



QUAYSIDE
HOLDINGS

Statement of Intent

**Quayside Holdings Limited,
Subsidiaries and Joint Ventures**

For the year to 30 June 2020

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Introduction

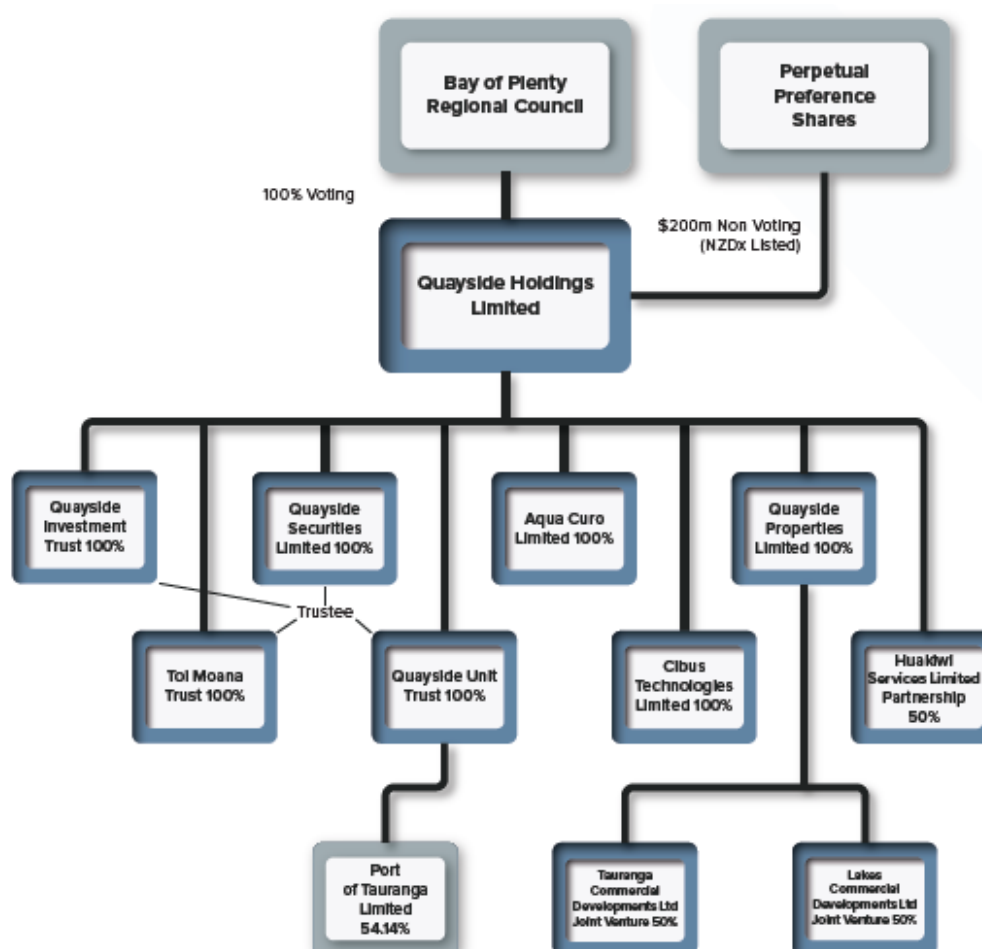
The Local Government Act 2002 section 64(1) requires all Council Controlled Organisations to annually prepare a Statement of Intent. The content of a Statement of Intent must adhere to the Local Government Act 2002 schedule 8.

Quayside Holdings Limited is a Council Controlled Organisation (CCO), itself being a 100% subsidiary of the Bay of Plenty Regional Council. This Statement of Intent also incorporates the nature, scope, activities, and performance targets of the subsidiaries of Quayside Holdings Limited, namely Quayside Securities Limited (100%), Quayside Unit Trust (100%), Quayside Investment Trust (100%), and Quayside Properties Limited (100%) and joint venture companies Tauranga Commercial Developments Limited (50%), Lakes Commercial Developments Limited (50%) and Huakiwi Services Limited (50%).

QHL also holds 100% of the shares in two shell companies, being Aqua Curo Limited and Cibus Technologies Limited. These companies have no assets or liabilities and are non-trading but have the potential to be activated in the future.

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

The structure of the Quayside Group is as follows:



The Local Government Act 2002 requires the 2019-20 Statement of Intent to be submitted by 30 June 2019, with final submission by 30 June 2019.

This Statement of Intent is for Quayside Holdings Limited and its subsidiaries for the year 1 July 2019 to 30 June 2020, with dividend forecasts to 30 June 2022.

Terms

Throughout this document the following terms have been applied:

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

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

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

GAAP being generally accepted accounting practice according to Chartered Accountants Australia and New Zealand

Group being Quayside Holdings Limited and its subsidiaries

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

Investment portfolio being tradeable securities, direct investments and cash held by Quayside Holdings Limited and its subsidiaries, but excluding shares held in the Port of Tauranga Limited

Joint ventures being Huakiwi Services Limited, Lakes Commercial Developments Limited and Tauranga Commercial Developments Limited as entities 50% owned by Quayside Holdings Limited

NZDX being the NZX Debt Market, part of the New Zealand Stock Exchange (NZX)

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

Port being the Port of Tauranga Limited, a listed company on the New Zealand Stock Exchange. Quayside Securities Limited is 54.14% holder of the Port as at 31 December 2018

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

Private equity portfolio being direct and pooled investment into commercial business for a commercial return and / or regional growth

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

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

QPL being Quayside Properties Limited, established as a Council Controlled Trading Organisation (CCTO). Quayside Properties Limited is a 100% subsidiary of Quayside Holdings Limited

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

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

Real asset portfolio being direct and pooled investment in commercial return land and infrastructure including (but not exclusively) water, energy, communications, transport, land and buildings

Region being the jurisdiction of the Bay of Plenty Regional Council

Shell companies being Aqua Curo Limited and Cibus Technologies Limited as entities 100% owned by Quayside Holdings Limited

Toi Moana Trust a PIE unit trust investment vehicle, to be established in 2019 under QSL as trustee, for the investment of funds on behalf of Quayside and Council.

Vision of the Group

Quayside's vision is to provide long term financial security to its shareholder, the Bay of Plenty Regional Council, through a diversified investment portfolio and through ensuring the POTL shareholding is managed in an effective and commercial manner.

Objectives of the Group

Quayside Holdings Limited (QHL) and subsidiaries Quayside Securities Limited (QSL) and Quayside Unit Trust Limited (QUT) were established in 1991 when QSL commercially acquired a majority interest in POTL from the Bay of Plenty Regional Council. Quayside Properties Limited (QPL) was established in 2003. Quayside Investment Trust (QIT) was established in 2014. Several joint ventures and shell companies have been established since 2017.

The group objectives are:

- To be an effective cornerstone shareholder, allowing the Port of Tauranga Limited (or any other subsidiary) to perform as an independent commercial company through the effective separation of Council and Port responsibilities;
- To enable the Council to undertake commercial and investment activities in accordance with the Local Government Act 2002;
- To act as a responsible commercially focused investor and manager, targeting long term commercial returns, delivering growth and income;
- To provide Council with a consistent, sustainable, inflation proof intergenerational revenue stream through annual distributions;
- To access additional commercial expertise through the appointment of independent directors;
- To provide appropriate access to efficient funding, for the benefit of the region;
- Seek and/or where requested by Council identify, analyse, implement and or manage new commercial opportunities;
- To work openly with the Council to provide regional benefit, while investing for commercial returns;
- To ensure open dialogue exists between the Group and the Council;
- To comply with all relevant legislation as a CCO, CCTO, and an issuer on the debt exchange of the NZX;
- To promote within the group Social and Corporate Responsibility, rigorous health and safety management, and sound and equitable employment practices in accordance with the QHL policy on Diversity and Inclusion.

Governance

This section outlines the responsibilities and selection criteria of the QHL board of directors.

Role and appointment of the board

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

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

Appointment of investor representatives onto joint venture boards is the responsibility of the board.

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

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

Committees and Policies

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

The People, Safety and Culture Committee objective is to assist the board in all aspects of the Executive Remuneration Policy and statutory compliance in respect of both officers and directors. A full description of the committee's purpose is set out in the People, Safety and Culture Committee charter.

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

Charters and policies are to be reviewed on a no less than biennial basis.

Nature and Scope of Group Activities

The Group undertakes activities through a holding company (QHL), wholly owned subsidiaries (QUT, QIT, QSL and QPL), joint ventures and a majority interest in the POTL.

Core activities are:

<i>Port investments</i>	<i>\$1,842m at 31 December 2018</i>
Port portfolio	Majority ownership of the Port of Tauranga. Monitoring financial performance, peer relative performance and corporate governance.
<i>Non-Port investments</i>	<i>\$300m at 31 December 2018</i>
Investment portfolio	Generation of commercial returns and an income stream through a diversified share investment portfolio.
Real asset portfolio	Targeting long term commercial returns through the investment and or management of real assets (including property and infrastructure), both regional and national.
Private equity portfolio	Targeting long term commercial returns through the investment and or management of new and existing

	private equity and joint ventures, both regional and national.
<i>Debt management</i>	<i>\$78m debt plus \$200m Perpetual Shareholders at 31 December 2018</i>
Treasury portfolio	Targeting both cash and tax efficient management of cash and borrowings to the benefit of Quayside and the wider Group.
Governance	<p>Ensuring that the Group manages Council assets in a commercially responsible manner.</p> <p>Ensuring that the legislative compliance is achieved as a CCO, CCTO and NZX listed entity.</p> <p>Ensuring open dialogue occurs between the Group and Council.</p>

Ratio of Shareholder Funds to Total Assets

GROUP CONSOLIDATED (IFRS)	2018	2019	2020
Assets (\$000's)	1,921,319	1,972,851	2,013,379
Liabilities (\$000's)	584,584	662,294	662,294
Shareholder funds (\$000's)	1,336,735	1,310,557	1,351,085
Shareholder funds to assets	69.57%	66.43%	67.11%

The figures above reflect 30 June positions for their respective years. The 2018 position is an actual, 2019 is a forecast (f) based on a 31 December 2018 actual, and 2020 is a forecast based on current asset holdings and valuation plus retained earnings. Shareholder funds are inclusive of PPS shareholders and minority interests in the Port of Tauranga.

QUAYSIDE GROUP (Market Value)	2018	2019	2020
Assets (\$000's)	2,139,636	2,146,821	2,187,349
Liabilities (\$000's)	49,553	81,001	81,001
Shareholder - PPS (\$000's)	200,000	200,000	200,000
Shareholder - Council (\$000's)	1,890,103	1,865,820	1,906,348
Council shareholder funds to assets	88.34%	86.91%	87.15%

The market values above are all reflective of 30 June positions for their respective years. The 2018 position is an actual, 2019 is forecast based on a 31 December 2018 actual, and 2020 is forecast based on current market valuation plus retained earnings. Positions are reflective of the market price of the investments of the Quayside Group.

Accounting Policies

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

The Quayside Group has adopted the new NZX listing rules, as approved by the board in February 2019.

Performance Targets

Performance targets are effective for the year represented by this Statement of Intent. Target measures will therefore be assessed in full on or within 90 days after 30 June 2020. The Group will keep Council informed of progress against performance targets on a no surprises basis during the year.

Port portfolio

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

Investment portfolio

	Objective	Measure
1.	Generate commercial returns across the Investment Portfolio.	Five year rolling gross return of $\geq 7.5\%$ per annum
2.	Adherence to industry standards including responsible investing.	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment frameworks: <ul style="list-style-type: none"> • Monthly reporting of SIPO dashboard to the board; • Six monthly audits of investments and adherence to SIPO and responsible investment policy.

Real asset portfolio

	Objective	Measure
1.	Generate long term commercial returns and or regional benefit through a portfolio of real assets.	Annual board assessment of the benefit of real assets, considering portfolio alignment, long term commercial return and any regional benefit factors.

Private equity

	Objective	Measure
1.	Generate long term commercial returns and or regional benefit through a portfolio of private equity assets.	Annual board assessment of the benefit of each private equity asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors.

Governance

	Objective	Measure
1.	Keep Council informed on a no surprises basis, providing quality and timely information.	A minimum of four presentations per annum to Council, as shareholders. Timely advice and support as required.

		Matters of urgency are reported to Council at the earliest opportunity.
2.	Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.
3.	Meet Shareholders distribution expectations as outlined in SOI or as otherwise agreed.	Distributions paid to agreed values.
4.	Compliance with NZX listing requirements for PPS holders.	Matters of material impact are disclosed in line with QHL framework for continuous disclosure. Board reporting of PPS compliance and monitoring.

Distribution to Shareholders

Distributions to Council

Financial year	2020	2021	2022
Distribution (\$000's)	32,100	33,100	34,100

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

The distribution is intended to be paid from the operating cash flow of the Group after payments to PPS holders. The level of distribution to Council has been made in consultation with Council. This distribution model allows the Group to retain capital to support long-term growth that exceeds inflation and thereby assists the Council to meet demands associated with population growth.

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

Distributions to PPS Holders

Financial year	2020	2021	2022
Distribution (\$000's)	8,565	8,340	8,340

The dates above are all reflective of gross distributions in the year to 30 June. The distribution reflects the fully imputed (at 28%) distribution to unit holders of the PPS and is inclusive of 5% Resident Withholding Tax (RWT). The distribution rate was reset for a three-year period on 13 March 2017 according to the methodology prescribed in the PPS Prospectus at 4.32%. The next reset rate occurs on 12 March 2020, which has been forecast at 4.1%. A further reset will occur in 2023.

Reporting to Shareholders

Annual and interim financials

The Group will provide full year audited financial results with commentary to Council and the NZX (for PPS holders) within 90 calendar days of year end (approximately end of September). Unaudited interim results with commentary will be provided within 60 calendar days of the end of the first half of the year (approximately end of February). This is a requirement of Quayside as a CCO under the Local Government Act 2002, and as an issuer under the listing rules for the NZX (for PPS holders).

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

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

- Performance of the Port portfolio;
- Performance of the share investment portfolio;
- Performance of the real asset portfolio;
- Performance of the private equity portfolio;
- Corporate governance;
- Dividend payments to shareholders.

Group Updates

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

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

No Surprises

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

Acquisition and or Disposal of Shares and Other Investments

Holding companies

The structure of the Group as illustrated in the introduction section of this Statement of Intent can be changed via resolution of the board and advice to Council.

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

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

Perpetual Preference Shares (PPS)

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

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

Port of Tauranga Limited (POTL)

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

Investment assets

The Group seeks commercial return and an income stream through shareholdings in external companies as traded on various exchanges, being investment assets. The Group is entitled to acquire and dispose of investment

assets without prior consent of the Council, except where that transaction shall be deemed a major transaction under the provisions of the Companies Act 1993 section 129 (2).

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

The Group has adopted a Responsible Investment Policy in relation to market traded share investments.

Activities for Which Compensation is Sought

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

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

Commercial Valuation of Council Investment

Financial year	2018	2019f	2020f
Council investment (\$000's)	1,890,103	1,865,820	1,906,348

The figures above are all reflective of 30 June positions for their respective years. The 2018 position is an actual, 2019 is forecast based on 31 December 2018 actuals, and 2020 is forecast.

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

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

Other Matters

There are no matters other than those set out above.

Directory

Quayside Holdings Limited and Subsidiaries

Mailing address	PO Box 13 564 Tauranga 3141
Physical address	Suite 8, 53 Spring Street Tauranga 3110
Registered office	Suite 8, 53 Spring Street Tauranga 3110
Phone	07 579 5925
Email	enquiries@quaysideholdings.co.nz
Website	http://www.quaysideholdings.co.nz/
Board of directors	Rob McLeod (Chair) Stuart Crosby Brett Hewlett Fiona McTavish Warren Parker Robert Tait Paula Thompson
Chief Executive	Scott Hamilton