QUAYSIDE HOLDINGS LIMITED
AND SUBSIDIARIES

ANNUAL FINANCIAL STATEMENTS

For the year ended

30 JUNE 2018

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES

FOR THE YEAR ENDED 30 JUNE 2018

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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Quayside Holdings Limited and group's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Quayside Holdings Limited (the company) and its subsidiaries (the group). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company and group, on his behalf.

Opinion

We have audited:

- the financial statements of the company and group on pages 4 to 74, that comprise the statement of financial position as at 30 June 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company and group on pages 75 to 78.

In our opinion:

- the financial statements present fairly, in all material respects the financial position of the company and group as at 30 June 2018, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information presents fairly, in all material respects, the company and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company and group's objectives for the year ended 30 June 2018.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the company and its subsidiaries in accordance with the Auditor-General's Auditing Standards, which incorporate *Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, the company and its subsidiaries.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements and the performance information of the current period.

We summarise those matters below and how we addressed them in our audit of the financial statements and the performance information, as a whole.

Any comments we make on the findings of our audit should be read in that context and we do not provide a separate opinion on these matters.

The key audit matter	How did the audit address this matter
Valuation of property, plant and equipment recorded at fair value (refer note 10 of the financial statements)	
The Group has property, plant and equipment of $1,456 million. A revaluation gain of $227 million was recorded in the current year. The Group has a policy of revaluing land, buildings, wharves and hardstanding, and harbour improvements at fair value at least every 3 years (by an independent valuer), or more frequently if there is an indicator that the fair value has changed significantly. A revaluation of land, buildings, wharves and hardstanding, and harbour improvements was performed as at 30 June 2018. Prior to this financial year, the last independent valuation over these assets, excluding land, was 30 June 2015. An independent valuation was carried out over land at 30 June 2017. The valuation of land, buildings, wharves and hardstanding, and harbour improvements is considered a key audit matter due to the judgement involved in the assessment of the fair value of these assets by the Port of Tauranga Board. The judgment relates to the various valuation methodologies used and the assumptions within each of those methodologies. The assumptions that have the largest impact on the valuations are: • Land - Rate per square metre. • Buildings - Market capitalisation rate and market rent. • Assets using optimised depreciated replacement cost - Unit costs of construction and depreciation rates.	Our procedures included: • Assessing the competence, objectivity and independence of the valuers used by management, including the assessment of their professional qualifications and experience. • In conjunction with our valuation specialists, we assessed whether the valuation methodologies used to fair value each asset class was appropriate. • Comparing the valuation methodologies applied to prior periods and considering whether any changes to the methodologies were appropriate. • Agreeing the assets recorded in the fixed asset register to those valued by the independent valuer to ensure all applicable assets had been revalued. • For assets valued using optimised depreciated replacement cost, we assessed the appropriateness of the capital goods price indices used and the application of assumptions about direct and indirect market construction costs and depreciation rates. • For land and buildings, we compared the key assumptions within each assessment to market evidence and applicable industry data and challenged the application of assumptions in significant items. This included comparing sales information and market rental and growth rates to market data where available, and considering whether the assumptions used about the impact of harbour access and scale were appropriate.

Other information

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

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Directors' responsibilities

The directors are responsible on behalf of the company for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for preparing the performance information.

In preparing the financial statements and the performance information, the directors are responsible on behalf of the company for assessing the company and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company and the group or to cease operations, or have no realistic alternative but to do so.

The directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Evaluate the appropriateness of the reported performance information within the company and group's framework for reporting its performance.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company and the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial and performance information of the entities or business activities within the group to express an opinion on the group financial statements and performance information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
29 August 2018

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Income					
Trading revenue	4(a)	**286,562**	260,098	**-**	-
Other income	4(b)	**5,589**	4,029	**60,298**	40,093
Other gains	4(c)	**26,472**	19,053	**2,263**	2,137
Operating Income		**318,623**	283,180	**62,561**	42,230
Expenses					
Employee benefit expenses	5	**(38,545)**	(34,591)	**(765)**	(633)
Trading and other expenses	6(a)	**(94,620)**	(86,238)	**(910)**	(665)
Other losses	6(b)	**(4,976)**	(7,174)	**(443)**	(263)
Operating Expenses		**(138,141)**	(128,003)	**(2,118)**	(1,561)
Results from operating activities		**180,482**	155,177	**60,443**	40,669
Depreciation and amortisation	10, 12	**(25,844)**	(24,956)	**(18)**	(18)
Reversal of previous revaluation deficit		**446**	193	**-**	-
Operating profit before finance costs, share of profit from equity accounted investees and taxation		**155,084**	130,414	**60,425**	40,651
Finance income	7(a)	**1,258**	1,072	**998**	1,246
Finance expenses	7(b)	**(20,017)**	(19,024)	**(1,599)**	(1,819)
Net finance costs		**(18,759)**	(17,952)	**(601)**	(573)
Share of profit/(loss) from Equity Accounted Investees	14	**15,253**	13,282	**112**	(713)
Profit before income tax		**151,578**	125,744	**59,936**	39,365
Income tax benefit/(expense)	8	**(33,023)**	(28,146)	**123**	-
Net profit after tax		**118,555**	97,598	**60,059**	39,365
Attributable to:					
Equity holders of the parent		**75,963**	60,002	**60,059**	39,365
Non controlling interest		**42,592**	37,596	**-**	-
		118,555	97,598	**60,059**	39,365

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

		Group		Parent	
	Note	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Net profit after tax		**118,555**	97,598	**60,059**	39,365
Other comprehensive income					
Items that will be reclassified to profit or loss when specific conditions are met:					
Available for sale revaluation	13	**-**	-	**267,139**	234,033
Cash flow hedge - changes in fair value*		**(3,520)**	2,956	**-**	-
Cash flow hedge - reclassified to profit or loss*		**2,226**	2,538	**-**	-
Changes in cash flow hedges transferred to property, plant and equipment, net of tax*		**-**	708	**-**	-
Share of net change in cash flow hedge reserves of Equity Accounted Investees	14	**(71)**	182	**-**	-
		(1,365)	6,384	**267,139**	234,033
Items that will not be reclassified to profit or loss:					
Bearer plant revaluation, net of tax *		**903**	775	**-**	-
Kiwifruit licence revaluation, net of tax *		**224**	473	**(47)**	47
Asset revaluation, net of tax*		**209,778**	63,267	**-**	-
Share of net change in revaluation reserve of Equity Accounted Investees	14	**1,687**	745	**(24)**	124
		212,592	65,260	**(71)**	171
Total other comprehensive income		**211,227**	71,644	**267,068**	234,204
Total comprehensive income for the period		**329,782**	169,242	**327,127**	273,569
Attributable to:					
Equity holders of the parent		**192,256**	99,983	**327,127**	273,569
Non controlling interest		**137,526**	69,259	**-**	-
		329,782	169,242	**327,127**	273,569

* Net of tax effect is disclosed in notes 8 and 9

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Hedging Reserve	Revaluation Reserve	Retained Earnings	Non controlling interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
GROUP						
Balance at 1 July 2016	200,011	(7,824)	368,136	39,145	399,270	998,738
Profit after tax	-	-	-	60,002	37,596	97,598
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	1,624	-	-	1,332	2,956
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	1,394	-	-	1,144	2,538
Net changes in cash flow hedges transferred to property, plant and equipment, net of tax	-	389	-	-	319	708
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	100	-	-	82	182
Net change in share of Equity Accounted Investee's revaluation reserve	-	-	465	-	280	745
Asset revaluation, net of tax	-	-	34,761	-	28,506	63,267
Bearer plant revaluation, net of tax	-	-	775	-	-	775
Kiwifruit licence revaluation, net of tax	-	-	473	-	-	473
Total Comprehensive Income	-	3,507	36,474	60,002	69,259	169,242
Non-controlling interest adjustment	-	-	-	(5)	5	-
Increase in share capital	-	-	-	-	14	14
Revaluation surplus transferred to retained earnings on asset disposal	-	-	(463)	463	-	-
Equity settled share-based payment accrual (Note 16c)	-	-	-	-	1,425	1,425
Dividends to shareholders (note 16b)	-	-	-	(28,706)	(49,943)	(78,649)
Balance at 30 June 2017	200,011	(4,317)	404,147	70,899	420,030	1,090,770
Balance at 1 July 2017	**200,011**	**(4,317)**	**404,147**	**70,899**	**420,030**	**1,090,770**
Profit after tax	**-**	**-**	**-**	**75,963**	**42,592**	**118,555**
Net effective portion of changes in fair value of cash flow hedges, net of tax	**-**	**(1,930)**	**-**	**-**	**(1,590)**	**(3,520)**
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	**-**	**1,220**	**-**	**-**	**1,006**	**2,226**
Net change in share of Equity Accounted Investees' cash flow hedge reserves	**-**	**(39)**	**-**	**-**	**(32)**	**(71)**
Net change in share of Equity Accounted Investees'revaluation reserve	**-**	**-**	**914**	**-**	**773**	**1,687**
Asset revaluation, net of tax	**-**	**-**	**115,001**	**-**	**94,777**	**209,778**
Bearer plant revaluation, net of tax	**-**	**-**	**903**	**-**	**-**	**903**
Kiwifruit licence revaluation, net of tax	**-**	**-**	**224**	**-**	**-**	**224**
Total Comprehensive Income	**-**	**(749)**	**117,042**	**75,963**	**137,526**	**329,782**
Non-controlling interest adjustment	**-**	**-**	**-**	**1**	**(4)**	**(3)**
Decrease in share capital	**-**	**-**	**-**	**(800)**	**(660)**	**(1,460)**
Equity settled share-based payment accrual (Note 16c)	**-**	**-**	**-**	**-**	**2,117**	**2,117**
Adjustment for vesting of equity settled share based payment (Note 16c)	**-**	**-**	**-**	**709**	**(709)**	**-**
Dividends to shareholders (Note 16b)	**-**	**-**	**-**	**(31,721)**	**(52,750)**	**(84,471)**
Balance at 30 June 2018	**200,011**	**(5,066)**	**521,189**	**115,051**	**505,550**	**1,336,735**

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Available-for-sale Revaluation Reserve	Revaluation Reserve	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000
PARENT					
Balance at 1 July 2016	200,011	1,466,434	-	(116,639)	1,549,806
Profit after tax	-	-	-	39,365	39,365
Investment in subsidiaries revaluation (Note 13)	-	234,033	-	-	234,033
Net change in share of Equity Accounted Investees' revaluation reserve	-	-	124	-	124
Kiwifruit licence revaluation, net of tax	-	-	47	-	47
Total comprehensive income	-	234,033	171	39,365	273,569
Dividends to shareholders	-	-	-	(28,706)	(28,706)
Balance at 30 June 2017	200,011	1,700,467	171	(105,980)	1,794,669
Balance at 1 July 2017	**200,011**	**1,700,467**	**171**	**(105,980)**	**1,794,669**
Profit after tax	**-**	**-**	**-**	**60,059**	**60,059**
Investment in subsidiaries revaluation (Note 13)	**-**	**267,139**	**-**	**-**	**267,139**
Net change in share of Equity Accounted Investees' revaluation reserve	**-**	**-**	**(24)**	**-**	**(24)**
Kiwifruit licence revaluation, net of tax	**-**	**-**	**(47)**	**-**	**(47)**
Total comprehensive income	**-**	**267,139**	**(71)**	**60,059**	**327,127**
Dividends to shareholders	**-**	**-**	**-**	**(31,721)**	**(31,721)**
Balance at 30 June 2018	**200,011**	**1,967,606**	**100**	**(77,642)**	**2,090,075**

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

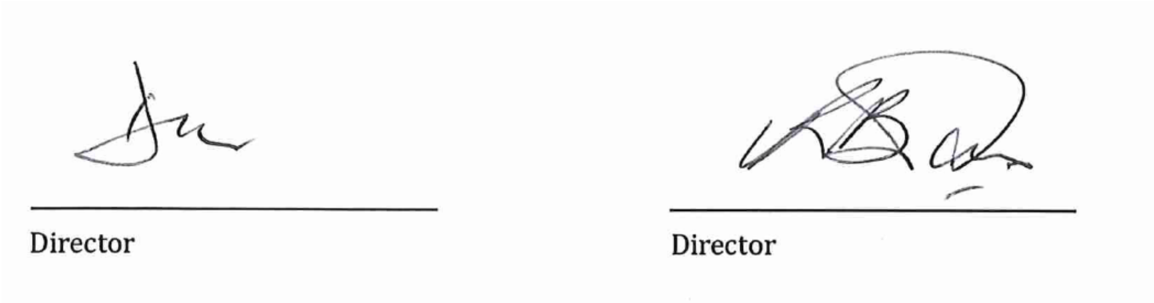
	Note	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
ASSETS					
Current Assets					
Cash and cash equivalents		**41,688**	43,634	**1,769**	7,539
Receivables and prepayments	15	**54,495**	47,423	**385**	417
Inventories		**710**	137	**-**	-
Total Current Assets		**96,893**	91,194	**2,154**	7,956
Non-current Assets					
Intangible assets	12	**20,759**	21,144	**-**	1,176
Property, plant and equipment	10	**1,455,575**	1,235,637	**115**	19
Investments in subsidiaries	13	**-**	-	**2,071,649**	1,784,260
Investments in Equity Accounted Investees	14	**154,636**	138,014	**20,305**	10,431
Investment Property	25	**21,918**	17,405	**-**	-
Other financial assets	17	**171,513**	137,103	**42,724**	48,782
Deferred tax asset	9	**-**	-	**123**	-
Receivables		**25**	36	**-**	-
Total Non-current Assets		**1,824,426**	1,549,339	**2,134,916**	1,844,668
Total Assets		**1,921,319**	1,640,533	**2,137,070**	1,852,624
LIABILITIES					
Current Liabilities					
Trade and other payables	21	**33,380**	32,687	**485**	1,445
Revenue received in advance		**279**	316	**-**	-
Loans and Borrowings	18	**321,845**	255,140	**46,510**	-
Provisions	22	**3,080**	2,334	**-**	-
Derivative financial instruments	19	**-**	1,013	**-**	-
Current taxation		**10,076**	8,403	**-**	-
Total Current Liabilities		**368,660**	299,893	**46,995**	1,445
Non-Current Liabilities					
Loans and Borrowings	18	**130,021**	181,733	**-**	56,510
Provisions	22	**1,746**	1,888	**-**	-
Deferred tax liabilities	9	**72,370**	57,362	**-**	-
Derivative financial instruments	19	**11,787**	8,887	**-**	-
Total Non-current Liabilities		**215,924**	249,870	**-**	56,510
Total Liabilities		**584,584**	549,763	**46,995**	57,955
NET ASSETS		**1,336,735**	1,090,770	**2,090,075**	1,794,669

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		Group		Parent	
		2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
EQUITY					
Paid up capital	16(a)	**200,011**	200,011	**200,011**	200,011
Reserves	16(c)	**516,123**	399,830	**1,967,706**	1,700,638
Retained earnings		**115,051**	70,899	**(77,642)**	(105,980)
Total equity attributable to equity holders of the parent		**831,185**	670,740	**2,090,075**	1,794,669
Non controlling interest	16(e)	**505,550**	420,030	**-**	-
TOTAL EQUITY		**1,336,735**	1,090,770	**2,090,075**	1,794,669

These financial statements have been authorised for issue by the Board of Directors on 29 August 2018.



The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Cash flows from operating activities					
Receipts from customers		**287,745**	265,190	**-**	-
Dividends received		**5,042**	4,289	**60,004**	39,676
Interest received		**1,375**	2,041	**1,060**	1,231
Other income		**84**	211	**268**	401
Payments to suppliers and employees		**(138,851)**	(121,054)	**(1,640)**	(1,314)
Subvention income		**-**	-	**-**	730
Taxes paid		**(32,030)**	(29,444)	**-**	-
Interest paid		**(19,876)**	(20,252)	**(1,606)**	(1,820)
Net cash flow from operating activities		**103,489**	100,981	**58,086**	38,904
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**7**	146	**-**	-
Proceeds from sale of investments		**17,265**	22,336	**1,103**	6,300
Finance lease payments received, including interest		**13**	13	**-**	-
Repayment of advances from Equity Accounted Investees		**350**	250	**-**	-
Investment in Quayside Investment Trust		**-**	-	**(20,250)**	(9,100)
Investment in Equity Accounted Investees		**(9,654)**	(4,300)	**(9,654)**	(4,300)
Dividends from Equity Accounted Investees		**10,146**	10,570	**113**	63
Advances of Intercompany loans		**-**	-	**-**	(4,760)
Repayment of Intercompany loans		**-**	-	**8,000**	5,100
Purchase of intangibles		**-**	(156)	**-**	(156)
Purchase of computer software assets		**(137)**	(116)	**-**	-
Purchase of investment property		**-**	(3,900)	**-**	-
Improvements to investment property		**(1,689)**	(216)	**-**	-
Purchase of property, plant and equipment		**(17,531)**	(65,297)	**(122)**	(10)
Purchase of investments		**(33,247)**	(22,525)	**(1,350)**	-
Interest capitalised on property, plant and equipment		**(175)**	(1,225)	**-**	-
Net cash flow from investing activities		**(34,652)**	(64,420)	**(22,160)**	(6,863)
Cash flows from financing activities					
Proceeds from borrowings		**30,167**	63,699	**-**	3,510
(Payments)/proceeds from close out of foreign exchange derivative		**-**	(183)	**-**	-
Repurchase of shares		**(1,614)**	-	**-**	-
Repayment of borrowings		**(15,007)**	-	**(10,000)**	-
Dividends paid	16	**(84,471)**	(78,649)	**(31,721)**	(28,706)
Net cash flow from financing activities		**(70,925)**	(15,133)	**(41,721)**	(25,196)
Effects of exchange rate changes on cash and cash equivalents		**142**	30	**25**	1
Net increase/(decrease) in cash and cash equivalents		**(1,946)**	21,458	**(5,770)**	6,846
Cash and cash equivalents at the beginning of the year		**43,634**	22,176	**7,539**	693
Cash and cash equivalents at the end of the year		**41,688**	43,634	**1,769**	7,539

The accompanying notes form part of these financial statements.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

		Group		Parent	
		2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES					
Profit after tax		**118,555**	97,598	**60,059**	39,365
Items classified as investing/financing activities:					
Finance lease interest revenue	7a	**(3)**	(4)	**-**	-
Net (gain)/loss on investments		**(21,354)**	(11,850)	**(1,795)**	(1,874)
Loss/(gain) on sale of property, plant and equipment		**(463)**	605	**-**	-
		(21,820)	(11,249)	**(1,795)**	(1,874)
Non cash and non operating items:					
Depreciation and amortisation	10, 12	**25,844**	24,956	**18**	18
(Decrease)/Increase in deferred taxation expense	9	**(682)**	(1,154)	**(123)**	-
Ineffective portion of change in fair value of cash flow hedge		**26**	(60)	**-**	-
Amortisation of interest rate collar premium		**64**	75	**-**	-
Reversal of previous revaluation deficit		**(446)**	(193)	**-**	-
Share of (profit)/losses retained by Equity Accounted Investees	14	**(15,253)**	(13,282)	**(112)**	713
Equity investments - share rights issued for no consideration		**-**	(122)	**-**	-
Share based payment reserve		**2,117**	1,425	**-**	-
		11,670	11,645	**(217)**	731
Movements in working capital:					
Change in trade receivables and prepayments		**(7,411)**	(3,069)	**43**	748
Change in inventories		**(573)**	180	**-**	-
Change in taxation payable		**1,677**	(144)	**-**	-
Change in trade, other payables and revenue received in advance		**1,533**	6,050	**21**	(65)
Changes in foreign cash deposits		**(142)**	(30)	**(25)**	(1)
		(4,916)	2,987	**39**	682
Net cash flow from operating activities		**103,489**	100,981	**58,086**	38,904

The accompanying notes form part of these financial statements.

1 COMPANY INFORMATION

Reporting Entity

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

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

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

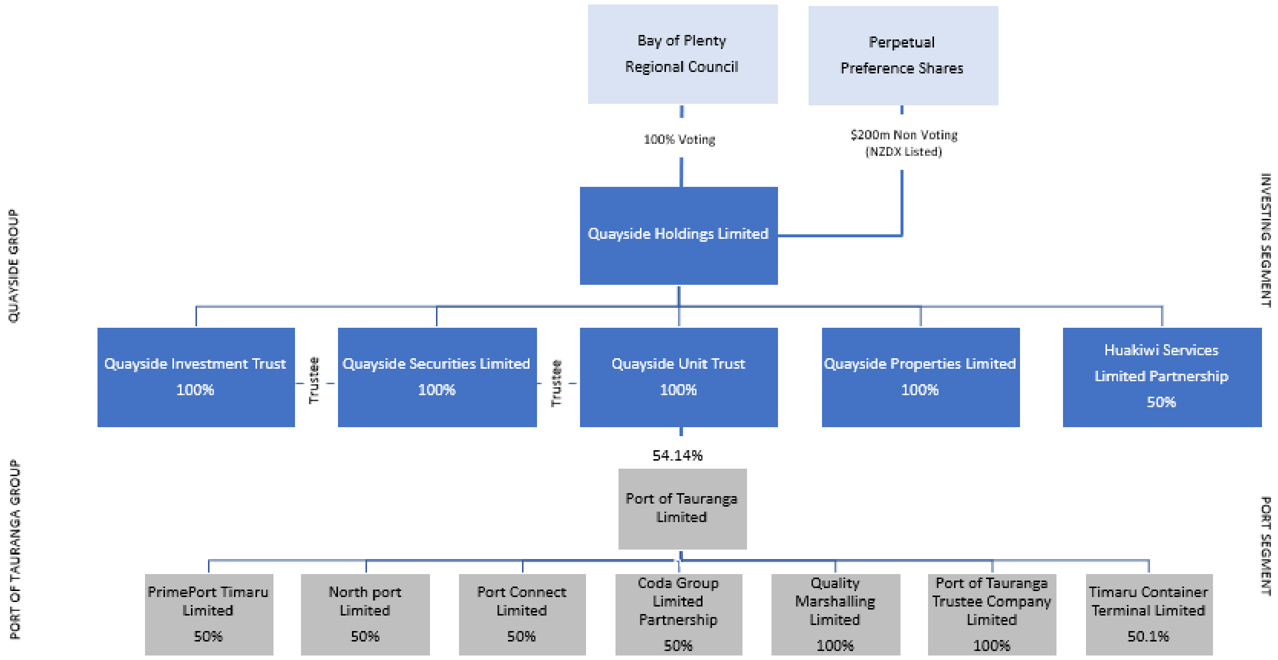
The Parent is a council-controlled organisation as defined under Section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board.

Financial statements for the Parent and consolidated financial statements are presented. The consolidated financial statements comprise the Parent, its wholly owned subsidiaries (Quayside Properties Limited, Quayside Securities Limited, Quayside Investment Trust and Quayside Unit Trust), its interests in Equity Accounted Investees, Port of Tauranga Limited (54.14% owned) and the Port's subsidiaries and interests in Equity Accounted Investees (together referred to as "the Group"). Quayside Group has investments in equities, shares and other assets. 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 and Quayside Properties Limited.
- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and its Equity Accounted Investees. This group is owned 54.14% (2017: 54.14%) by the Quayside Group.

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

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


Bay of Plenty Regional Council
Perpetual Preference Shares
100% Voting
$200m Non Voting (NZDX Listed)
Quayside Holdings Limited
QUAYSIDE GROUP
INVESTING SEGMENT
Quayside Investment Trust 100%
Trustee
Quayside Securities Limited 100%
Trustee
Quayside Unit Trust 100%
Quayside Properties Limited 100%
Huakiwi Services Limited Partnership 50%
54.14%
Port of Tauranga Limited
PORT OF TAURANGA GROUP
PORT SEGMENT
PrimePort Timaru Limited 50%
North port Limited 50%
Port Connect Limited 50%
Coda Group Limited Partnership 50%
Quality Marshalling Limited 100%
Port of Tauranga Trustee Company Limited 100%
Timaru Container Terminal Limited 50.1%

2 BASIS OF PREPARATION

Statement of Compliance and Basis of Preparation

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

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

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

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

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

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

Other significant accounting policies not disclosed elsewhere are as follows:

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

The financial statements were authorised for issue by the Board of Directors on 29 August 2018.

Accounting Estimates and Judgements

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

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

2 BASIS OF PREPARATION (continued)

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

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (refer to note 10);
- assessment of significant influence or joint control in relation to Equity Accounted Investees (refer to note 14);
- valuation of derivative financial instruments (refer to note 19);
- trade receivables includes an estimated sale price for kiwifruit sold (note 15);
- valuation of bearer plants (note 10);
- impairment assessment of intangible assets (refer note 12);
- valuation of provisions (refer to note 22); and
- valuation of share rights (refer to note 24).

Classification of Property

The Group owns a number of properties, which have been purchased for long term capital appreciation or rental 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.

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

Classification of Perpetual Preference Shares as equity

The directors have considered the terms and conditions of Perpetual Preference Shares and have classified these shares as equity. Note 16 explains the terms and conditions of the Perpetual Preference Shares and why they are classified as equity.

Fair Value Hierarchy

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

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

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

2 BASIS OF PREPARATION (continued)

New and Amended Accounting Standards Adopted

No new standards have been applied in preparing these financial statements.

New Accounting Standards and Interpretations Not Yet Adopted

The following standards and interpretations which are considered relevant to the Group but not yet effective for the year ended 30 June 2018 have not been applied in preparing these financial statements:

- *NZ IFRS 9 Financial Instruments*

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

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

  The *Port of Tauranga Group's* assessment is that there will be no material quantitative impact on the financial statements and all existing hedges will remain effective. Preliminary assessment by the *Quayside Group* also shows that there will be no material quantitative impact on the financial statements. The Group intends to adopt this standard from 1 July 2018.

- *NZ IFRS 16 Leases*

  This standard becomes mandatory for the Group's 2020 consolidated financial statements. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low value assets – however this exemption can only be applied by lessees. The estimated impact of the adoption of NZ IFRS 16, based on the current leases and terms, in the 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 Group intends to adopt this standard from 1 July 2019

3 SEGMENTAL REPORTING

At 30 June 2018 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 $'000	Investing $'000	Total $'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 & 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)**	**(33,023)**
Net Profit after tax	**94,273**	**24,282**	**118,555**

3 SEGMENTAL REPORTING (continued)

	Port $'000	Investing $'000	Total $'000
30 June 2017			
Total segment revenue	256,487	62,561	319,048
Inter-segment revenue	-	(58,950)	(58,950)
Revenue (from external customers)	256,487	3,611	260,098
Other income/gains	(605)	23,687	23,082
Finance income	434	638	1,072
Finance costs	(17,205)	(1,819)	(19,024)
Depreciation & amortisation	(24,460)	(496)	(24,956)
Reversal of previous revaluation deficit	193	-	193
Other expenditure/losses	(117,492)	(10,511)	(128,003)
Share of profit of Equity Accounted Investees	13,995	(713)	13,282
Income tax expense	(27,906)	(240)	(28,146)
Net Profit after tax	83,441	14,157	97,598

The segment assets at 30 June are:

	Port $'000	Investing $'000	Total $'000
30 June 2018	**1,657,031**	**264,288**	**1,921,319**
30 June 2017	1,422,600	217,933	1,640,533

Policies

The Group determines and presents operating segments based on the information that is internally provided to the Chief Executive, who is the Group's Chief Operating Decision Maker (CODM)

4 OPERATING REVENUE

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
(a) Trading Revenue				
Port services income	**251,388**	227,222	**-**	-
Rental income	**27,249**	24,819	**-**	-
Marshalling services income	**4,929**	4,633	**-**	-
Sale of goods – kiwifruit	**2,996**	3,424	**-**	-
Total trading revenue	**286,562**	260,098	**-**	-
(b) Other Income				
Dividends (Quayside Unit Trust)	**-**	-	**59,500**	39,000
Foreign dividends	**1,789**	1,325	**285**	264
New Zealand dividends	**3,223**	3,123	**227**	428
Management fees	**-**	-	**184**	191
Other	**577**	(419)	**102**	210
Total other income	**5,589**	4,029	**60,298**	40,093
(c) Other Gains				
Change in fair value of investment property	**2,824**	1,289	**-**	-
Realised foreign exchange gains	**84**	116	**3**	2
Realised gain on equity investments	**4,237**	3,110	**322**	678
Unrealised FX gain on equity investments	**44**	4	**5**	-
Unrealised gain on equity investments	**19,283**	14,534	**1,933**	1,457
Total other gains	**26,472**	19,053	**2,263**	2,137

The 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 of kiwifruit orchards (2017: 29.21 hectares).

Kiwifruit income this year includes an upward adjustment of $185,930 in relation to the prior year crop (2017: $32,154 decrease 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 2017.

4 OPERATING REVENUE (continued)

Policies

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. 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.
- *Dividend Income:* is recognised on the date that the Group's right to receive payment is established, being the ex-dividend date.
- *Rental Income:* from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.
- *Kiwifruit Income:* Revenue from the sale of kiwifruit is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer i.e. Zespri. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods. Income at year-end is based on the highly probable income per tray to be received, based on the latest forecast from Zespri. Any revision of the income recognised during the year will be recognised in the income statement.
- *Foreign Currency gains/losses:* Transactions in foreign currencies are translated into the functional currency of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.
- *Gain/loss on equity investments:* Equity securities designated at fair value through profit and loss are revalued to fair value based on quoted market prices at the reporting date. Gains and losses on individual equities securities are shown separately in the income statement and are not netted off.

5 EMPLOYEE BENEFIT EXPENSES

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Wages and salaries	**(36,699)**	(33,045)	**(738)**	(615)
ACC Levy	**(191)**	(77)	**(1)**	1
Kiwisaver contribution	**(1,242)**	(1,176)	**(9)**	(11)
Medical subsidy	**(396)**	(285)	**-**	-
Other	**(17)**	(8)	**(17)**	(8)
Total employee benefit expense	**(38,545)**	(34,591)	**(765)**	(633)

6 OTHER EXPENSES

The following items of expenditure are included in other expenses:

	Group		Parent	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
(a) Trading and other expenses				
Audit Fees for the audit and review of the financial statements:				
Audit NZ – audit fees paid to principal auditor	**(102)**	(95)	**(65)**	(59)
KPMG - audit fees paid to principal auditor of the *Port of Tauranga Group*	**(163)**	(143)	**-**	-
KPMG - review of half year financial statements	**(12)**	(12)	**-**	-
Fees paid for other services provided by the principal auditor of the Port of Tauranga Group:				
KPMG – Payments data analysis review	**(22)**	(17)	**-**	-
Contracted services for Port operations	**(58,797)**	(54,985)	**-**	-
Direct fuel and power expenses	**(9,230)**	(7,175)	**-**	-
Maintenance of property, plant and equipment	**(9,346)**	(8,759)	**-**	-
Operating lease payments	**(1,339)**	(1,323)	**-**	-
Orchard expenses	**(794)**	(1,241)	**-**	-
Directors' fees	**(1,059)**	(990)	**(178)**	(178)
Other	**(13,756)**	(11,498)	**(667)**	(428)
Total trading and other expenses	**(94,620)**	(86,238)	**(910)**	(665)
(b) Other losses				
Realised foreign exchange losses	**(1)**	(20)	**-**	-
Realised loss on equity investments	**-**	(1,151)	**-**	(100)
Unrealised foreign exchange losses	**-**	(69)	**-**	(3)
Unrealised loss on equity investments	**(4,975)**	(5,934)	**(443)**	(160)
Total other losses	**(4,976)**	(7,174)	**(443)**	(263)

7 FINANCE INCOME AND EXPENSES

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
(a) Finance income				
Interest income on bank deposits	**994**	728	**121**	135
Interest - Intercompany	**-**	-	**877**	1,111
Ineffective portion of changes in fair value of cash flow hedges	**-**	62	**-**	-
Interest on advances to Equity Accounted Investees	**261**	278	**-**	-
Interest on finance lease	**3**	4	**-**	-
Total finance income	**1,258**	1,072	**998**	1,246
(b) Finance expense				
Interest expense on borrowings	**(20,102)**	(20,172)	**(1,599)**	(1,819)
Less: interest capitalised to property, plant and equipment	**175**	1,225	**-**	-
	(19,927)	(18,947)	**(1,599)**	(1,819)
Ineffective portion of changes in fair value of cash flow hedges	**(26)**	(2)	**-**	-
Amortisation of interest rate collar premium	**(64)**	(75)	**-**	-
Total finance expense	**(20,017)**	(19,024)	**(1,599)**	(1,819)
Net finance cost	**(18,759)**	(17,952)	**(601)**	(573)

Capitalised Interest

The average weighted interest rate for interest capitalised to property, plant and equipment, was 4.12% for the current period (2017: 5.06%).

Total interest capitalised to property, plant and equipment was $0.18 million for the current period (2017: $1.2m).

Policies

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

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

8 INCOME TAX

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Components of Tax Expense				
Profit before income tax for the period	**151,578**	125,744	**59,936**	39,365
Income tax on surplus at 28% (2017: 28%)	**(42,442)**	(35,208)	**(16,782)**	(11,022)
Tax effect of amounts which are non deductible/(taxable):				
Gain/(loss) on investments	**5,179**	2,987	**503**	552
Fair value (loss)/gain on investment property	**791**	361	**-**	-
Foreign dividend regime	**(243)**	(404)	**-**	-
Share of Equity Accounted Investees after tax income, excluding CODA Group	**3,210**	2,849	**31**	(200)
Dividend imputation credits	**827**	794	**16,764**	11,054
PIE attributed (income)/loss	**-**	-	**(571)**	(518)
Other attributed (income)/loss	**123**	56	**123**	56
Tax losses utilised	**262**	587	**89**	128
Non assessable (income)/expenditure	**(67)**	(17)	**1**	(31)
Temporary differences	**(725)**	(354)	**-**	-
Other	**62**	203	**(35)**	(19)
Income tax benefit/(expense)	**(33,023)**	(28,146)	**123**	-
The income tax benefit/(expense) is represented by:				
Current tax expense				
Tax payable in respect of the current period	**(33,707)**	(29,350)	**-**	-
Adjustment for prior period	**2**	50	**-**	-
Total current tax expense	**(33,705)**	(29,300)	**-**	-
Deferred tax expense				
Origination/reversal of temporary differences	**683**	1,096	**123**	-
Adjustment for prior period	**(1)**	58	**-**	-
Total deferred tax expense (note 9)	**682**	1,154	**123**	-
Income tax benefit/(expense)	**(33,023)**	(28,146)	**123**	-
Income tax recognised in other comprehensive income:				
Revaluation of property, plant and equipment	**16,088**	302	**-**	-
Revaluation of intangibles	**106**	165	**-**	-
Cash flow hedges	**(504)**	2,412	**-**	-
Total (note 9)	**15,690**	2,879	**-**	-
Imputation Credit Account				
Imputation credits available for use in subsequent periods	**96,140**	84,628	**41,350**	28,614

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.

9 DEFERRED TAXATION

Group	Assets		Liabilities		Net	
	2018 $000	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Deferred tax (asset)/liability						
Tax losses	**(123)**	-	**-**	-	**(123)**	-
Property, plant and equipment	**-**	-	**77,566**	62,744	**77,566**	62,744
Investment property	**(838)**	(1,590)	**-**	-	**(838)**	(1,590)
Intangible assets	**-**	-	**1,028**	954	**1,028**	954
Finance lease receivables	**-**	-	**10**	13	**10**	13
Derivatives	**(3,402)**	(2,898)	**-**	-	**(3,402)**	(2,898)
Provisions and accruals	**(1,871)**	(1,861)	**-**	-	**(1,871)**	(1,861)
Total	**(6,234)**	(6,349)	**78,604**	63,711	**72,370**	57,362

Group	Recognised in the Income Statement		Recognised in Comprehensive Income	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Tax benefit	**(123)**	-	**-**	-
Property, plant and equipment	**(1,266)**	(1,141)	**16,088**	302
Investment property	**752**	355	**-**	-
Intangible assets	**(32)**	(12)	**106**	165
Finance lease receivables	**(3)**	11	**-**	-
Derivatives	**-**	-	**(504)**	2,412
Provisions and accruals	**(10)**	(367)	**-**	-
Total	**(682)**	(1,154)	**15,690**	2,879

Unrecognised Tax Losses or Temporary Differences

In the prior year the Parent had an unrecognised deferred tax asset of $90,471 in relation to excess imputation credits converting to losses of $323,211. Deferred tax of $122,826 in relation to tax losses of the Parent has been recognised this year, as it is expected that future taxable profits will be available against which the Parent can utilise the benefits therefrom. A deferred tax asset of $40,971 (2017: $214,130) has not been recognised for excess imputation credits converting to tax losses of $146,327 (2017: $764,750) in relation to Quayside Unit Trust. The deferred tax asset in Quayside Unit Trust was not recognised as it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. There are no other 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.

10 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land $000	Freehold Buildings $000	Wharves and Hardstanding $000	Harbour Improvements $000	Bearer Plants $000	Plant and Equipment $000	Work in Progress $000	Total $000
Gross carrying amount:								
Balance at 1 July 2016	516,858	82,547	261,654	121,096	7,727	182,435	53,381	1,225,698
Additions	-	167	104	4	-	1,153	59,248	60,676
Disposals	-	(1,273)	-	-	-	(8,677)	-	(9,950)
Transfers from work in progress	-	15,433	11,178	36,738	-	39,147	(102,496)	-
Revaluation	63,460	-	-	-	651	-	-	64,111
Balance at 30 June 2017	580,318	96,874	272,936	157,838	8,378	214,058	10,133	1,340,535
Balance at 1 July 2017	**580,318**	**96,874**	**272,936**	**157,838**	**8,378**	**214,058**	**10,133**	**1,340,535**
Additions	**-**	**9,965**	**8,310**	**619**	**-**	**4,799**	**(4,560)**	**19,133**
Disposals	**-**	**-**	**-**	**-**	**-**	**(1,548)**	**-**	**(1,548)**
Transfers between asset classes	**-**	**(939)**	**548**	**391**	**-**	**-**	**-**	**-**
Revaluation	**150,088**	**91**	**19,785**	**14,436**	**789**	**-**	**-**	**185,189**
Balance at 30 June 2018	**730,406**	**105,991**	**301,579**	**173,284**	**9,167**	**217,309**	**5,573**	**1,543,309**
Accumulated depreciation and impairment:								
Balance at 1 July 2016	-	(3,922)	(8,757)	(1,519)	-	(76,368)	-	(90,566)
Depreciation expense	-	(3,392)	(9,456)	(1,160)	(426)	(9,934)	-	(24,368)
Revaluation	-	-	-	-	426	-	-	426
Disposals	-	1,023	-	-	-	8,587	-	9,610
Balance at 30 June 2017	-	(6,291)	(18,213)	(2,679)	-	(77,715)	-	(104,898)
Balance at 1 July 2017	**-**	**(6,291)**	**(18,213)**	**(2,679)**	**-**	**(77,715)**	**-**	**(104,898)**
Depreciation expense	**-**	**(3,478)**	**(9,806)**	**(1,132)**	**(465)**	**(10,398)**	**-**	**(25,279)**
Disposals	**-**	**-**	**-**	**-**		**417**	**-**	**417**
Transfers between asset classes	**-**	**84**	**(84)**	**-**		**-**	**-**	**-**
Revaluation	**-**	**9,647**	**28,103**	**3,811**	**465**	**-**	**-**	**42,026**
Balance at 30 June 2018	**-**	**(38)**	**-**	**-**	**-**	**(87,696)**	**-**	**(87,734)**
Carrying amounts:								
Net book value as at 30 June 2017	580,318	90,583	254,723	155,159	8,378	136,343	10,133	1,235,637
Net book value as at 30 June 2018	**730,406**	**105,953**	**301,579**	**173,284**	**9,167**	**129,613**	**5,573**	**1,455,575**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	**Plant and Equipment $000**
Gross carrying amount:	
Balance at 1 July 2016	26
Additions	10
Balance at 30 June 2017	36
Balance at 1 July 2017	**36**
Additions	**122**
Balance at 30 June 2018	**158**
Accumulated depreciation and impairment:	
Balance at 1 July 2016	(7)
Depreciation expense	(10)
Balance at 30 June 2017	(17)
Balance at 1 July 2017	**(17)**
Depreciation expense	**(26)**
Balance at 30 June 2018	**(43)**
Net book value at 30 June 2017	19
Net book value at 30 June 2018	**115**

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	
	2018 Notional Carrying Amount $000	2017 Notional Carrying Amount $000
Freehold land	**117,579**	117,748
Freehold buildings	**75,125**	61,944
Wharves and hardstanding	**105,174**	98,299
Harbour improvements	**62,393**	64,696
Bearer Plants	**1,315**	1,249
Total notional carrying amount	**361,586**	343,936

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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* (refer to note 18).

Occupation of Foreshore
Port of Tauranga Limited holds consent to occupy areas of the Coastal Marine Area to enable the management and operation of port related commercial undertakings that it acquired under the Port Companies Act 1988. The consented area includes a 10 metre radius around navigation aids and a strip from 30 to 60 metres wide along the extent of the wharf areas at both Sulphur Point and Mount Maunganui.

Capital Commitments
The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $13.9m (2017: $4.8m).

Judgements

Fair Values

All land, buildings, harbour improvements, and wharves and hardstanding assets have been revalued to fair value at 30 June 2018. This valuation increased the value of property, plant and equipment by $225.9 million in the current reporting period. The valuers used are registered valuers who have experience in the locations and asset categories being valued.

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).

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2018 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.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Land Valuation
The valuation of land assets was carried out by Colliers International New Zealand Limited. Land assets were 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 significant assumptions applied in the valuation of these assets are:

Asset Valuation Method	Key Valuation Assumptions	Hectares	2018	
			Range of Significant Assumptions	Weighted average
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	181.7	\$300-700	\$374
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	\$500-525	\$522
	Rolleston land – MetroPort Christchurch per square metre	15.0	\$100	\$100

- *Waterfront Access Premium:* A premium of approximately 25% has been applied to the main wharf land areas reflecting the locational benefits this land asset gains from direct waterfront access.

- *No Restriction of Title*: Valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore will not detrimentally influence the value of land assets.

- *Highest and Best Use of Land: Subject to relevant local authority's zoning regulations.*

  - *Tauranga and Mount Maunganui:* The majority of land is zoned "Port Industry" under the Tauranga City Plan and a small portion of land at both Sulphur Point and Mount Maunganui has "Industry" zoning.

  - *Auckland:* The land is zoned "Heavy Industry Zone" under the Auckland Unitary Plan.

  - *Rolleston:* The land is zoned "Business 2A" under the Selwyn District Plan.

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

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

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

Asset Valuation Method	Key Valuation Assumptions	2018	
		Range of Significant Assumptions	Weighted Average
Capitalised income model	Market capitalisation rate	5.00 - 8.00%	5.47%

Wharves and Hardstanding, and Harbour Improvements

The valuation of wharves and hardstanding, and harbour improvements assets was carried out 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 which has been included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over construction period.

- *Depreciation – the Calculated Remaining Lives of Assets Were Reviewed, Taking Into Account:*

  - Observed and reported condition, performance and utilisation of the asset.
  - Expected changes in technology.
  - Consideration of current use, age and operational demand.
  - Discussions with the Port of Tauranga Limited's operational officers.
  - Opus Consultants' in-house experience from other infrastructure valuations.
  - Residual values.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Asset Valuation Method	Key Valuation Assumptions	2018	
		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
	Earthworks construction replacement unit cost rates per square metre	$9	$9
	Basecourse construction replacement unit cost rates per square metre	$20 - $40	$31
	Asphalt construction replacement unit cost rates per square metre	$23 - $50	$44
	Capital dredging replacement unit cost rates per square metre	$4 - $75	*
	Depreciation method	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	Indefinite	Not applicable
	Pavement – remaining useful lives	2-32 years	14 years
	Wharves remaining useful lives	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			
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			
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			
Unit costs of construction	The cost of constructing various asset types based on a variety of sources	Increase	Decrease
Remaining useful lives	The remaining useful life on an asset	Increase	Decrease

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Policies

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

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

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

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

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

Major useful lives are:

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

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

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

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

11 OPERATING LEASES

Operating leases where the Group is the Lessor

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

	Group			
	2018 Cost/ Valuation $000	**2018 Accumulated Depreciation $000**	2017 Cost/ Valuation $000	2017 Accumulated Depreciation $000
Investment Property	**5,150**	**-**	-	-
Land	**378,626**	**-**	304,919	-
Buildings	**74,467**	**-**	64,749	3,419
Total	**458,243**	**-**	369,668	3,419

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

	Group	
	2018 $000	2017 $000
Within one year	**14,879**	22,476
One year to two years	**7,578**	10,453
Two years to five years	**13,321**	12,520
Greater than five years	**33,007**	15,629
Total	**68,785**	61,078

Policies

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

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

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

12 INTANGIBLE ASSETS

Group	Kiwifruit G3 Licences $000	Goodwill $000	Computer Software $000	Rail Services Agreement $000	Total $000
Cost:					
Balance at 1 July 2016	1,409	15,490	7,637	10,000	34,536
Additions	1,137	-	180	-	1,317
Revaluation	579	-	-	-	579
Disposals	-	-	(4,650)	-	(4,650)
Balance at 30 June 2017	3,125	15,490	3,167	10,000	31,782
Balance at 1 July 2017	**3,125**	**15,490**	**3,167**	**10,000**	**31,782**
Additions	**-**	**-**	**987**	**-**	**987**
Revaluation	**289**	**-**	**-**	**-**	**289**
Transfers out - reclassification	**(1,176)**	**-**	**-**	**-**	**(1,176)**
Balance at 30 June 2018	**2,238**	**15,490**	**4,154**	**10,000**	**31,882**
Accumulated amortisation and impairment:					
Balance at 1 July 2016	-	-	(5,559)	(9,142)	(14,701)
Amortisation expense	(59)	-	(407)	(122)	(588)
Revaluation	59	-	-	-	59
Disposals	-	-	4,592	-	4,592
Balance at 30 June 2017	-	-	(1,374)	(9,264)	(10,638)
Balance at 1 July 2017	**-**	**-**	**(1,374)**	**(9,264)**	**(10,638)**
Amortisation expense	**(80)**	**-**	**(362)**	**(123)**	**(565)**
Revaluation	**88**	**-**	**-**	**-**	**88**
Transfers out - reclassification	**(8)**	**-**	**-**	**-**	**(8)**
Balance at 30 June 2018	**-**	**-**	**(1,736)**	**(9,387)**	**(11,123)**
Carrying amounts:					
Net book value 30 June 2017	3,125	15,490	1,793	736	21,144
Net book value 30 June 2018	**2,238**	**15,490**	**2,418**	**613**	**20,759**

12 INTANGIBLE ASSETS (continued)

Parent	Kiwifruit G3 Licences $000
Gross carrying amount:	
Balance at 1 July 2016	-
Additions	1,137
Revaluation	39
Balance at 30 June 2017	1,176
Balance at 1 July 2017	**1,176**
Transfer out - reclassification	**(1,137)**
Reversal of revaluation	**(39)**
Balance at 30 June 2018	**-**
Accumulated depreciation and impairment:	
Balance at 1 July 2016	-
Amortisation expense	(8)
Revaluation	8
Balance at 30 June 2017	-
Balance at 1 July 2017	**-**
Amortisation expense	**8**
Transfer out - reclassification	**(8)**
Balance at 30 June 2018	**-**
Net book value at 30 June 2017	1,176
Net book value at 30 June 2018	**-**

In the prior year the Parent entity purchased a G3 licence for a total of 5 hectares, which was revalued at 30 June 2017. In December 2017 it was agreed that the licence was to form part of the initial investment amount in a new joint venture, Huakiwi Developments Limited Partnership (refer Note 14). The previous revaluation surplus has been reversed and the original cost of the licence is now classified as 'Investment in Equity accounted Investees'.

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Kiwifruit Licence Revaluation Reserve				
Opening Balance	**1,446**	973	**47**	-
Revaluation reversal	**(47)**		**(47)**	
Revaluation, net of tax	**271**	473	**-**	47
Closing Balance	**1,670**	1,446	**-**	47

G3 Licences

The G3 licences held are for a total of 8.29 hectares (2017: 13.29 hectares). The 2014 to 2018 harvest returns and G3 current resilience to the Psa V disease has increased the value of G3 licences. A registered valuer at 30 June 2018 has determined that the fair value for licences held by the Quayside Group is $2,238,000. The original cost of the licences is $57,649. The fair value measurement for these assets is categorised as a level 1 fair value.

12 INTANGIBLE ASSETS (continued)

Judgements

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

Goodwill was tested for impairment at 30 June 2018 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.

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.

13 INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries comprise:

Name of Entity	Principal Activity	2018 %	2017 %	Balance Date
Subsidiaries of Quayside Holdings Limited				
Quayside Unit Trust (QUT)	Majority shareholder in POT	**100.00**	100.00	30 June
Quayside Investment Trust (QIT)	Holds equity investments	**100.00**	100.00	30 June
Quayside Securities Limited (QSL)	Trustee for QUT and QIT	**100.00**	100.00	30 June
Quayside Properties Limited (QPL)	Holds investment properties	**100.00**	100.00	30 June
Port of Tauranga Limited (POT)	Port company	**54.14**	54.14	30 June
Subsidiaries of Port of Tauranga Limited				
Port of Tauranga Trustee Company Limited	Holding company for employee share scheme	**100.00**	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	Marshalling and terminal operations services	**100.00**	100.00	30 June

The subsidiaries of the Group are incorporated / established in New Zealand.

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

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

13 INVESTMENT IN SUBSIDIARIES (continued)

	Parent	
	2018 $000	2017 $000
Investment in Quayside Properties Limited		
Ordinary shares at cost	**10,500**	10,500
Revaluation	**7,480**	3,350
Ordinary shares at fair value	**17,980**	13,850
Investment in Quayside Securities Limited as Trustee for Quayside Unit Trust (incorporating Port of Tauranga Limited)		
Ordinary units at cost	**7,525**	7,525
Revaluation	**1,914,448**	1,667,545
Ordinary units at fair value	**1,921,973**	1,675,070
Investment in Quayside Securities Limited		
Ordinary units at cost	**-**	-
Revaluation	**38**	33
Ordinary units at fair value	**38**	33
Investment in Quayside Securities Limited as Trustee for Quayside Investment Trust		
Ordinary units at cost	**96,517**	76,267
Revaluation	**35,141**	19,040
Ordinary units at fair value	**131,658**	95,307
Total Investment in Subsidiaries at cost	**114,542**	94,292
Total Revaluation *	**1,957,107**	1,689,968
Total Investment in Subsidiaries at fair value	**2,071,649**	1,784,260

* The available-for-sale revaluation amount of $267,139 (2017: $234,033) is comprised of the movement in the total revaluation of investment in subsidiaries for the year.

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% (2017: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2017: 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 $5.09 (2017: $4.44) which has resulted in an increase in the fair value of the investment in Port of Tauranga Limited of $239,484,492 (2017: $198,956,347).

13 INVESTMENT IN SUBSIDIARIES (continued)

	2018 $000	2017 $000
Ownership Interest in Port of Tauranga Limited		
Non current assets	**1,599,147**	1,372,861
Current assets	**57,884**	49,739
Non current liabilities	**(214,038)**	(192,424)
Current liabilities	**(321,013)**	(298,233)
Net assets (100%)	**1,121,980**	931,943
Group's share of net assets - 54.14% (2017: 54.14%)	**607,440**	504,554
Non Controlling Interest - 45.86 %(2017: 45.86%)	**514,540**	427,389
Accounting adjustment to non-controlling interest (refer note 16(e))	**(8,990)**	(7,359)
	505,550	420,030

Port of Tauranga Group – summary of financial performance and cash flow		
Operating revenue	**283,726**	255,882
Profit after income tax	**94,273**	83,441
Total comprehensive income	**304,397**	153,713
Net cash inflow from operating activities	**99,431**	98,185
Ending cash and cash equivalents	**5,836**	5,184

13 INVESTMENT IN SUBSIDIARIES (continued)

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.

Available-for-sale financial assets
In respect of the Parent accounts, the accounting policy is to account for subsidiary investments at fair value as an available-for-sale asset. 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

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or are not classified in any other category of financial asset. 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 income and presented in the available-for-sale revaluation reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

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

Name of Entity	Principal Activity	2018 %	2017 %	Balance Date
Quayside Holdings Limited				
Huakiwi Developments Limited Partnership (JV)	Orchard development	**50.00**	-	31 Mar*
WNT Ventures (A)	Technology incubator	**20.00**	20.00	30 June
Ōpōtiki Packing & Coolstorage Limited (A)	Kiwifruit packhouse	**10.10**	10.10	31 Dec*
HoneyLab Limited (A)	Honey products	**18.84**	14.13	31 Mar*
Rhondium Limited (A)	Dental technology	**10.13**	9.70	31 Dec*
Techion Holdings Limited (A)	Diagnostic technology	**20.82**	-	30 June
Oriens Capital (A)	Private Equity Fund	**19.77**	19.77	31 Mar*
Port of Tauranga Limited				
Coda Group Limited Partnership (JV)	Freight logistics and warehousing	**50.00**	50.00	30 June
NorthPort Limited (JV)	Sea port	**50.00**	50.00	30 June
PrimePort Timaru Limited (JV)	Sea port	**50.00**	50.00	30 June
PortConnect Limited (JV)	On line cargo management	**50.00**	50.00	30 June
Timaru Container Terminal Limited (JV)	Sea port	**50.10**	50.10	30 June

* Non-standard balance dates of Parent equity accounted investees are aligned to their business cycle and 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		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Associates				
Balance at 1 July	**10,431**	6,783	**10,431**	6,783
Share of after net profit after tax	**276**	(713)	**276**	(713)
Share of revaluation reserve	**(24)**	124	**(24)**	124
Share of total comprehensive income	**252**	(589)	**252**	(589)
New investment during the year	**3,909**	4,300	**3,909**	4,300
Distributions received	**(121)**	(63)	**(121)**	(63)
Balance at 30 June	**14,471**	10,431	**14,471**	10,431
Joint Ventures				
Balance at 1 July	**127,583**	123,290	**-**	-
Share of after net profit after tax	**14,977**	13,995	**(164)**	-
Share of hedging reserve	**(71)**	182	**-**	-
Share of revaluation reserve	**1,711**	623	**-**	-
Share of total comprehensive income	**16,617**	14,800	**(164)**	-
New investment during the year	**6,000**	-	**6,000**	-
Distributions received	**(10,035)**	(10,507)	**(2)**	-
Balance at 30 June	**140,165**	127,583	**5,834**	-
TOTAL EQUITY ACCOUNTED INVESTEES	**154,636**	138,014	**20,305**	10,431

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

Quayside Group

The Parent has committed uncalled capital in its equity accounted investees of $9,712,000 (2017: $8,610,000).

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

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

Summarised Financial Information of immaterial Equity Accounted Investees - Associates:

Parent and Group	2018 $000	2017 $000
Cash and cash equivalents	**2,501**	4,030
Total current assets	**22,138**	19,453
Total non current assets	**60,262**	41,884
Total assets	**82,400**	61,337
Current financial liabilities excluding trade and other payables and provisions	**11,392**	2,019
Total current liabilities	**19,389**	13,027
Non current financial liabilities excluding trade and other payables and provisions	**22,340**	11,164
Total non current liabilities	**22,340**	11,164
Total liabilities	**41,729**	24,191
Net assets	**40,671**	37,146
Group's share of net assets	**5,067**	4,646
Goodwill acquired on acquisition of Equity Accounted Investees	**9,404**	5,785
Carrying amount of Equity Accounted Investees	**14,471**	10,431
Revenues	**61,227**	48,402
Depreciation and amortisation	**(3,069)**	(2,813)
Interest expense	**(731)**	(340)
Net profit before tax	**3,785**	(5,421)
Tax expense	**(757)**	(308)
Net profit after tax	**3,028**	(5,729)
Other comprehensive income	**(350)**	1,117
Total comprehensive income	**2,678**	(4,612)
Group's share of net profit after tax	**300**	(713)
Group's share of total comprehensive income	**253**	(589)
Group's share of dividends/distributions	**121**	63

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

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

Summarised Financial Information of Equity Accounted Investees – Joint Ventures:

Group 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 acquisition 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

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

Summarised Financial Information of Equity Accounted Investees – Joint Ventures:

Group 2017	Northport Limited NZ$000	Coda Group Limited Partnership NZ$000	Other Equity Accounted Investees NZ$000	Total NZ$000
Cash and cash equivalents	206	3,963	3,710	7,879
Total current assets	3,759	28,329	8,854	40,942
Total non current assets	131,152	30,000	83,628	244,780
Total assets	134,911	58,329	92,482	285,722
Current financial liabilities excluding trade and other payables and provisions	2,220	1,039	8,595	11,854
Total current liabilities	4,553	19,490	11,767	35,810
Non current financial liabilities excluding trade and other payables and provisions	35,188	802	27,318	63,308
Total non current liabilities	35,188	802	27,318	63,308
Total liabilities	39,741	20,292	39,085	99,118
Net assets	95,170	38,037	53,397	186,604
Group's share of net assets	47,585	19,020	26,702	93,307
Goodwill acquired on acquisition of Equity Accounted Investees	-	29,414	4,862	34,276
Carrying amount of Equity Accounted Investees	47,585	48,434	31,564	127,583
Revenues	40,894	200,703	31,513	273,110
Depreciation and amortisation	(4,186)	(1,512)	(2,035)	(7,733)
Interest expense	(1,771)	-	(1,307)	(3,078)
Net profit before tax	24,307	6,208	5,011	35,526
Tax expense	(6,143)	-	(1,394)	(7,537)
Net profit after tax	18,164	6,208	3,617	27,989
Other comprehensive income	1,610	-	-	1,610
Total comprehensive income	19,774	6,208	3,617	29,599
Group's share of net profit after tax	9,082	3,104	1,809	13,995
Group's share of total comprehensive income	9,887	3,104	1,809	14,800
Group's share of dividends/distributions	8,829	1,000	678	10,507

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

Summarised Financial Information of Equity Accounted Investees – Joint Ventures:

Parent	2018 Other Equity Accounted Investees NZ$000	2017 Other Equity Accounted Investees NZ$000
Cash and cash equivalents	2,211	-
Total current assets	2,413	-
Total non current assets	9,255	-
Total assets	11,668	-
Current financial liabilities excluding trade and other payables and provisions	1	-
Total current liabilities	1	-
Non current financial liabilities excluding trade and other payables and provisions	-	-
Total non current liabilities	-	-
Total liabilities	1	-
Net assets	11,667	-
Group's share of net assets	5,834	-
Goodwill acquired on acquisition of Equity Accounted Investees	-	-
Carrying amount of Equity Accounted Investees	5,834	-
Revenues	-	-
Depreciation and amortisation	275	-
Interest expense	-	-
Net profit before tax	328	-
Tax expense	-	-
Net profit after tax	328	-
Other comprehensive income	-	-
Total comprehensive income	328	-
Group's share of net profit after tax	164	-
Group's share of total comprehensive income	164	-
Group's share of dividends/distributions	2	-

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

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 2018 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 2018 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 of 12% was used.

Port of Tauranga management has performed sensitivity analysis on its impairment testing. A change in isolation of either the pre-tax discount rate by 25% or the anticipated growth rates over the five year period by 18% would not result in impairment.

Policies

The Group's interests in Equity Accounted Investees comprise interests in associates and joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates, are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies.

Equity Accounted Investees are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of Equity Accounted Investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In respect of Equity Accounted Investees, the carrying amount of goodwill is included in the carrying amount of the investment and not tested for impairment separately.

15 RECEIVABLES AND PREPAYMENTS

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Trade receivables	**42,108**	34,344	**-**	-
Trade receivables from Equity Accounted Investees, subsidiaries and related parties	**746**	632	**159**	182
	42,854	34,976	**159**	182
Kiwifruit income receivable	**2,162**	2,444	**-**	-
Advances to Equity Accounted Investees (refer note 23)	**6,319**	6,669	**-**	-
Prepayments and sundry receivables	**3,160**	3,334	**226**	235
Total receivables and prepayments	**54,495**	47,423	**385**	417
Aging of trade receivables				
Not past due	**24,971**	29,578	**-**	-
Past due 0 – 30 days	**16,031**	4,208	**-**	-
Past due 30 – 60 days	**891**	517	**-**	-
Past due 60 – 90 days	**21**	37	**-**	-
More than 90 days	**194**	4	**-**	-
	42,108	34,344	**-**	-

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 2018 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.

Judgements

A provision for impairment is recognised when there is objective evidence that the Group will be unable to collect amounts due. The amount provided for is the difference between the expected recoverable amount and the receivable's carrying value.

Policies

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

Receivables with a short duration are not discounted.

16 EQUITY

(a) Share Capital

	Parent & Group	
	2018	2017
<u>**Number of Shares held**</u>	**No.**	No.
Ordinary Share capital		
Balance as at 1 July	**10,000**	10,000
Balance as at 30 June	**10,000**	10,000
Redeemable preference shares		
Balance as at 1 July	**2,003,190,217**	2,003,190,217
Balance as at 30 June	**2,003,190,217**	2,003,190,217
Perpetual preference shares		
Balance as at 1 July	**200,000,783**	200,000,783
Balance as at 30 June	**200,000,783**	200,000,783

	2018	2017	**2018**	2017
<u>**Paid up and uncalled**</u>	**$ paid up**	$ paid up	**$ uncalled**	$ uncalled
Ordinary Share capital				
Balance as at 1 July	**10,000**	10,000	**-**	-
Balance as at 30 June	**10,000**	10,000	**-**	-
Redeemable preference shares				
Balance as at 1 July	**82**	82	**81,829,918**	81,829,918
Balance as at 30 June	**82**	82	**81,829,918**	81,829,918
Perpetual preference shares				
Balance as at 1 July	**200,000,783**	200,000,783	**-**	-
Balance as at 30 June	**200,000,783**	200,000,783	**-**	-

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

16 EQUITY (continued)

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

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

The Redeemable Preference Shares have no voting rights. The constitution provides that dividends are payable on these shares from time to time and in such amount as determined by the directors. The Redeemable Preference Shares have no fixed maturity date but are redeemable 60 days after a request from the holder. The unpaid issue price can be called by the Board of Directors of the Parent. As at 30 June 2018, the amount uncalled is $81,829,918 (2017: $81,829,918). The Parent has no current intention of making a call on the uncalled redeemable preference shares.

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

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

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

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

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

16 EQUITY (continued)

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 $10.45 per share (2017: $8.97) 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 (2017: $1.00) per Perpetual Preference Share. The net tangible asset per share on the ordinary shares is $209,008 (2017: $179,349).

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

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

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

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

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

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

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

16 EQUITY (continued)

(b) Dividends

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

	Parent and Group	
	2018 $000	2017 $000
Ordinary shares Total dividends paid of $2,550 per share (2017: $2,080)	**25,500**	20,800
Perpetual preference shares Total quarterly dividends paid of 0.3112 cents per share (2017: 0.3952)	**6,221**	7,906
Total dividends paid	**31,721**	28,706

The Board agreed to a dividend to ordinary shareholders of $15.6m ($1,560 per share) on the 5th June 2018. This dividend was not payable till July 2018 and has not been recognised as a distribution at 30 June 2018 as it was considered discretionary at balance date. This dividend forms part of the distribution expectation under the June 2019 Statement of Intent.

The dividends are fully imputed. Dividends paid by the Port of Tauranga Limited to non-controlling interests were $52.8m (2017: $49.9m)

The Perpetual Preference Shares are subject to a fixed Dividend Rate reset every three years at the Dividend Rate Reset Date. This date occurred on 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.

(c) Reserves

Available for Sale Revaluation Reserve
The Parent's available for sale revaluation reserve relates to the net change in fair value of financial assets available for sale during the year.

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

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

16 EQUITY (continued)

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, Kotahi now have 10,000,000 shares on issue. 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. During the period 1,500,000 shares were vested in accordance with the volume commitment agreement, which has resulted in an adjustment to non-controlling interest. Refer to further information below in (e) below.

The increase in the reserve of $1.2m (2017: $1.4m) 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 2018 the balance of the share-based payment reserve was $1,144,000 (2017: $3,868,000). This amount is recorded in the Statement of Changes in Equity under the column "Non controlling interest".

Share Based Payment Reserve – Management Long Term Incentive
Share rights are granted to employees in accordance with the Port of Tauranga Limited's Management Long Term Incentive Plan. The fair value of share rights granted under the plan are measured at grant date and recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value at grant date of the share rights are independently determined using an appropriate valuation model that takes into account the terms and conditions upon which they were granted (refer to note 24).

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

(d) Employee Share Ownership Plan

The Port of Tauranga Limited has an Employee Share Ownership Plan (ESOP). During the year 53,400 shares at $2.88 per share were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2017: 4,600 shares at $3.03 per share).

During the year 18,450 shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2017: nil).

16 EQUITY (continued)

(e) Non-controlling interest

Non controlling interest of 45.86% (2017: 45.86%) is the existing share of Port of Tauranga Limited's consolidated equity which is not owned by *Quayside Group*. The change in non controlling interest has arisen 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.

Policies

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

Quayside Group

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

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

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

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

Port of Tauranga Group

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

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

17 OTHER FINANCIAL ASSETS

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Loan from Quayside Holdings to Quayside Unit Trust				
Opening balance	**-**	-	**18,331**	23,431
Payments	**-**	-	**(8,356)**	(5,716)
Interest charged	**-**	-	**356**	616
Closing balance	**-**	-	**10,331**	18,331
Loan from Quayside Holdings to Quayside Properties				
Opening balance	**-**	-	**17,157**	12,397
Payments	**-**	-	**(522)**	(495)
Loan advance	**-**	-	**-**	4,760
Interest charged	**-**	-	**522**	495
Closing balance	**-**	-	**17,157**	17,157
Investments designated at fair value through income statement				
Other equity investments	**171,513**	137,103	**15,236**	13,294
	171,513	137,103	**42,724**	48,782

Intercompany loans are made via funds drawdown by Quayside Holdings Limited from the Westpac Tranche Lines. This facility has interest on charged at the rate charged on the Tranche Line from the Westpac Banking Corporation. 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. The Parent company has an uncalled capital commitment of $8.9m (2017: nil) in relation to an equity fund investment.

Policies

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.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss 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. Financial assets designated at fair value are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss. Financial assets designated at fair value through profit or loss include equity securities that otherwise would have been classified as available for sale.

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

18 LOANS AND BORROWINGS

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

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Current				
Westpac borrowings (Parent entity)	**46,510**	-	**46,510**	-
Commercial papers	**220,000**	225,000	**-**	-
Advances from employees	**335**	140	**-**	-
Multi option facility	**5,000**	-	**-**	-
Standby revolving cash advance facility	**50,000**	30,000	**-**	-
	321,845	255,140	**46,510**	-
Non current				
Westpac debt facility	**-**	56,510	**-**	56,510
Fixed Rate Bond - 1st issue	**50,000**	50,000	**-**	-
Fixed Rate Bond – 2nd issue	**75,000**	75,000	**-**	-
Standby revolving cash advance facility	**5,000**	-	**-**	-
Advances from employees	**21**	223	**-**	-
	130,021	181,733	**-**	56,510

Term and debt repayment schedule

2018	**Maturity**	**Coupon**	**Committed Facilities NZ$000**	**Undrawn Facilities NZ$000**	**Carrying Value NZ$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**
			405,000	**275,000**	**130,021**
Current					
Westpac borrowings (Parent entity)	2018	Floating	**70,000**	**23,490**	**46,510**
Standby revolving cash advance facility	2019	Floating	**100,000**	**50,000**	**50,000**
Multi option facility	2018	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**

18 LOANS AND BORROWINGS (continued)

2017	Maturity	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Carrying Value NZ$000
Non current					
Westpac borrowings (Parent entity)	2018	Floating	70,000	13,490	56,510
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	80,000	-
Fixed rate bond – 1st issue	2019	5.865%	50,000	-	50,000
Advances from employees	Various	0%	-	-	223
Total non current			475,000	293,490	181,733
Current					
Standby revolving cash advance facility	2018	Floating	100,000	70,000	30,000
Multi option facility	2017	Floating	5,000	5,000	-
Commercial papers	<3 months	Floating	-	-	225,000
Advances from employees	Various	0%	-	-	140
Total current			105,000	75,000	255,140
Total			580,000	368,490	436,873

Westpac Banking Corporation

Quayside Holdings Limited has a $70.0 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 2018. Management is currently reviewing renewal options for the facility.

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 2018 the *Port of Tauranga Group* had $220.0 million of commercial paper debt that is classified within current liabilities (2017: $225.0 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.

18 LOANS AND BORROWINGS (continued)

Standby Revolving Cash Advance Facility Agreement
The Port of Tauranga Limited has a $380.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch and the Bank of Tokyo-Mitsubishi UFJ Limited, Auckland Branch (2017: $380.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch and Bank of Tokyo-Mitsubishi UFJ Limited, Auckland Branch). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

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 (2017: $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 ($17.9 million, 2017: $18.6 million), mortgages over the land and building assets ($836.2 million, 2017: $670.8 million), and by a general security agreement over the assets of the Port of Tauranga Limited ($1,611.9 million, 2017: $1,383.7 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 3.26% at 30 June 2018 (2017: 3.30%) for the Group and 3.10% (2017: 3.32%) for the Parent.

Policies
Loans and borrowings are recognised at fair value, plus any directly attributable transaction costs, if the Group becomes a party to the contractual provisions of the instrument. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses.

19 DERIVATIVE FINANCIAL INSTRUMENTS

The Parent has no derivative financial instruments. This note is for the Group only.

	Group	
	2018 $000	2017 $000
Current liabilities		
Interest rate derivatives – cash flow hedges	**-**	(1,013)
Total current liabilities	**-**	(1,013)
Non current liabilities		
Interest rate derivatives – cash flow hedges	**(11,787)**	(8,887)
Total non current liabilities	**(11,787)**	(8,887)
Total liabilities	**(11,787)**	(9,900)

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.

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

Fair Values

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

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

19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Valuation inputs for valuing derivatives are 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.

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

Policies

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

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

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

20 FINANCIAL INSTRUMENTS

Financial Risk Management

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

- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust and Quayside Properties Limited.

- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and its Equity Accounted Investees. This group is owned 54.14% (2017: 54.14%) by the Quayside Group.

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

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

20 FINANCIAL INSTRUMENTS (continued)

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

	Designated at Fair Value * $000	Loans and Receivables $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Group 2018					
Assets					
Cash and cash equivalents	-	41,688	-	41,688	41,688
Receivables	-	51,582	-	51,582	51,582
Total current assets	-	93,270	-	93,270	93,270
Other financial assets	171,513	-	-	171,513	171,513
Receivables	-	25	-	25	25
Total non current assets	171,513	25	-	171,538	171,538
Total assets	171,513	93,295	-	264,808	264,808
Liabilities					
Loans and borrowings	-	-	321,845	321,845	321,845
Trade and other payables	-	-	12,061	12,061	12,061
Total current liabilities	-	-	333,906	333,906	333,906
Loans and borrowings	-	-	130,021	130,021	134,714
Derivative instruments	11,787	-	-	11,787	11,787
Total non current liabilities	11,787	-	130,021	141,808	146,501
Total liabilities	11,787	-	463,927	475,714	480,407
Group 2017					
Assets					
Cash and cash equivalents	-	43,634	-	43,634	43,634
Receivables	-	44,433	-	44,433	44,433
Total current assets	-	88,067	-	88,067	88,067
Other financial assets	137,103	-	-	137,103	137,103
Receivables	-	36	-	36	36
Total non current assets	137,103	36	-	137,139	137,139
Total assets	137,103	88,103	-	225,206	225,206
Liabilities					
Loans and borrowings	-	-	255,140	255,140	255,140
Derivative instruments	1,013	-	-	1,013	1,013
Trade and other payables	-	-	13,690	13,690	13,690
Total current liabilities	1,013	-	268,830	269,843	269,843
Loans and borrowings	-	-	200,064	200,064	205,136
Derivative instruments	8,887	-	-	8,887	8,887
Total non current liabilities	8,887	-	200,064	208,951	214,023
Total liabilities	9,900	-	468,894	478,794	483,866

* *Designated at fair value on initial recognition*

20 FINANCIAL INSTRUMENTS (continued)

	Designated at Fair Value * $000	Available-for-sale Financial Assets $000	Loans and Receivables $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Parent 2018						
Assets						
Cash and cash equivalents	**-**	**-**	**1,769**	**-**	**1,769**	**1,769**
Trade and other receivables	**-**	**-**	**276**	**-**	**276**	**276**
Total current assets	**-**	**-**	**2,045**	**-**	**2,045**	**2,045**
Other financial assets	**15,236**	**-**	**27,488**	**-**	**42,724**	**42,724**
Investment in subsidiaries	**-**	**2,071,649**	**-**	**-**	**2,071,649**	**2,071,649**
Total non current assets	**15,236**	**2,071,649**	**27,488**	**-**	**2,114,373**	**2,114,373**
Total assets	**15,236**	**2,071,649**	**29,533**	**-**	**2,116,418**	**2,116,418**
Liabilities						
Trade and other payables	**-**	**-**	**-**	**465**	**465**	**465**
Loans and borrowings	**-**	**-**	**-**	**46,510**	**46,510**	**46,510**
Total current liabilities	**-**	**-**	**-**	**46,975**	**46,975**	**46,975**
Total liabilities	**-**	**-**	**-**	**46,975**	**46,975**	**46,975**
Parent 2017						
Assets						
Cash and cash equivalents	-	-	7,539	-	7,539	7,539
Trade and other receivables	-	-	312	-	312	312
Total current assets	-	-	7,851	-	7,851	7,851
Other financial assets	13,294	-	35,488	-	48,782	48,782
Investment in subsidiaries	-	1,784,260	-	-	1,784,260	1,784,260
Total non current assets	13,294	1,784,260	35,488	-	1,833,042	1,833,042
Total assets	13,294	1,784,260	43,339	-	1,840,893	1,840,893
Liabilities						
Trade and other payables	-	-	-	1,422	1,422	1,422
Total current liabilities	-	-	-	1,422	1,422	1,422
Loans and borrowings	-	-	-	56,510	56,510	56,510
Total non current liabilities	-	-	-	56,510	56,510	56,510
Total liabilities	-	-	-	57,932	57,932	57,932

* *Designated at fair value on initial recognition*

20 FINANCIAL INSTRUMENTS (continued)

Credit Risk

Exposure to Credit Risk

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

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Credit risk				
Trade and other receivables	**51,582**	44,433	**276**	312
Other financial assets	**-**	-	**27,488**	35,488
Cash and cash equivalents	**41,688**	43,634	**1,769**	7,539
Total	**93,270**	88,067	**29,533**	43,339

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 credit worthiness 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 65.9% of total Group revenue (2017: 61.5%). The *Port of Tauranga Group* is satisfied with the credit quality of these debtors and does not anticipate any non performance.

20 FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

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

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

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

Funding Risk	**Statement of Financial Position**	**Contractual Cash Flows**	**6 Months or Less**	**6 – 12 Months**	**1 – 2 Years**	**2 – 5 Years**	**More Than 5 Years**
Group 2018	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Non derivative financial liabilities							
Loans and borrowings	**(451,866)**	**(471,675)**	**(331,772)**	**(3,966)**	**(56,064)**	**(79,873)**	**-**
Trade and other payables	**(12,061)**	**(12,061)**	**(12,061)**	**-**	**-**	**-**	**-**
Total non derivative liabilities	**(463,927)**	**(483,736)**	**(343,833)**	**(3,966)**	**(56,064)**	**(79,873)**	**-**
Derivatives							
Interest rate derivatives							
- Cash flows hedges - Outflow	**(11,787)**	**(13,139)**	**(1,365)**	**(1,329)**	**(2,839)**	**(6,481)**	**(1,125)**
Total derivatives	**(11,787)**	**(13,139)**	**(1,365)**	**(1,329)**	**(2,839)**	**(6,481)**	**(1,125)**
Total	**(475,714)**	**(496,875)**	**(345,198)**	**(5,295)**	**(58,903)**	**(86,354)**	**(1,125)**
Group 2017							
Non derivative financial liabilities							
Loans and borrowings	(436,873)	(466,479)	(260,807)	(4,985)	(64,902)	(135,786)	-
Trade and other payables	(13,690)	(13,690)	(13,690)	-	-	-	-
	(450,563)	(480,169)	(274,497)	(4,985)	(64,902)	(135,786)	-
Derivatives							
Interest rate derivatives outflow	(9,900)	(11,261)	(2,062)	(1,678)	(2,163)	(4,716)	(642)
Total derivatives	(9,900)	(11,261)	(2,062)	(1,678)	(2,163)	(4,716)	(642)
Total	(460,463)	(491,430)	(276,559)	(6,663)	(67,065)	(140,502)	(642)

20 FINANCIAL INSTRUMENTS (continued)

Funding Risk	**Statement of Financial Position**	**Contractual Cash Flows**	**6 Months or Less**	**6 – 12 Months**	**1 – 2 Years**	**2 – 5 Years**	**More Than 5 Years**
Parent 2018	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Non derivative financial liabilities							
Loans and borrowings	**(46,510)**	**(46,910)**	**(46,910)**	**-**	**-**	**-**	**-**
Trade and other payables	**(465)**	**(465)**	**(465)**	**-**	**-**	**-**	**-**
Total	**(46,975)**	**(47,375)**	**(47,375)**	**-**	**-**	**-**	**-**
Parent 2017							
Non derivative financial liabilities							
Loans and borrowings	(56,510)	(59,666)	(1,184)	(1,184)	(57,298)	-	-
Trade and other payables	(1,422)	(1,422)	(1,422)	-	-	-	-
Total	(57,932)	(61,088)	(2,606)	(1,184)	(57,298)	-	-

Market Risk

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

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

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

(i) Interest rate risk

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

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

20 FINANCIAL INSTRUMENTS (continued)

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

Carrying Amount	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Fixed rate instruments				
Fixed rate bond	**(125,000)**	(125,000)	-	-
Interest rate derivatives	**(11,787)**	(9,900)	-	-
Total	**(136,787)**	(134,900)	-	-
Variable rate instruments				
Commercial papers	**(220,000)**	(225,000)	-	-
Standby revolving cash advance facility	**(55,000)**	(30,000)	-	-
Westpac borrowings	**(46,510)**	(56,510)	**(46,510)**	(56,510)
Multi option facility	**(5,000)**	-	-	-
Cash balances	**41,688**	43,634	**1,769**	7,539
Total	**(284,822)**	(267,876)	**(44,741)**	(48,971)

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 2017.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase $000	**100 bp Decrease $000**	**100 bp Increase $000**	**100 bp Decrease $000**
Group 2018				
Variable rate instruments	**(2,037)**	**2,067**	**-**	**-**
Interest rate derivatives	**832**	**(832)**	**6,271**	**(7,080)**
Total	**(1,205)**	**1,235**	**6,271**	**(7,080)**
Group 2017				
Variable rate instruments	(1,930)	1,960	-	-
Interest rate derivatives	973	(973)	5,984	(6,636)
Total	(957)	987	5,984	(6,636)
Parent 2018				
Variable rate instruments	**(447)**	**447**		
Parent 2017				
Variable rate instruments	(490)	490	-	-

20 FINANCIAL INSTRUMENTS (continued)

(ii) Currency Risk

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

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Cash – AUD	**2,571**	778	**329**	179
Cash – USD, EUR, GBP	**531**	5,146	**-**	-
Equities – AUD	**33,333**	30,206	**5,147**	5,554
Equities – USD, EUR, GBP	**48,867**	29,076	**-**	-
	85,302	65,206	**5,476**	5,733

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 2017.

	Profit or Loss		Reserves	
	10% Increase $000	**10% Decrease $000**	**10% Increase $000**	**10% Decrease $000**
Group				
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)**	**-**	**-**
Cash – AUD	78	(78)	-	-
Cash – USD, EUR, GBP	515	(515)	-	-
Equities – AUD	3,021	(3,021)	-	-
Equities – USD, EUR, GBP	2,908	(2,908)	-	-
30 June 2017	6,522	(6,522)	-	-
Parent				
Cash – AUD	**33**	**(33)**	**-**	**-**
Cash – USD, EUR, GBP	**-**	**-**	**-**	**-**
Equities – AUD	**515**	**(515)**	**-**	**-**
Equities – USD, EUR, GBP	**-**	**-**	**-**	**-**
30 June 2018	**548**	**(548)**	**-**	**-**
Cash – AUD	18	(18)		
Cash – USD, EUR, GBP	-	-		
Equities – AUD	555	(555)	-	-
Equities – USD, EUR, GBP	-	-	-	-
30 June 2017	573	(573)	-	-

20 FINANCIAL INSTRUMENTS (continued)

(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

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Equities - NZD	**89,313**	77,821	**10,089**	7,740
Equities - AUD	**33,333**	30,206	**5,147**	5,554
Equities – USD, EUR, GBP	**48,867**	29,076	**-**	-
	171,513	137,103	**15,236**	13,294

Sensitivity Analysis

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

	Group		Parent	
	10% Increase $000	**10% Decrease $000**	**10% Increase $000**	**10% Decrease $000**
Equities – NZD	**8,931**	**(8,931)**	**1,009**	**(1,009)**
Equities – AUD	**3,333**	**(3,333)**	**515**	**(515)**
Equities – USD	**4,887**	**(4,887)**	**-**	**-**
30 June 2018	**17,151**	**(17,151)**	**1,524**	**(1,524)**
Equities – NZD	7,782	(7,782)	774	(774)
Equities – AUD	3,021	(3,021)	555	(555)
Equities – USD	2,908	(2,908)	-	-
30 June 2017	13,711	(13,711)	1,329	(1,329)

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 2018, 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 $352,632 (2017: $301,037).

21 TRADE AND OTHER PAYABLES

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Accounts payable	**11,480**	13,012	**85**	1,070
Accrued employee benefit liabilities	**4,397**	3,943	**113**	30
Accruals	**17,458**	15,696	**272**	345
Payables to Equity Accounted Investees and related parties	**45**	36	**15**	-
Total trade and other payables	**33,380**	32,687	**485**	1,445

Payables denominated in currencies other than the functional currency are nil (2017: nil). Trade and other payables are non interest-bearing and are normally settled on 30 day terms; therefore the carrying value of trade and other payables approximates their fair value.

22 PROVISIONS

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

	Long Service Leave $000	Management Long Term Incentive Plan $000	Profit Sharing and Bonuses $000	Total $000
Balance at 30 June 2017	**1,456**	**833**	**1,933**	**4,222**
Additional provision	**510**	**386**	**3,061**	**3,957**
Unused amounts reversed	**(55)**	**-**	**-**	**(55)**
Utilised during the period	**(165)**	**(401)**	**(2,732)**	**(3,298)**
Balance at 30 June 2018	**1,746**	**818**	**2,262**	**4,826**
Total current provisions	**-**	**818**	**2,262**	**3,080**
Total non current provisions	**1,746**	**-**	**-**	**1,746**

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 $386,000 (2017: $584,000).

The current cash settled share based payment plan has been replaced and will vest for the last time in the 2018 financial year (refer to note 24).

22 PROVISIONS (continued)

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.

23 RELATED PARTY TRANSACTIONS

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

Transactions with Key Management Personnel

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

	Group		Parent	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Directors				
Directors' fees recognised during the period	**1,059**	990	**178**	178
Executive Officers				
Executive officers salaries and other short-term employee benefits recognised during the period	**4,402**	3,749	**316**	291
Executive officers share based payments (cash and equity settled) recognised during the period	**1,289**	584	**-**	-
Total	**6,750**	5,323	**494**	469

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 24).

23 RELATED PARTY TRANSACTIONS (continued)

Other related entities

Other related parties include subsidiaries in the Group – refer Note 1. During the year, the Group entered into transactions with companies in which directors hold directorships. These directorships have not resulted in the Group having a significant influence over the operations, policies or key decisions of these companies.

Quayside Group transactions with related parties:	**2018 $000**	2017 $000
Transactions with Ultimate Controlling Entity		
Bay of Plenty Regional Council		
Services provided to Quayside Holdings Limited	**-**	30
Services provided to Quayside Properties Limited	**2**	2
Transactions with Other Related Entities		
Quayside Unit Trust		
Dividends paid to Quayside Holdings Limited	**59,500**	39,000
Interest received by Quayside Holdings Limited	**356**	616
Interest receivable by Quayside Holdings Limited	**60**	101
Loan receivable by Quayside Holdings Limited	**10,331**	18,331
Loan repayment received by Quayside Holdings Limited	**8,000**	5,100
Dividends received from Port of Tauranga Limited	**62,267**	58,950
Quayside Properties Limited		
Interest received by Quayside Holdings Limited	**522**	495
Interest receivable by Quayside Holdings Limited	**72**	72
Loan receivable by Quayside Holdings Limited	**17,157**	17,157
Office lease provided to Quayside Holdings Limited	**18**	-
Accounts payable by Quayside Holdings Limited	**15**	-
Accounts receivable by Quayside Holdings Limited	**21**	-
Management fees paid to Quayside Holdings Limited	**110**	110
Quayside Investment Trust		
Consideration for units redeemed by Quayside Holdings Limited	**-**	1,900
Consideration for units purchased by Quayside Holdings Limited	**20,250**	11,000
Quayside Securities Limited		
Management fees paid to Quayside Holdings Limited	**74**	81
Transactions with Equity Accounted Investees		
Services provided by Quayside Holdings Limited	**144**	73
Accounts receivable by Quayside Holdings Limited	**5**	9

In the *Quayside Group*, interest is on charged on intercompany loans at the actual rate of interest incurred by Quayside Holdings Limited.

No related party debts have been written off, forgiven or provided for as doubtful during the year.

23 RELATED PARTY TRANSACTIONS (continued)

The Parent has issued Perpetual Preference Shares on the NZX. The following transactions were recorded by directors:

	2018 No.	2017 No.
M J Smith (a director) as trustee	**600,000**	600,000
R A McLeod (a director) as trustee	**100,000**	100,000
J M Green (a director) as trustee (retired 31 October 2016)	**-**	150,000

Port of Tauranga Group transactions with related parties:

	2018 $000	2017 $000
Transactions with Ultimate Controlling Entity		
Services provided to Port of Tauranga Limited	**29**	13
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	**441**	545
Services provided by Port of Tauranga Limited	**2,743**	2,734
Accounts receivable by Port of Tauranga Limited	**285**	213
Accounts payable by Port of Tauranga Limited	**45**	36
Advances by Port of Tauranga Limited	**6,319**	6,669
Services provided to Quality Marshalling (Mount Maunganui) Limited	**-**	1
Services provided by Quality Marshalling (Mount Maunganui) Limited	**3,973**	3,694
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	**455**	396
Accounts receivable by Port of Tauranga Trustee Company Limited	**-**	14

24 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 current financial 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 2018 is $0.9 million (2017: nil) with a corresponding increase in the share based payments reserve (refer note 16).

24 MANAGEMENT LONG TERM INCENTIVE PLAN (continued)

Number of Share Rights Issued to Executives:

Grant Date	Vesting Date	Right Type	Balance at 30 June 2017	Granted During the Year	Balance at 30 June 2018
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
Total LTI Plan			**-**	**457,241**	**457,241**

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

Management Long Term Incentive Plan – Cash Settled

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 (refer note 22).

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.

25 INVESTMENT PROPERTIES

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

	2018 $'000	2017 $'000
Balance at 1 July	**17,405**	12,000
Additions – Work in progress (at cost)	**362**	216
Additions – Subsequent expenditure (at cost)	**1,327**	-
Additions – Acquisitions (at cost)	**-**	3,900
Fair value gains on valuation	**2,824**	1,289
Balance at 30 June	**21,918**	17,405
Rental Income from investment properties	**303**	187
Expenses from investment property generating income	**37**	45

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.

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.

25 INVESTMENT PROPERTIES (continued)

Commitments

At balance date the Group had a contractual commitment of $5.7m in relation to settlement funds due in December 2018 for the purchase of an investment property.

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.

26 CONTINGENCIES

At 30 June 2018 for the Group and Parent Company there were no contingent assets or liabilities (2017: nil).

27 SUBSEQUENT EVENTS

The financial statements were approved by the Board of Directors on 29 August 2018.

Subsequent to balance date, Quayside Holdings Limited has agreed a new borrowing facility of $50m with Bay of Plenty Regional Council.

There were no subsequent events in the prior year.

28 QUAYSIDE GROUP STATEMENT OF SERVICE PERFORMANCE

The Company is a member of *Quayside Group. Quayside Group* is required to prepare a Statement of Service Performance reporting on performance measures and results. Recorded below are nine targets and results of *Quayside Group's* Statement of Intent categorised under five portfolio activities.

(a) Port portfolio

The *Quayside Group* has a majority shareholding in Port of Tauranga.

Performance measure	Performance target	2018 Result
1. Maintain majority holding in the Port of Tauranga Limited	Holding of greater than 51%	Quayside held 54.14% of Port of Tauranga shares as at 30 June 2018

Target met: **Yes**

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

(b) Investment portfolio

Performance measure	Performance target	2018 Result
2. Generate commercial returns across the Investment portfolio.	Five year rolling gross return of at least 7.5% p.a.	Five year rolling gross return of 14.74% achieved at 30 June 2018.
3. Adherence to industry standards including responsible investing.	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment frameworks.	Monthly monitoring reported to the Board. No instances of non-compliance.

Targets met: **Yes**.

The *Quayside Group* manages a diversified investment portfolio with a market value of $175m at 30 June 2018. These investments include domestic and foreign equities, and cash. Quayside holds equity investments as part of a portfolio of non-port assets, to support increasing sustainable shareholder returns over time.

The 7.5% p.a. five year rolling gross return target is based on current industry and analyst expectation of long term performance of equity markets. This target is reviewed annually.

28 QUAYSIDE GROUP STATEMENT OF SERVICE PERFORMANCE (continued)

(b) Investment portfolio (continued)

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

(c) Infrastructure portfolio

Performance measure	Performance target	2018 Result
4. Generate long term commercial returns and / or regional benefit through a portfolio of infrastructure assets.	Annual Board assessment of benefit of each asset holding.	Annual board assessment completed, noting short term performance and reaffirming long term objectives .

Target met: **Yes**.

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

The *Quayside Group* infrastructure portfolio currently comprises Rangiuru Business Park, a 148 hectare industrial business park development, residential land in Tauriko and a commercial building in the Tauranga CBD. An annual board assessment of each of these assets has determined that they continue to provide short-term benefit in the form of cash returns to the group and remain strong long-term assets for future growth.

Rangiuru Business Park continues to be progressed for future development, whilst still providing positive short-term returns from operating the land as dairy grazing and kiwifruit orchards. The return from these operations delivered a gross profit to the group of $2.3 million this year (2017: $2.3 million). The Business Park once completed will provide industrial development for the region and indicative employment of 3000 - 4000 employees.

The commercial office at 53 Spring Street, Tauranga, which was refurbished during the year, provides a commercial return for the *Quayside Group* whilst also providing offices to support several Bay of Plenty investment entities.

28 QUAYSIDE GROUP STATEMENT OF SERVICE PERFORMANCE (continued)

(d) Commercial ventures

Performance measure	Performance target	2018 Result
5. Generate long term commercial returns and / or regional benefit through a portfolio of commercial assets.	Annual Board assessment of each asset holding, considering long term commercial return and any regional benefit factors.	Growth through new investment of a portfolio of direct unlisted investment for long term growth and income returns.

Target met: **Yes**.

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

Quayside currently has commercial investment in a number of entities including Oriens Capital Ltd, WNT Ventures, Honeylab Ltd, Techion Ltd, Opotiki Package and Coolstorage Ltd and Rhondium Ltd. These investments continue to provide promising returns for the group and region and further capital has been invested in to these entities during the year.

New investments for this financial year include a joint venture, Huakiwi Developments Ltd, to invest in kiwifruit developments on Maori land across the Bay of Plenty. For Quayside, the investment not only targets commercial returns but also endorses the Toi Moana Bay of Connections strategy, to improve Maori land utilisation and meet social objectives within the Bay of Plenty.

(e) Governance

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

Performance measure	Performance target	2018 Result
6. Keep Council informed on a 'no surprises' basis, providing quality and timely information.	A minimum of three presentations to Council per annum plus timely advice and support as required.	Presentations to Council in Sept 2017, March 2018 and 28 June 2018. An additional presentation was given at the Long Term Plan (LTP) workshop in Nov 2017. Open communication with Council maintained throughout the year through regular meetings with Quayside CEO and Council management.

28 QUAYSIDE GROUP STATEMENT OF SERVICE PERFORMANCE (continued)

(e) Governance (continued)

Performance measure	Performance target	2018 Result
7. Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	There are fourteen policies in total that are reviewed at Board meetings in accordance with a schedule. Ten of the policies were reviewed during the year (five policies were reviewed in the prior year).
8. Meet shareholder distribution expectations as outlined in SOI or otherwise agreed.	Distributions paid to agreed values per Statement of Intent (SOI).	Cash dividend of $25.5m paid to Council and gross dividend of $8.6m (net $6.2m) paid to PPS holders.
9. Compliance with NZX listing requirements for PPS holders.	No open issues.	Filing of interim and annual financial statements achieved within 60 day deadline. Completion of internal compliance checklist shows no open issues or instances of non-compliance with NZX requirements.

Target met: **Yes**.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
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INTEREST REGISTER

The company is required to maintain an Interests Register in which the particulars of certain transactions and matters involving the directors must be recorded. The interest register for Quayside Holdings Limited is available for inspection at the registered office. The directors of the Parent have declared interests in the following identified entities as at 30 June 2018:

Director	Entity	Position
F McTavish	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	BOPLASS Limited	Director
	McTavish – Huriwai Investments Limited	Director
	Priority One WBOP Incorporated	Executive Board Member
	Bay of Plenty Regional Council	Officer
	SmartGrowth Chief Executive Advisory Group	Member
	TeachFirst New Zealand	Trustee
	Otumoetai Intermediate	Trustee
R McLeod	E Tipu E Rea Trustee Limited	Chair|Shareholder
	Quayside Holdings Limited	Chair|Director
	Quayside Securities Limited	Chair|Director
	Quayside Properties Limited	Chair|Director
	Robert A McLeod Limited	Director|Shareholder
	RAM Custodian Limited	Director|Shareholder
	McLeod Custodian Limited	Director|Shareholder
	E Tipu E Rea Limited	Director
	Port of Tauranga Limited	Director
	Sanford Limited	Director
	Tax Management NZ Limited	Director
	Ionian Holdings Limited	Shareholder
	Preservation Investments Limited	Shareholder
	Quayside Holdings Perpetual Preference Shares	Shareholder
J Nees	Bay of Plenty Regional Council	Councillor|Deputy Chair
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	International Merchants NZ Limited	Shareholder
	Te Aro Trust	Trustee
	Tauranga Sunrise Rotary Trust	Trustee
	Acorn Foundation	Trustee
	SmartGrowth Leadership Group	Member
	Bay of Plenty Regional Transport Committee	Member
	Proposed Plan Change 9 Hearings Panel	Member

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
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FOR THE YEAR ENDED 30 JUNE 2018

INTEREST REGISTER (continued)

B Hewlett	Bluelab Corporation Limited	Chair
	Priority One WBOP Incorporated	Chair
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	Comvita Limited	Director
	Enterprise Angels Incorporated	Director
	Oriens Capital Limited	Shareholder
R Tait	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	Tait Fleming Consulting Limited	Director|Shareholder
	Milparinga Holdings Limited	Director|Shareholder
	Highcrest Limited	Director|Shareholder
	OTK Management Limited	Director|Shareholder
	Arohena Pastoral Limited	Director|Shareholder
	Golf Course Orchard GP Limited	Director|Shareholder
	Fraser RD Orchard GP Limited	Director|Shareholder
	Advanced Technology Products Pty Ltd	Director|Shareholder
	Opotiki Packing & Coolstorage Limited	Shareholder
	Oriens Capital Limited	Shareholder
	Port of Tauranga Limited	Shareholder
P Thompson	Bay of Plenty Regional Council	Councillor
	Bay of Plenty Regional Council, Regional Direction & Delivery Committee	Councillor|Chair
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	Taylor Thompson Limited	Director |Shareholder
	Woman Walking Limited	Director |Shareholder
	Wonder Walkers Charitable Trust	Trustee
	Loji Trust	Trustee
	Tauranga Environment Centre	Trustee
	Eastern Bay of Plenty Economic Development Trust (Toi EDA)	Trustee
	SmartGrowth Leadership Group	Member
	Proposed Plan Change 9 Hearings Panel	Member
W Parker	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	Predator Free 2050 Limited	Director
	Warren's Insights Limited	Director
	Farmlands Cooperative	Director
	Genomics Aoteroa Limited	Director
	Griffith Enterprise Advisory Board	Chair
	Forestry Ministerial Advisory Group	Chair

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
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The entities listed above against each director and executive may transact with Quayside Holdings Limited. Refer to Note 23 of the Financial Statements.

INFORMATION USED BY DIRECTORS

During the financial year there were no notices from directors of Quayside Holdings Limited, or any subsidiary, requesting to use information received in their capacity as a director which would not otherwise have been available to them.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

DONATIONS

No donations were made by Quayside Holdings Limited during the year ended 30 June 2018.

AUDITOR'S REMUNERATION

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

Audit New Zealand Audit Fees $64,880

DIRECTORS

The following directors of Quayside Holdings Limited held office during the year ended 30 June 2018:

	Remuneration $'000	
	Paid by Parent	**Paid by subsidiaries**
M J Smith *(retired 31 October 2017)*	13	13
M Macleod *(retired 29 June 2018)*	-	-
F McTavish *(appointed 30 June 2018)*	-	-
R A McLeod (Chair)	36	37
J M Nees	26	27
W Parker	26	27
B Hewlett *(appointed 1 November 2017)*	17	18
R B Tait	34	35
P J Thompson	26	27
	178	**184**

M Macleod and F McTavish were remunerated by the Bay of Plenty Regional Council.

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
STATUTORY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2018

Port of Tauranga

Company	Directors
Port of Tauranga Limited	A Andrew, K Ellis, J Hoare, A Lawrence, D Leeder, R McLeod, D Pilkington

Port of Tauranga directors' remuneration and value of other benefits for the year ended 30 June 2018, were as follows:

	2018 $	2017 $
A M Andrew *	**21,250**	-
A W Baylis *	**30,833**	81,094
K R Ellis	**102,500**	83,444
J C Hoare	**100,000**	81,094
A R Lawrence	**92,500**	78,144
D W Leeder	**90,000**	75,544
R A McLeod **	**60,416**	-
D A Pilkington (Chair)	**167,000**	144,933
M J Smith **	**32,500**	83,444
	696,999	627,697

* Bill Baylis retired from the Board on 19 December 2017 and Alison Andrew was appointed on 1 April 2018.

** Michael Smith retired from the Board on 31 October 2017 and Rob McLeod was appointed to the Board on 31 October 2017.

LOANS

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

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
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EMPLOYEES

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

	Port of Tauranga Limited		**Quayside Holdings Limited**	
Remuneration Range $000	**Number of Employees 2018*****	Number of Employees 2017	**Number of Employees 2018**	Number of Employees 2017
100 – 109	**22**	22	**-**	-
110 – 119	**21**	17	**-**	-
120 – 129	**23**	18	**-**	-
130 – 139	**23**	12	**-**	-
140 – 149	**11**	7	**-**	-
150 – 159	**7**	7	**-**	-
160 – 169	**4**	6	**-**	-
170 – 179	**6**	5	**-**	1
180 – 189	**-**	3	**-**	-
190 – 199	**4**	2	**-**	-
200 – 209	**3**	2	**-**	-
210 – 219	**2**	1	**1**	-
220 – 229	**1**	7	**-**	-
230 – 239	**8**	5	**-**	-
240 – 249	**2**	3	**-**	-
250 – 259	**3**	1	**-**	-
260 – 269	**1**	-	**-**	-
290 – 299	**-**	-	**-**	1
320 – 329	**-**	-	**1**	-
490 – 499	**-**	1*	**-**	-
530 – 539	**1****	1	**-**	-
540 – 549	**-**	1*	**-**	-
580 – 589	**1****	-	**-**	-
610 – 619	**-**	1*	**-**	-
650 – 659	**1****	-	**-**	-
670 - 679	**1****	-	**-**	-
1,240 – 1249	**-**	1*	**-**	-
1,400 – 1,469	**1****	-	**-**	-

**Includes vesting of Long Term Incentive Scheme and payment of Short Term Incentive*
***Includes vesting of Long Term Incentive Scheme and payment of Short Term Incentive and includes Holidays Act remediation payments*
**** For all non executive employees this includes Holidays Act remediation payments*

QUAYSIDE HOLDINGS LIMITED AND SUBSIDIARIES
STATUTORY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2018

PERPETUAL PREFERENCE SHAREHOLDER INFORMATION

The Perpetual Preference Shares of Quayside Holdings Limited are listed on the NZDX. The information in the disclosures below has been taken from the Company's share registers as at 30 June 2018.

Twenty Largest Holders of Perpetual Preference Shares

Rank	Name	Units at 30 June 18	% of Units
1	CUSTODIAL SERVICES LIMITED	19,932,000	9.97%
2	JBWERE (NZ) NOMINEES LIMITED	19,166,000	9.58%
3	FNZ CUSTODIANS LIMITED	16,888,000	8.44%
4	CUSTODIAL SERVICES LIMITED	10,778,000	5.39%
5	CUSTODIAL SERVICES LIMITED	8,677,000	4.34%
6	INVESTMENT CUSTODIAL SERVICES LIMITED	8,191,000	4.10%
7	CUSTODIAL SERVICES LIMITED	5,974,000	2.99%
8	FORSYTH BARR CUSTODIANS LIMITED	2,410,000	1.20%
9	TAPPENDEN HOLDINGS LIMITED	2,117,000	1.06%
10	CUSTODIAL SERVICES LIMITED	2,105,000	1.05%
11	CUSTODIAL SERVICES LIMITED	1,134,000	0.57%
12	JBWERE (NZ) NOMINEES LIMITED	1,110,000	0.55%
13	JBWERE (NZ) NOMINEES LIMITED	1,080,000	0.54%
14	JBWERE (NZ) NOMINEES LIMITED	1,070,000	0.53%
15	FLETCHER BUILDING EDUCATIONAL FUND LIMITED	1,000,000	0.50%
16	JBWERE (NZ) NOMINEES LIMITED	1,000,000	0.50%
17	ATT INVESTMENTS LIMITED	1,000,000	0.50%
18	KIA INVESTMENTS LIMITED	1,000,000	0.50%
19	FAITH PRISCILLA TAYLOR	1,000,000	0.50%
20	JBWERE (NZ) NOMINEES LIMITED	700,000	0.35%
	Totals: Top 20 holders of Perpetual Preference Shares	**106,332,000**	**53.17%**
	Total Remaining Holders Balance	**93,668,783**	**46.83%**
	TOTAL	**200,000,783**	**100%**

Distribution of Perpetual Preference Shares

Range of Equity Holdings	Number of Holders	Number of Shares Held	% of Issued Equity
500 - 999	1	783	0.00
5,000 - 9,999	271	1,509,000	0.75
10,000 - 49,999	1,706	34,335,000	17.17
50,000 - 99,999	411	23,052,000	11.53
100,000 - 499,999	200	29,516,000	14.76
500,000 - 999,999	10	5,956,000	2.98
1,000,000 - 9,999,999,999,999	19	105,632,000	52.81
TOTAL	**2,618**	**200,000,783**	**100.00**

ORDINARY SHAREHOLDER INFORMATION

Holder	Number held	% of issued equity
BAY OF PLENTY REGIONAL COUNCIL	10,000	100.00

QUAYSIDE HOLDINGS LIMITED
DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2018

Registered Office
53 Spring Street
Tauranga 3110
Ph: 07 579 5925

Postal Address
PO Box 13564
Tauranga 3141

Auditors
Audit New Zealand
On behalf of the Auditor-General
745 Cameron Road
PO Box 621
Tauranga 3110
New Zealand

Solicitor
Cooney Lees Morgan
PO Box 143
Tauranga 3110

Share Registrar:

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

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

www.investorcentre.com/nz

General enquiries can be directed to;

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

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