Holdings Limited and subsidiaries ("the Group") is pleased to announce its Group Net Profit after Tax (NPAT) for the six months was \$65.7m (2018: \$37.6m), an increase of 75%.

These financial statements often reference the two governance structures being:

- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust, Quayside Properties Limited, Aqua Curo Limited, Cibus Technologies Limited and its equity accounted investees. Quayside Group has investments in equities, shares and other assets.
- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and its equity accounted investees. The Port group is owned 54.14% (2018: 54.14%) by the Quayside Group.

The performance of the Group is comprised of the result from the 'Port of Tauranga Group' (Port segment) and the 'Quayside Group' (Investing segment) as follows:

Port of Tauranga Group Performance

The Port of Tauranga has had stable profitability for the first six months of the financial year, despite total cargo volumes dipping 4.2% to just under 13.3 million tonnes. Net Profit After Tax was \$48.3 million, which was 1.4% lower than the same period the previous year. Container numbers increased 3.4% and transshipment, where cargo is transferred from one ship to another at Tauranga, increased 3.7%. The longer-term outlook remains for cargo growth, particularly in containerised cargo and the next stage of capacity expansion is underway. The Port of Tauranga has just taken delivery of its ninth container crane and will extend its container terminal wharves by up to 220 metres by converting cargo storage land to the south of the existing berths.

Quayside continues to hold 54.14% of the Port of Tauranga shares as at 31 December 2019.

Quayside Group Performance

The Quayside Group, delivered a profit of \$17.4m (2018: \$11.4m loss) after tax for the first half of the year. This result comprises all the Quayside Group's non-port investments. The Quayside equity portfolio delivered a return of 10% for the six months (2018: 5% loss) reflecting the strong performance of the NZX in the second half of the year. The positive returns are reflected in significant increases in Other Income (2018: loss reflected in Trading and Other Expenses). The 5-year rolling return from the equity portfolio remains strong at 14.39%. Quayside also continues to see strong returns from its orchards and other commercial investments. Quayside holds several term deposits totalling \$49m for periods slightly longer than three months which are included in Other Financial Assets.

The Quayside Group paid dividends to Perpetual Preference Shareholders during the period of \$3.1m in accordance with its prospectus. Net dividends paid during the period to the Bay of Plenty Regional Council were \$32.1m (2018: \$20.8m) in line with the current Statement of Intent.

Statement of Intent

Quayside Holdings Limited is a "Council Controlled Organisation", owned by the Bay of Plenty Regional Council. The provisions of the Local Government Act 2002 require "Council Controlled Organisations" to have a "Statement of Intent" in respect of each financial year. The draft Statement of Intent for the coming year, setting out performance criteria and forward dividend guidance, is provided to the Bay of Plenty Regional Council at the end of February each year. Quayside Holdings Limited must provide a final Statement of Intent by 30 June. Quayside is currently operating under a Statement of Intent provided to Council for the period 1 July 2019 to 30 June 2020.

Appointment, Rotation and Retirement of Directors and Officers

The shareholder's policy is that directors retire, but are eligible for reappointment, on a rolling three yearly basis. During the period Independent Director Rob Tait retired and Keiran Horne was appointed.



Director



Director

Quayside Holdings Limited and Subsidiaries
Consolidated Income Statement
For six months ended 31 December 2019

	Note	Unaudited Six months Dec 2019 \$000	Unaudited Six months Dec 2018 \$000	Audited Full year June 2019 \$000
Trading revenue		156,297	154,094	317,988
Other income		18,445	3,508	36,110
Operating income	6	174,742	157,602	354,098
Employee benefit expenses		(20,764)	(19,440)	(39,296)
Trading and other expenses		(53,125)	(65,033)	(123,713)
Operating expenses		(73,889)	(84,473)	(163,009)
Results from operating activities		100,853	73,129	191,089
Depreciation and amortisation		(15,092)	(14,179)	(28,270)
Impairment of property, plant and equipment		-	-	(499)
Operating profit before finance costs and taxation		85,761	58,950	162,320
Finance income		1,041	757	2,078
Finance expenses	7	(10,664)	(9,943)	(20,513)
Net finance costs		(9,623)	(9,186)	(18,435)
Share of profit from Equity Accounted Investees		5,895	4,770	7,075
PROFIT BEFORE INCOME TAX		82,033	54,534	150,960
Income tax expense		(16,354)	(16,972)	(35,317)
PROFIT FOR THE PERIOD		65,679	37,562	115,643
Attributable to:				
Equity holders of the parent		43,850	15,430	70,203
Non-controlling interest		21,829	22,132	45,440
PROFIT FOR THE PERIOD		65,679	37,562	115,643

Quayside Holdings Limited and Subsidiaries Consolidated Statement of Comprehensive Income For the six months ended 31 December 2019

	Unaudited Six months Dec 2019 \$000	Unaudited Six months Dec 2018 \$000	Audited Full year June 2019 \$000
Net profit after tax	65,679	37,562	115,643
Other comprehensive income			
<i>Items that will be reclassified to profit or loss when specific conditions are met:</i>			
Cash flow hedge - changes in fair value	210	(2,997)	(8,942)
Cash flow hedge - reclassified to profit or loss	851	737	1,629
Share of net change in cash flow hedge reserves of Equity Accounted Investees	96	(79)	(308)
	1,157	(2,339)	(7,621)
<i>Items that will never be reclassified to profit or loss:</i>			
Bearer plant revaluation, net of tax	-	-	1,619
Kiwifruit licence revaluation, net of tax	-	-	255
Asset revaluation, net of tax	-	-	72,129
Share of net change in revaluation reserves of Equity Accounted Investees	543	288	591
	543	288	74,594
Total other comprehensive income for the period	1,700	(2,051)	66,973
Total comprehensive income for the period	67,379	35,511	182,616
Attributable to:			
Equity holders of the parent	44,783	14,306	107,829
Non-controlling interest	22,596	21,205	74,787
	67,379	35,511	182,616

Quayside Holdings Limited and Subsidiaries

Consolidated Statement of Movements in Equity

For the six months ended 31 December 2019

	Share capital	Hedging Reserve	Revaluation Reserve	Retained Earnings	Non-controlling interest	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2018	200,011	(5,066)	521,189	115,051	505,550	1,336,735
Adjustment on adoption of NZ IFRS-9	-	-	-	(150)	(124)	(274)
Profit after tax	-	-	-	15,430	22,132	37,562
Cash flow hedges - changes in fair value	-	(1,643)	-	-	(1,354)	(2,997)
Cash flow hedge - reclassified to profit or loss	-	404	-	-	333	737
Share of net change in cash flow hedge reserves of equity accounted investees	-	(43)	-	-	(36)	(79)
Share of net change in revaluation reserves of equity accounted Investees	-	-	158	-	130	288
Total comprehensive income	-	(1,282)	158	15,430	21,205	35,511
Non-controlling interest adjustments	-	-	-	20	(20)	-
Increase in share capital	-	-	-	(554)	(457)	(1,011)
Equity settled share based payment accrual	-	-	-	-	926	926
Dividends paid to shareholders (Note 7)	-	-	-	(23,910)	(37,420)	(61,330)
Total transactions with owners	-	-	-	(24,444)	(36,971)	(61,415)
Balance at 31 December 2018	200,011	(6,348)	521,347	105,887	489,660	1,310,557
Profit after tax	-	-	-	54,773	23,308	78,081
Cash flow hedges - changes in fair value	-	(3,259)	-	-	(2,686)	(5,945)
Cash flow hedge - reclassified to profit or loss	-	489	-	-	403	892
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	(126)	-	-	(103)	(229)
Share of net change in revaluation reserves of Equity Accounted Investees	-	-	231	-	72	303
Asset revaluation, net of tax	-	-	39,541	-	32,588	72,129
Bearer plant revaluation, net of tax	-	-	1,619	-	-	1,619
Kiwifruit licence revaluation	-	-	255	-	-	255
Total comprehensive income	-	(2,896)	41,646	54,773	53,582	147,105
Non-controlling interest adjustments	-	-	-	7	(9)	(2)
Revaluation surplus transferred to retained earnings on asset disposal	-	-	-	25	20	45
Increase/(decrease) in share capital	-	-	-	7	7	14
Equity settled share based payment accrual	-	-	-	-	1,112	1,112
Dividends paid to shareholders	-	-	-	(13,511)	(18,702)	(32,213)
Total transactions with owners	-	-	-	(13,472)	(17,572)	(31,044)
Balance at 30 June 2019	200,011	(9,244)	562,993	147,188	525,670	1,426,618
Profit after tax	-	-	-	43,850	21,829	65,679
Cash flow hedges - changes in fair value	-	115	-	-	95	210
Cash flow hedge - reclassified to profit or loss	-	467	-	-	384	851
Share of net change in cash flow hedge reserves of equity accounted investees	-	53	-	-	43	96
Share of net change in revaluation reserves of equity accounted Investees	-	-	298	-	245	543
Total comprehensive income	-	635	298	43,850	22,596	67,379
Non-controlling interest adjustments	-	-	-	10	(10)	-
Increase in share capital	-	-	-	30	25	55
Equity settled share based payment accrual	-	-	-	-	832	832
Shares issued upon vesting of management long term incentive plan	-	-	-	(77)	(1,167)	(1,244)
Dividends paid to shareholders (Note 7)	-	-	-	(35,210)	(38,359)	(73,569)
Total transactions with owners	-	-	-	(35,247)	(38,679)	(73,926)
Balance at 31 December 2019	200,011	(8,609)	563,291	155,791	509,587	1,420,071

Quayside Holdings Limited and Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2019

		Unaudited Six months Dec 2019 \$'000	Unaudited Six months Dec 2018 \$'000	Audited Full year June 2019 \$'000
ASSETS	Note			
Current assets				
Cash and cash equivalents		28,024	76,674	66,987
Trade and other receivables		62,148	58,805	64,134
Inventories		855	528	1,538
Other financial assets		49,900	-	25,000
Total current assets		140,927	136,007	157,659
Non-current assets				
Intangible assets		21,163	20,397	21,515
Advances and receivables		12	24	12
Property, plant and equipment	9	1,577,850	1,463,626	1,542,217
Biological assets	10	1,192	1,257	390
Investments in equity accounted investees		171,305	163,104	168,668
Other financial assets		210,236	164,073	178,520
Investment property		41,475	24,363	27,886
Total non-current assets		2,023,233	1,836,844	1,939,208
Total assets		2,164,160	1,972,851	2,096,867
LIABILITIES				
Current liabilities				
Trade and other payables		34,761	34,783	39,407
Revenue received in advance		347	345	260
Loans and borrowings	13	175,000	280,000	322,000
Provisions		1,386	1,531	2,178
Derivative financial instruments		431	946	1,138
Current taxation		4,869	4,880	10,378
Lease liability	14	397	-	-
Total current liabilities		217,191	322,485	375,361
Non-current liabilities				
Loans and borrowings	13	412,213	253,191	202,315
Provisions		1,828	1,836	1,783
Derivative financial instruments		20,183	14,022	69,895
Deferred tax liability		68,972	70,760	20,895
Lease liability	14	23,702	-	-
Total non-current liabilities		526,898	339,809	294,888
Total liabilities		744,089	662,294	670,249
NET ASSETS		1,420,071	1,310,557	1,426,618

**Quayside Holdings Limited and Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2019**

	Unaudited Six months Dec 2019 \$000	Unaudited Six months Dec 2018 \$000	Audited Full year June 2019 \$000
EQUITY			
Paid up capital	200,011	200,011	200,011
Reserves	554,682	514,999	553,749
Retained Earnings	155,791	105,887	147,188
Total equity attributable to equity holders of the Parent	910,484	820,897	900,948
Non controlling interest	509,587	489,660	525,670
TOTAL EQUITY	1,420,071	1,310,557	1,426,618

Quayside Holdings Limited and Subsidiaries
Condensed Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Unaudited Six months Dec 2019 \$000	Unaudited Six months Dec 2018 \$000	Audited Full year June 2019 \$000
Cash flows from operating activities			
Cash inflows	169,508	160,316	328,162
Cash outflows	(118,077)	(109,164)	(211,046)
Net cash flows from operating activities	51,431	51,152	117,116
Cash flows from investing activities			
Cash inflows	46,087	20,531	53,473
Cash outflows	(124,986)	(55,573)	(123,060)
Net cash flows from investing activities	(78,899)	(35,042)	(69,587)
Cash flows from financing activities			
Cash inflows	162,903	145,111	94,250
Cash outflows	(174,466)	(126,125)	(116,337)
Net cash flows from financing activities	(11,563)	18,986	(22,087)
Effect of exchange rate changes on cash and cash equivalents	68	(110)	(143)
Net increase/(decrease) in cash and cash equivalents	(38,963)	34,986	25,299
Cash and cash equivalents at the beginning of the period	66,987	41,688	41,688
Cash and cash equivalents at the end of the period	28,024	76,674	66,987
RECONCILIATION OF PROFIT FOR THE PERIOD TO CASHFLOWS FROM OPERATING ACTIVITIES			
Profit for the period	65,679	37,562	115,643
Add/(subtract) non-cash and non-operating items	(7,167)	22,681	8,245
Add/(subtract) movements in working capital	(7,081)	(9,091)	(6,772)
Net cash flows from operating activities	51,431	51,152	117,116

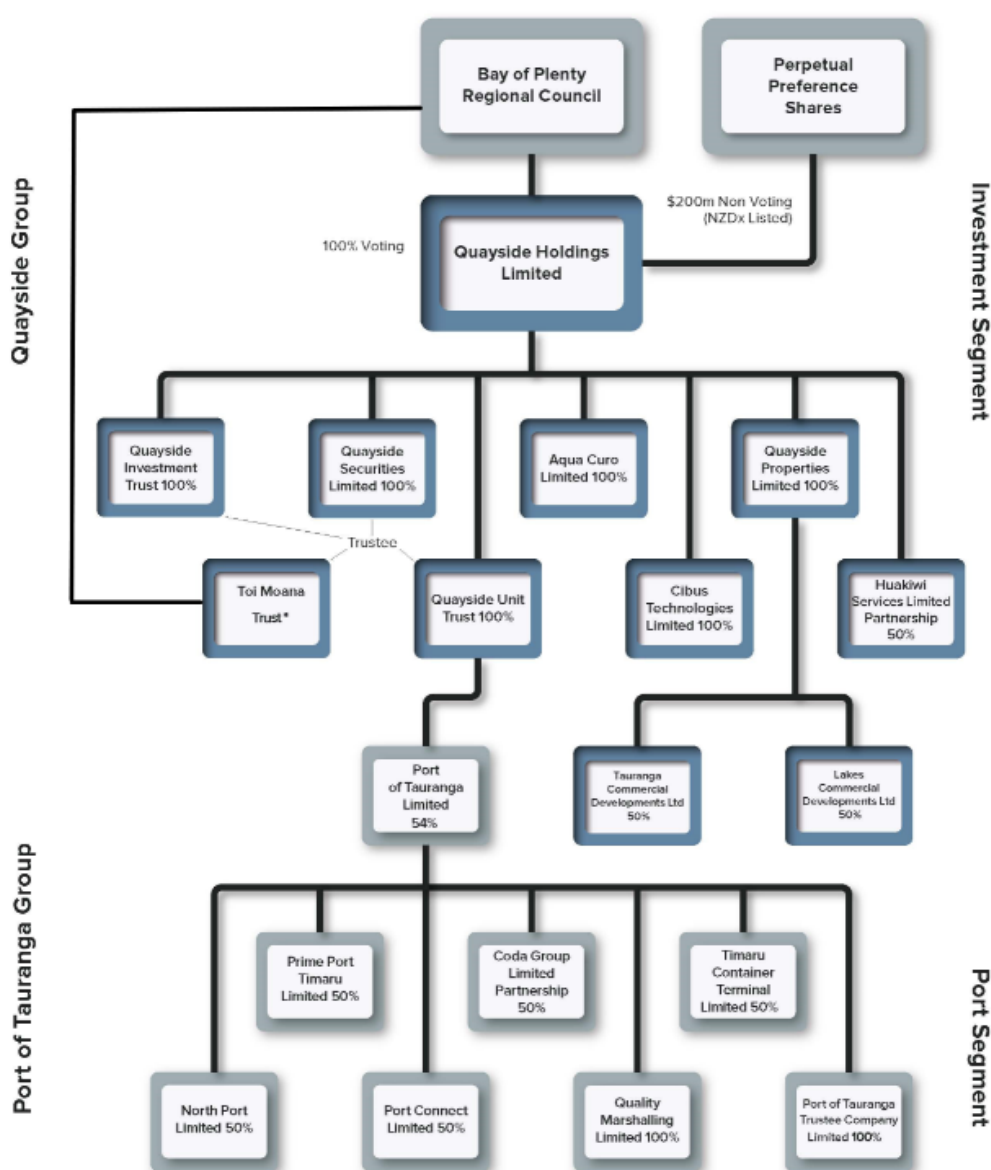
1 Reporting entity

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

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

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

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



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

2 Basis of Preparation

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Financial Markets Conduct Act 2013, which includes the requirement to comply with generally accepted accounting practice in New Zealand ("NZ GAAP"). These interim financial statements have been prepared in accordance with New Zealand International Accounting Standard ("NZ IAS") 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements and related notes included in Quayside Holdings Limited's Annual Report for the year ended 30 June 2019.

3 Significant Accounting Policies

Other than as set out in note 14 in regard to NZ IFRS-16, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

4 Accounting Estimates and Judgements

The preparation of the financial statements in conformity with NZ IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these financial statements, other than set out in note 14 in regard to NZ IFRS16, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, were the same as those applied to the Group's consolidated financial statements for the year ended 30 June 2019.

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (unaudited)
For the six months ended 31 December 2019

5 Segment Information

At 31 December 2019 the Group comprises two main business segments: The first being the business of facilitating export and import activities (Port), and the second being the business of investment (Investing). The 'Port' segment represents the *Port of Tauranga Group*, whilst the 'Investing' segment is the *Quayside Group*. Both business segments operate in one geographic segment, being New Zealand.

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

The unaudited segment results for the six months ended 31 December 2019 are as follows:

	Port \$000	Investing \$000	Total \$000
31 December 2019			
Revenue (from external customers)	154,774	1,523	156,297
Other income	-	63,763	63,763
Less: Inter-segment revenue *	-	(45,318)	(45,318)
	154,774	19,968	174,742
Share of profit of Equity Accounted Investees	5,895	-	5,895
Finance income	132	909	1,041
Finance costs	(9,763)	(901)	(10,664)
Depreciation and amortisation	(14,669)	(423)	(15,092)
Other expenditure	(71,699)	(2,190)	(73,889)
Income tax expense	(16,354)	-	(16,354)
Profit after income tax	48,316	17,363	65,679
Current assets	67,614	73,313	140,927
Non-current assets	1,719,090	304,143	2,023,233
Current liabilities	(216,321)	(870)	(217,191)
Non-current liabilities	(438,515)	(88,383)	(526,898)
Net Assets	1,131,868	288,203	1,420,071

* Inter-segment revenue comprises the dividend received by Quayside Unit Trust from the Port of Tauranga Limited.

5 Segment Information (continued)

	Port \$000	Investing \$000	Total \$000
31 December 2018			
Revenue (from external customers)	152,996	1,098	154,094
Other income	-	47,720	47,720
Less: Inter-segment revenue *	-	(44,212)	(44,212)
	152,996	4,606	157,602
Share of profit of Equity Accounted Investees	4,770	-	4,770
Finance income	185	572	757
Finance costs	(9,071)	(872)	(9,943)
Depreciation and amortisation	(13,830)	(349)	(14,179)
Other expenditure	(69,091)	(15,382)	(84,473)
Income tax expense	(16,972)	-	(16,972)
Profit after income tax	48,987	(11,425)	37,562
Current assets	61,681	74,326	136,007
Non-current assets	1,606,537	230,307	1,836,844
Current liabilities	(321,472)	(1,013)	(322,485)
Non-current liabilities	(259,821)	(79,988)	(339,809)
Net assets	1,086,925	223,632	1,310,557

6 Operating income

	Six Months Ended 31 Dec 2019 \$000	Six Months Ended 31 Dec 2018 \$000
Port services income	137,402	136,330
Rental income	15,030	14,277
Marshalling services income	2,342	2,389
Sale of goods - kiwifruit	1,260	944
Other	263	154
Total trading income	156,297	154,094
Other income	18,445	3,508
Total operating income	174,742	157,602

7 Finance Expenses

	Six Months Ended 31 Dec 2019 \$000	Six Months Ended 31 Dec 2018 \$000
Interest expense on borrowings	(10,799)	(10,015)
Less: interest capitalised to property, plant and equipment	199	138
	(10,600)	(9,877)
Fair value movement on currency derivative	(8)	(21)
Amortisation of interest rate collar premium	(43)	(43)
Ineffective portion of changes in fair value of cash flow hedges	(13)	(2)
Total finance expenses	(10,664)	(9,943)

8 Dividends

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

	Six Months Ended 31 Dec 2019 \$000	Six Months Ended 31 Dec 2018 \$000
Ordinary Shares		
Dividend (paid 02/08/19) of \$1,605 per share (2018: \$1,560)	16,050	15,600
Dividend (paid 22/11/19) of \$1,605 per share (2018: \$520)	16,050	5,200
	32,100	20,800
Perpetual Preference Shares		
Quarterly dividend (paid 12/9/19) 0.0778 cents per share (2018: 0.0778 cents)	1,555	1,555
Quarterly dividend (paid 12/12/19) 0.0778 cents per share (2018: 0.0778 cents)	1,555	1,555
	3,110	3,110
Total Dividends Paid	35,210	23,910

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

9 Property Plant and Equipment

Acquisitions and Disposals

During the six months ended 31 December 2019, the Port of Tauranga Group acquired assets with a cost of \$25.61 million (2018: \$21.71 million).

During the six months ended 31 December 2019, the Quayside Group acquired assets with a cost of \$0.04 million (2018: \$0.03 million) and disposed of assets with a book value of \$0.02 million.

10 Biological Assets

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

11 Financial Instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in active markets (for example over-the-counter derivatives) are determined by using market accepted valuation techniques incorporating observable market data about conditions existing at each reporting date. Derivative financial instruments are categorised as Level 2 in the fair value measurement hierarchy.

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

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

12 Commitments

	Six Months Ended 31 Dec 2019 \$000	Six Months Ended 31 Dec 2018 \$000
Capital commitments		
Estimated capital commitments contracted for at balance date but not provided for:	3,270	14,598

Capital commitments at 31 December 2019 and 2018 relate to the *Port of Tauranga Group*.

Quayside Holdings Limited also has future uncalled commitments for investments into Equity Accounted Investees and equity funds.

13 Loans and Borrowings

	31 Dec 2019 Carrying Value Group \$000	31 Dec 2018 Carrying Value Group \$000
Westpac Banking Corporation	34,877	28,102
Bay of Plenty Regional Council	50,000	50,000
Commercial papers	170,000	180,000
Standby revolving cash advance facility	252,000	150,000
Fixed rate bonds	75,000	125,000
Multi option facility	5,000	-
Advances from employees	336	89
Total loans and borrowings	587,213	533,191
Current	175,000	280,000
Non current	412,213	253,191
Total	587,213	533,191

Port of Tauranga Group

At 31 December 2019 the Port of Tauranga Group had \$175 million of loans and borrowings that are classified within current liabilities (2018: \$280 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 \$480 million (2018: \$430 million) standby revolving cash advance facility which is a term facility.

Westpac Banking Corporation

Quayside Holdings Limited has a \$55 million (2018: \$55 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 was renewed in October 2018 for a further term of 3 years, expiring in October 2021. At 31 December this facility was drawn down to \$35 million (2018: \$28 million).

Bay of Plenty Regional Council

In October 2018, Quayside Holdings Limited entered in to a \$50 million financing arrangement with Bay of Plenty Regional Council, which, to fund this, has in turn borrowed from the Local Government Funding Agency. This facility expires on 30 June 2021. At 31 December this facility was drawn down to \$50 million (2018: \$50 million).

14 Leases

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

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

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

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

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

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

	Six Months Ended 31 Dec 2019 \$000	1 July 2019 \$000
Right -of-use assets	23,895	24,238
Lease liability	(24,099)	(24,238)

When compared to the accounting policies in the prior comparative period, the adoption of NZ IFRS 16 on the Groups income statement for the six months ended 31 December 2019 is summarised in the table below:

	Pre NZ IFRS 16 \$000	Adjustments NZ \$000	Post NZ IFRS 16 \$000
Other expenses	8,330	(652)	7,678
Depreciation and amortisation	14,297	372	14,669
Finance expenses	9,279	484	9,783
Income tax expense	16,411	(57)	16,354

15 Related Party Transactions

Controlling entity

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

Transactions with related parties:

During the six months ended 31 December 2019, related party transactions were as follows:

	Six months ended 31 Dec 2019 \$000	Six months ended 31 Dec 2018 \$000
<i>Transactions with Ultimate Controlling Entity</i>		
Bay of Plenty Regional Council		
Services provided to Quayside Properties Limited	3	5
Loan payable by Quayside Holdings Limited	50,000	50,000
Interest paid by Quayside Holdings Limited	471	244
Interest payable by Quayside Holdings Limited	125	219
Dividends paid by Quayside Holdings Limited	32,100	20,800
Subvention paid by Quayside Holdings Limited	408	-
Subvention paid by Quayside Unit Trust	649	-
Subvention paid by Quayside Properties Limited	1,945	-
Subvention paid by Quayside Securities Limited	2	-
<i>Transactions with subsidiaries</i>		
Dividends paid to Quayside Holdings Limited	57,500	49,500
Loans receivable by Quayside Holdings Limited	40,853	30,952
Interest received by Quayside Holdings Limited	408	432
Interest receivable by Quayside Holdings Limited	173	148
Consideration for units purchased by Quayside Holdings Limited	14,108	13,000
Services provided to Quayside Holdings Limited	19	19
Accounts payable by Quayside Holdings Limited	-	11
Accounts receivable by Quayside Holdings Limited	8	27
Management fees paid to Quayside Holdings Limited	95	92
Dividends received from Port of Tauranga	45,318	44,212
<i>Transactions with Equity Accounted Investees</i>		
Services provided by Quayside Holdings Limited	57	59
Services provided by Quayside Properties Limited	21	21
Loans receivable by Quayside Holdings Limited	3,509	-
Loans receivable by Quayside Properties Limited	600	-
Interest received by Quayside Holdings Limited	43	-
Interest received by Quayside Properties Limited	5	-
Interest receivable by Quayside Holdings Limited	19	-
Interest receivable by Quayside Properties Limited	5	-
Accounts receivable by Quayside Holdings Limited	5	6
Accounts receivable by Quayside Properties Limited	-	2

	Six months ended 31 Dec 2019 \$000	Six months ended 31 Dec 2018 \$000
Port of Tauranga Group		
Transactions with Ultimate Controlling Entity		
Services provided to Port of Tauranga Limited	18	16
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	265	234
Services provided by Port of Tauranga Limited	2,904	1,391
Accounts receivable by Port of Tauranga Limited	373	224
Accounts payable by Port of Tauranga Limited	65	9
Advances by Port of Tauranga Limited	5,319	6,119
Services provided by Quality Marshalling (Mount Maunganui) Limited	1,919	1,920
Services provided to Quality Marshalling (Mount Maunganui) Limited	14	-
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	419	393
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	2	-

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

During the six months ended 31 December 2019, the Group entered transactions with companies in which Group Directors held directorships. These directorships have not resulted in the Group having significant influence or control over the operations, policies or key decisions of these companies.

Transactions with Key Management Personnel

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

	Six Months Ended 31 Dec 2019 \$000	Six Months Ended 31 Dec 2018 \$000
Short term employee benefits		
Directors fees	577	548
Executive salaries	1,907	2,021
Share based payments (cash and equity settled) recognised during the period	257	286

16 Subsequent Events

There have been no subsequent events.

Quayside Holdings Limited and Subsidiaries Directory As at 31 December 2019

Directors holding office at 31 December 2019 were:

Quayside Group

R A McLeod (Chair)
B D Hewlett
K Horne (appointed 16.09.2019)
F C McTavish
S A Crosby
W J Parker
P J Thompson

Port of Tauranga Group

D A Pilkington (Chair)
A M Andrew
K R Ellis
J C Hoare
A R Lawrence
D W Leeder
R A McLeod

Loans

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

Indemnification and insurance of directors and officers

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

Chief Executive

A S Hamilton

Solicitor

Cooney Lees Morgan
PO Box 143
Tauranga 3110

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