



QUAYSIDE
PROPERTIES

Annual Report 2021



Quayside Properties Limited

Director's Declaration

For the year ended 30 June 2021

Quayside Properties Limited is part of the 'Quayside Group'. The Group's Statement of Intent, prepared in accordance with the Local Government Act 2002, covers prudent financial management and risk management. The Quayside Group achieved the majority of its objectives as set out in its Statement of Intent for the year ended 30 June 2021. Refer to note 4 for further information.

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

- The quality of financial and other analysis.
- The robustness and accuracy of the information relied upon in providing advice.
- The clarity, timeliness and materiality of advice.
- Compliance with the shareholder's expectation that there should be "no surprises" arising from the company.
- Compliance with the shareholder's expectation for optimal commercial performance from the company.

Achievements

During the year Bay of Plenty Regional Council was fully informed by the directors of the company as to the performance of Quayside Properties Limited. The performance has met the shareholder's expectations as defined in the Quayside Group's Statement of Intent.

The directors are pleased to present the financial statements of Quayside Properties Limited for the year ended 30 June 2021.

For and on behalf of the Board of Directors:



Director



Director

Quayside Properties Limited

For the year ending 30 June 2021

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Independent Auditor's Report

To the readers of Quayside Properties Limited's financial statements and performance information for the year ended 30 June 2021

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

Opinion

We have audited:

- the financial statements of the company on pages 5 to 16 and 22 to 35, that comprise the statement of financial position as at 30 June 2021, 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 on pages 17 to 21.

In our opinion:

- the financial statements of the company on pages 5 to 16 and 22 to 35:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 17 to 21 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2021.

Our audit was completed on 10 September 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out 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 Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the 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. Also:

- We 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.
- We 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's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of 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'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 to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 48 to 51, but does not include the financial statements and the performance information, and our auditor's report thereon.

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. In doing so, we 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 our work, 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.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audits of the company and Quayside group entities, we have no relationship with, or interests in, the company.



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Quayside Properties Limited
Income Statement
For the year ended 30 June 2021

	Note	2021 \$000	2020 \$000
Trading revenue	5	5,979	6,018
Cost of sales	6	(1,781)	(1,630)
Gross profit		4,198	4,388
Other income		303	111
Other expenses	7	(3,318)	(965)
Subvention expense	10	(828)	(787)
Depreciation and amortisation	13, 14, 24	(665)	(808)
Fair value gains/(losses)	8	(400)	7,657
		(4,908)	5,208
Operating profit before financing costs		(710)	9,596
Financial income	9	16	26
Financial expenses	9, 20	(389)	(712)
Net finance costs		(373)	(686)
Share of profit from equity accounted investees	16	710	152
Profit before income tax		(373)	9,062
Income tax benefit/(expense)	10	1,522	(1,689)
Profit for the period		1,149	7,373

Quayside Properties Limited
Statement of Comprehensive Income
For the year ended 30 June 2021

	Note	2021 \$000	2020 \$000
Profit for the period		1,149	7,373
Other comprehensive income			
Revaluation of bearer plants, net of tax *	21 (b)	1,694	(1,842)
Revaluation of intangibles, net of tax *	21 (b)	1,018	685
Historic tax adjustment		36	-
Total other comprehensive income		2,748	(1,157)
Total comprehensive income		3,897	6,216

* Net of tax effect is disclosed in notes 10 and 19.

Quayside Properties Limited
Statement of Changes in Equity
For the year ended 30 June 2021

	Share Capital \$000	Revaluation Reserve – Bearer Plants \$000	Revaluation Reserve - Intangibles \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 July 2019	10,500	4,643	1,925	5,350	22,418
Comprehensive income					
Profit for the period	-	-	-	7,373	7,373
Intangibles revaluation, net of tax	-	-	685	-	685
Bearer plant revaluation, net of tax	-	(1,842)	-	-	(1,842)
Balance at 30 June 2020	10,500	2,801	2,610	12,723	28,634
Balance at 1 July 2020	10,500	2,801	2,610	12,723	28,634
Comprehensive income					
Profit for the period	-	-	-	1,149	1,149
Revaluation surplus transferred to retained earnings on asset disposal	-	(127)	(1,207)	1,334	0
Intangibles revaluation, net of tax	-	-	1,018	-	1,018
Bearer plant revaluation, net of tax	-	1,694	-	-	1,694
Historic tax adjustment	-	-	-	36	36
Balance at 30 June 2021	10,500	4,368	2,421	15,242	32,531

Quayside Properties Limited
Statement of Financial Position
As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		3,625	5,603
Trade and other receivables	11	3,189	3,744
Related party receivables		91	14
Inventories	12	-	78
Investment property - held for sale	17	-	905
Total current assets		6,905	10,344
Non-current assets			
Intangible assets	13	3,040	3,315
Property, plant and equipment	14	9,069	7,651
Biological assets	15	680	502
Investment in equity accounted investees	16	6,070	4,860
Investment properties	17	56,908	53,561
Loan to equity accounted investee	23	500	500
Other financial assets		1,392	1,143
Right-of-use assets	24	1,154	-
Total non-current assets		78,813	71,532
Total assets		85,718	81,876
Liabilities			
Current liabilities			
Trade and other payables		290	203
Related party payables	23	828	1,094
Borrowings	20	47,200	-
Lease liability	24	63	-
Total current liabilities		48,381	1,297
Non-current liabilities			
Deferred tax liability	19	3,722	4,745
Lease liability	24	1,084	-
Borrowings	20	-	47,200
Total non-current liabilities		4,806	51,945
Total liabilities		53,187	53,242
Net assets		32,531	28,634

Quayside Properties Limited
Statement of Financial Position
As at 30 June 2021

	Note	2021 \$000	2020 \$000
Equity			
Share capital	21a)	10,500	10,500
Revaluation reserves	21(b)	6,789	5,411
Retained earnings		15,242	12,723
Total equity		32,531	28,634

These financial statements have been authorised for issue by the Board of Directors on 9 September 2021.



Director



Director

Quayside Properties Limited
Statement of Cash Flows
For the year ended 30 June 2021

	2021 \$000	2020 \$000
Cash flows from operating activities		
Dividends	145	93
Receipts from customers	6,213	5,727
Interest received	2	12
Taxes refunded	6	6
Interest paid	(571)	(697)
Subvention paid	(787)	(1,945)
Payments to suppliers and directors	(4,614)	(2,698)
Net cash flow from operating activities	394	498
Cash flows from investing activities		
Sale of investment property	907	-
Sale of intangible assets	1,104	-
Investment in equity accounted investees	(625)	(100)
Loan advanced to equity accounted investees	-	(500)
Purchase of equities	-	-
Purchase of investment property	(3,757)	(19,412)
Improvements to investment property	(1)	(80)
Net cash flow from investing activities	(2,372)	(20,092)
Cash flows from financing activities		
Advance of inter-company borrowings	-	23,803
Repayment of inter-company borrowings	-	(24)
Net cash flow from financing activities	-	23,779
Net increase in cash and cash equivalents	(1,978)	4,185
Cash and cash equivalents at the beginning of the year	5,603	1,418
Cash and cash equivalents at the end of the year	3,625	5,603

Quayside Properties Limited

Notes to the Financial Statements

For the year ended 30 June 2021

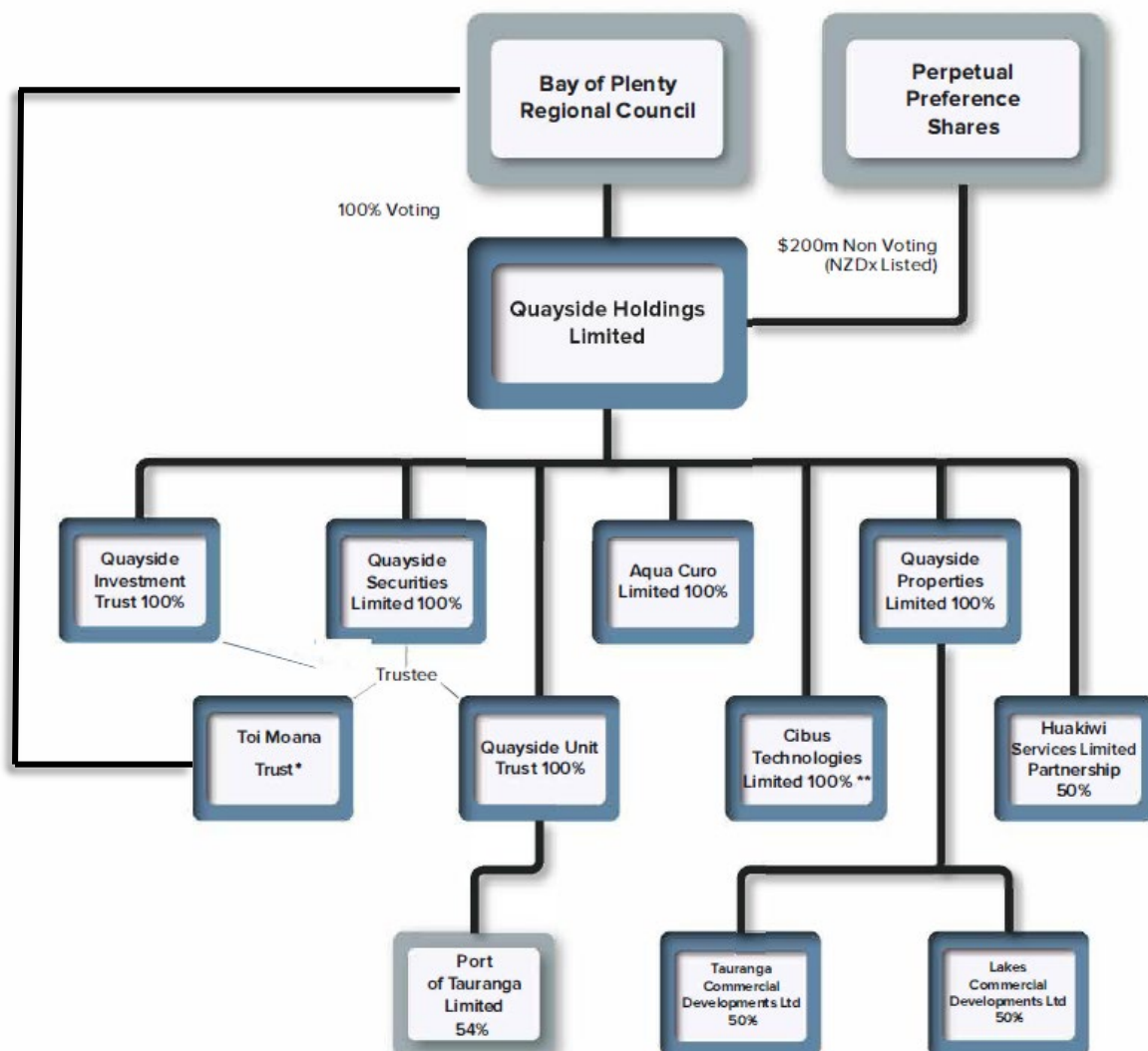
1 Reporting entity

Quayside Properties Limited (the Company) is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The Parent is Quayside Holdings Limited and the ultimate controlling entity is the Bay of Plenty Regional Council.

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

The primary purpose of the Company is to hold investment properties. The Company is a for-profit entity.

The diagram below illustrates the Quayside Group structure.



*Quayside Securities Ltd is the Trustee for the Toi Moana Trust. Bay of Plenty Regional Council holds the majority of units.
 ** Cibus Technologies Ltd - public notice was given in the NZ Gazette on 15 June 2021 to remove the company from the Register under section 318(1)(d) of the Companies Act 1993.

2 Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with the requirements of the Local Government Act 2002, 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 – Reduced Disclosure Regime (“NZ IFRS RDR”) and other applicable Financial Reporting Standards as appropriate to for-profit entities. The Company is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

NZ IFRS – reduced disclosure regime

The Company applies External Reporting Board Standard A1 ‘Accounting Standards Framework (For-profit Entities Update)’ (‘XRB A1’). For the purposes of complying with NZ GAAP, the Company is eligible to apply Tier 2 For-profit Accounting Standards (NZ IFRS RDR) on the basis that it is not a large for-profit public sector entity.

The financial statements were approved by the Board of Directors on 9 September 2021.

Basis of measurement

The financial statements have been prepared on a historical cost basis except that the following assets are stated at their fair value: intangibles, bearer plants, biological assets, investment properties and equity investments.

Presentation currency

These financial statements are presented in New Zealand dollars (\$), and where presented, rounded to the nearest thousand.

Changes in accounting policies

There have been no changes in accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Use of estimate 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.

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:

- Kiwifruit income receivable (note 11)
- Valuation of intangible assets (note 13)
- Valuation of bearer plants (note 14)
- Valuation of biological assets (note 15)
- Assessment of significant influence or joint control in relation to equity accounted investees (note 16)
- Valuation of investment properties (note 17)

2 Basis of preparation (continued)

Classification of property

The Company owns several properties, which have been purchased for long term capital appreciation and/or rental rather than for short term sale in the ordinary course of business. The current carrying value of this investment property is \$56.9m (2020: \$54.5m). In the case of the industrial land held for development as Rangiu Business Park, the revenue derived from operating the land as kiwifruit orchards and leased grazing is incidental to holding these properties and provides short-term benefit in the form of cash returns to the Company whilst the land is developed. These incidental cash flows are independent of the cashflows generated by assets held by the Company. The kiwifruit bearer plants on the land are classified as property, plant and equipment – refer to note 14, while the underlying land is classified as investment property.

3 Significant accounting policies

Revenue

Revenue is measured at the fair value of consideration received.

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 available forecast from Zespri. Any revision of the income recognised during the year will be recognised in the Income Statement.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Dividend income

Dividend income is recognised on the date that the Company's right to receive payments is established, which in the case of quoted securities is the ex-dividend date.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Assets leased out under operating leases are classified in the Statement of Financial Position according to the nature of the underlying asset. Payments received under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease.

Expenses

Finance expenses comprise interest expense on borrowings. Except for interest 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.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities in the Statement of Financial Position.

Trade and other receivables

Trade and other receivables are measured at their cost less impairment losses.

3 Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Intangible assets

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.

Biological assets

Biological assets (kiwifruit crop and forestry) are measured at fair value less costs to sell, with any change therein recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. Cost may approximate fair value when there has been insufficient biological transformation of the crop prior to the end of a reporting period.

Investment properties

Investment properties are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Where part of the investment property is used for administrative purposes, the property is deemed to be investment property if an insignificant portion is held for this purpose. Investment properties are 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 Company'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 Company;
- the lessee uses services of the Company 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.

Property, plant and equipment

Property, plant and equipment is initially measured at cost and subsequently stated at either fair value or cost, less depreciation and any impairment losses.

3 Significant accounting policies (continued)

Subsequent expenditure that increases the economic benefits derived from the asset is capitalised.

Depreciation of property, plant and equipment is calculated on a straight line basis and expensed over their estimated useful lives. Major useful lives are:

Bearer plants 20 years

Plant and equipment 8 years

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

Equity accounted investees

The Company's interest in equity accounted investees comprise interests in joint ventures.

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

Equity accounted investees are accounted for using the equity method. The financial statements include the Company's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Company'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 Company 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.

Trade and other payables

Trade and other payables are stated at cost.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs, if any. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Share capital

Incremental costs incurred in the issue of ordinary shares and share options are recognised as a deduction from equity.

Impairment

The carrying amounts of the Company's assets other than inventories are reviewed for indicators of impairment as at each balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. The impairment loss is recognised in the Statement of Comprehensive Income.

3 Significant accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables and loans and borrowings.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Goods and services tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for trade receivables and trade payables that are stated inclusive of GST.

Income tax

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. Current tax also includes adjustments to income tax payable in respect of prior years.

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 tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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.

4 Quayside Group Statement of Service Performance

The Company is a member of the *Quayside Group*. The *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 the *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	2021 result
1. Maintain a 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 2021. 

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 provide the *Quayside Group* and Council with dividend returns and 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.

Of significant interest to shareholders of Quayside is the financial performance of the Port of Tauranga and the participation rate of Quayside as shareholder in governance of the Port of Tauranga.

Port of Tauranga financial highlights are tabled below:


	30 June 2021	30 June 2020
Shareholding		
Issued shares*	680,581,230	680,581,230
Quayside shares	368,437,680	368,437,680
% held By Quayside	54.14%	54.14%
Operations		
Operating revenues	\$338.3m	\$302.0m
Results from operating activities	\$177.1m	\$162.2m
Net profit	\$102.4m	\$88.7m
Cash flows		
Ordinary dividends paid out	\$84.4m	\$90.5m
Special dividend paid out	-	\$34.0m
Ordinary dividends received by Quayside	\$45.7m	\$49.0m
Special dividend received by Quayside	-	\$18.4m
Ordinary dividends as percent of profit	82%	102%
Dividend declared post balance date	\$51.0m	\$45.5m
Asset Backing		
Share price (last bid price)	\$6.98	\$7.60
Market value of Port	\$4,750.5m	\$5,172.4m
Market value of Quayside Holding	\$2,571.7m	\$2,800.1m
Net tangible assets per share (dollars per share)	\$2.04	\$1.75

4 Quayside Group Statement of Service Performance (continued)

	30 June 2021	30 June 2020
Governance		
Number of directors	7	7
Number of Quayside affiliated directors	2	2
<i>*Includes treasury shares</i>		

Further information on Port of Tauranga's non-financial performance can be found in their Annual Report or on their website www.port-tauranga.co.nz.

(b) Investment portfolio

Performance measure	Performance target	2021 result	
2. Generate commercial returns across the Investment portfolio.	Five year rolling gross return of $\geq 7.5\%$ p.a	Five year rolling gross return of 14.49% for the Quayside consolidated group achieved at 30 June 2021.	

Target met: **Yes**

The *Quayside Group* manages a diversified investment portfolio with a market value of \$246.5 million at 30 June 2021. These investments include domestic and foreign equities, and cash. Quayside holds equity investments as part of a portfolio of non-port assets, to diversify our investments in a targeted manner, reducing our reliance on one investment stream and thereby supporting sustainable, intergenerational 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. During the year the Quayside Group exceeded its rolling five year gross return objective with a return of 14.49%.

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, managed and grown appropriately, while generating income opportunities that could be distributed to the shareholder as required.


There was one passive breach of the SIPO noted during the year. This was due to the outperformance of a share.

Quayside Consolidated Group Investment Portfolio financial highlights are tabled below:

	30 June 2021	30 June 2020
Investment portfolio value	\$246.5	\$207.9m
1 year gross return (actual)	22.22%	10.09%
5 year rolling gross return (actual)	14.49%	12.13%
5 year rolling gross return (target)	7.50%	7.50%

4 Quayside Group Statement of Service Performance (continued)

(c) Real asset portfolio

Performance measure	Performance target	2021 result
3. Generate long term commercial returns and / or regional benefit through a portfolio of real assets	Annual board assessment of the benefit of real assets, considering portfolio alignment, long term commercial return and any regional benefit factors.	The annual board assessment was completed in June 2021, reaffirming long term objectives. 

Target met: **Yes**

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

The *Quayside Group* real asset portfolio currently comprises Rangiuru Business Park, a 148 hectare industrial business park development currently used as rural and horticultural blocks, residential land in Tauriko, commercial buildings in Mount Maunganui, Tauranga and Rotorua central business districts and a forestry/horticultural block at Paengaroa. An annual board assessment carried out in June 2021 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.

During the year, the Rangiuru Business Park progress continued, with design and consent work undertaken. The Business Park, once completed, will provide much needed industrial development for the region, with a focus on connectedness to direct transport links. The Business Park will be a modern, high quality, vibrant industrial development, creating a shared vision that benefits the whole Bay of Plenty community.


The land in the Business Park zone continues to provide 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 over \$3.3 million this year (2020: \$3.7 million).

Investment continued into the commercial property joint ventures, with demolition completed on two properties.

Real asset portfolio financial highlights are tabled below.

	30 June 2021	30 June 2020
Invested	\$75.8	\$70.8m
Committed	-	\$4.3m

(d) Private equity

Performance measure	Performance target	2021 result
4. Generate long term commercial returns and or regional benefit through a portfolio of private equity assets.	Annual board assessment of the benefit of each private equity asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors.	The annual board assessment was completed in June 2021, noting short term performance and reaffirming long term objectives. 

Target met: **Yes**

4 Quayside Group Statement of Service Performance (continued)

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 investments in a number of private equity entities both through direct holdings and third party management. These investments continue to provide promising returns for the Group, Council and the wider region, with further capital invested into these entities during the year.

Quayside also has a joint venture interest in Huakiwi Developments Ltd, developing kiwifruit orchards on prime horticultural Maori Land. This investment provides governance and employment opportunities and significant GDP opportunity for these areas. Transformation of Maori-owned land into profitable kiwifruit orchards provides more than commercial returns, with full ownership of the orchards targeted to transfer back to tangata whenua within a generation.

	30 June 2021	30 June 2020
Invested	\$80.7m	\$54.9m
Undrawn Commitments	\$33.5m	\$50.9m

(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	2021 result
5. Keep Council informed on a 'no surprises' basis, providing quality and timely information.	A minimum of four presentations per annum to Council, as shareholders. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity.	Presentations to Council in September 2020, December 2020, April 2021 and June 2021. Open communication with Council maintained throughout the year through regular meetings with Quayside CE and Council management. 
6. Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	Four policies were not updated and approved biennially: - One was approved by the Board in July - One is having a final review completed by an external party  Two policy reviews are with the executive for review with a targeted completion by the end of 2021.
7. Meet shareholder distribution expectations as outlined in SOI or otherwise agreed.	Distributions paid to agreed values.	Cash dividend of \$33.1m (target \$33.1m) paid to Council as per the SOI.  Gross PPS dividend of \$4.9m (target \$4.9m) paid to PPS holders.

4 Quayside Group Statement of Service Performance (continued)

Performance measure	Performance target	2021 result
8. Compliance with NZX listing requirements for PPS holders.	Matters of material impact are disclosed in line with QHL framework for continuous disclosure. Board reporting of PPS compliance and monitoring.	Filing of interim and annual financial statements achieved within deadlines. Internal audit compliance systems show no open issues or instances of non-compliance with NZX requirements.
9. Investments must be in accordance with the Group Principles of Responsible Investment.	Investments must be screened from an ethical perspective and meet the following criteria. We must avoid investing in companies whose principal business activity is: <ul style="list-style-type: none"> The manufacture and sale of armaments The manufacture and sale of tobacco The promotion of gambling Investment selection and management of investments in accordance with the principles for responsible investment set out in the Quayside SIPO. Board reporting of SIPO compliance dashboard at each meeting. Annual audits of investment adherence to SIPO, including responsible investment principles.	A review of holdings was done as at 30 June 2021 against the New Zealand Super Fund Responsible Investment Exclusion List (February 2021), no breaches were identified. Exchange Traded Funds (ETF's) were reviewed down to a constituent level of 5% against the Exclusion list no breaches were identified. SIPO compliance was reported at each board meeting. There was one passive breach due to the out performance of a share as a result of a takeover offer.
10. Investments must be in accordance with principles of socially responsible investment.	Management to screen all investments for their environmental social and governance (ESG) impact, including climate change and sustainability. A summary to be included in all investment papers presented to the board. Annual report to the board on Quayside Group compliance with responsible investment principles, including ESG industry standards and best practice.	While investments were selected in alignment with ESG principles, several of the investment papers did not expressly include specific ESG considerations. The annual report to the board on Quayside Group compliance with responsible investment principles will be done at the September board meeting.

Target met: **No**

Focus on ESG reporting within the business has now increased and it is now included in all investment cases. The annual report to the board will be presented at the September board meeting. Policy reviews are currently underway and will be completed in 2021. The passive breach of the SIPO was a result of the out performance of a share.

Key



Met



Substantially met



Not met



Not applicable

Quayside Properties Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

5 Trading revenue

	2021 \$000	2020 \$000
Rental and lease income	1,320	992
Sale of goods – kiwifruit	4,659	5,026
Total trading revenue	5,979	6,018

The Company has several kiwifruit orchards. All the 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 is net of the point of sale and cool store costs.

Kiwifruit income this year has been derived from 26.45 canopy hectares of kiwifruit orchards (2020: 29.21 hectares).

Kiwifruit income this year includes an upward adjustment of \$793,128 in relation to the prior year crop (2020: \$932,021 upward adjustment). This was due to a revision during the year in the estimate of income receivable shown in the accounts at 30 June 2020.

6 Cost of sales

	2021 \$000	2020 \$000
Orchard expenses	(1,386)	(1,392)
Forestry expenses	(65)	(13)
Rates	(104)	(61)
Repairs and maintenance	(102)	(36)
Other	(124)	(128)
Total cost of sales	(1,781)	(1,630)

7 Other expenses

	2021 \$000	2020 \$000
Fees to auditors		
- Fees to Audit New Zealand for audit of Quayside Properties Limited (current year)	(19)	(18)
- Fees to Audit New Zealand for audit of Quayside Properties Limited (prior year)	(6)	
- Fees to KPMG for audit of joint venture Tauranga Commercial Developments Limited	-	(9)
- Fees to KPMG for audit of joint venture Lakes Commercial Developments Limited	(12)	(9)
Directors fees	(115)	(116)
Management fees	(114)	(114)
Consultancy costs	(41)	(21)
Business park consultancy costs	(2,312)	(411)
Loss on disposal	(398)	-
Other	(302)	(267)
Total other expenses	(3,318)	(965)

Quayside Properties Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

8 Fair value gains/(losses)

	Note	2021 \$000	2020 \$000
Change in fair value of investment properties	17	(828)	7,505
Change in fair value of biological assets	15	179	112
Change in fair value of equity investments		249	40
Total fair value gains		(400)	7,657

9 Net finance costs

	2021 \$000	2020 \$000
Interest income on bank deposits	2	12
Interest income on advances to equity accounted investees	14	14
Interest expense – Intercompany	(389)	(712)
Net finance costs	(373)	(686)

10 Income tax

	2021 \$000	2020 \$000
Reconciliation of effective tax rate		
Profit before tax for the period	(373)	9,062
Income tax for the period at 28% (2020: 28%)	104	(2,537)
Adjustments		
- Dividend imputation credits	41	28
- Fair value gains through profit and loss	504	192
- Share of profit from equity accounted investees	199	42
- Non-assessable income / non-deductible expenses	-	11
- Loss offset (with Bay of Plenty Regional Council)	596	567
- Tax effect on change to depreciation rate for buildings	-	524
- Prior period adjustments	78	(516)
Income tax benefit / (expense)	1,522	(1,689)

Quayside Properties Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

10 Income tax (continued)

Income tax expense is represented by:

	Note	2021 \$000	2020 \$000
Current tax expense			
Current tax on profits for the year		-	-
Adjustment for prior period		-	-
Deferred tax expense			
Prior period adjustment		78	(516)
Tax effect on change to depreciation rate for buildings		-	524
Recognition of temporary differences	19	1,444	(1,697)
Income tax benefit / (expense)		1,522	(1,689)
Income tax recognised in other comprehensive income:			
Revaluation of bearer plants	21	(535)	716
Revaluation of intangibles	21	35	(266)
		(500)	450

The prior period adjustment recognised this year is due to deferred tax being recognised on prior year due diligence costs and an adjustment to tax bases to original costs (2020: deferred tax incorrectly calculated on investment property revaluations).

Taxable income has been reduced to nil via a \$827,557 subvention payment and loss offset of \$2,128,003 to Bay of Plenty Regional Council (2020: \$786,922 subvention payment and a group loss offset of \$2,023,513 to Bay of Plenty Regional Council).

11 Trade and other receivables

	2021 \$000	2020 \$000
Trade receivables	12	8
Kiwifruit income receivable	3,177	3,242
Prepayments	-	417
Deferred costs	-	9
GST receivable	-	62
Tax receivable	-	6
Total trade and other receivables	3,189	3,744

The kiwifruit income receivable is based on a forecast of proceeds to be received from Zespri on the harvest of the 2021 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 in the Income Statement - refer to Note 5.

Quayside Properties Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

11 Trade and other receivables (continued)

Current trade and other receivables, excluding prepayments, are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

	2021 \$000	2020 \$000
Not past due	3,189	3,318

12 Inventories

	2021 \$000	2020 \$000
Stock on hand – kiwifruit	-	78

Inventories comprise kiwifruit that is held in cool store and has not yet been supplied to Zespri. No inventories are pledged as security for liabilities or are subject to retention of title clauses. In 2021 all kiwifruit had been exported by balance date.

13 Intangible assets

	2021 \$000	2020 \$000
Gold 3 – kiwifruit license		
Opening value	3,315	2,487
Disposals	(1,104)	
Amortisation	(130)	(123)
Carrying value	2,081	2,364
Amortisation reversed on disposal	14	-
Amortisation reversed on revaluation	115	123
Revaluation	829	828
Total intangibles	3,040	3,315
G3 license - hectares	5.53	8.29

The G3 licences held are for a total of 5.527 hectares (2020: 8.287 hectares). During 2021 licenses relating to the Somerset Orchard were sold for \$1,104,000. A registered valuer at 30 June 2021 determined that the fair value for licences held by Quayside was \$3,039,850. The current valuation is based on \$550,000 per hectare (2020: \$400,000), which was the median G3 licence cost from Zespri's 2021 release of licences, which was fully subscribed for. The original cost of the licences is \$38,449. There are no restrictions over the title of the intangible assets. No intangible assets are pledged as security for liabilities.

From September 2016, Zespri announced that G3 licences now have a determined expiration date of 6 September 2039. Amortisation of the licence has been calculated from September 2016 on the basis of this useful life. Prior to September 2016 there was no amortisation of the licence due to the undetermined licence period.

Quayside Properties Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

14 Property, plant and equipment

	Bearer plants \$000	Plant and equipment \$000	Total \$000
Balance at 1 July 2019	10,876	18	10,894
Revaluation	(3,238)	-	(3,238)
Depreciation expense	(680)	(5)	(685)
Depreciation reversed on revaluation	680	-	680
Balance at 30 June 2020	7,638	13	7,651
Balance at 1 July 2020	7,638	13	7,651
Revaluation	1,821	-	1,821
Disposal	(398)		(398)
Depreciation expense	(487)	(5)	(492)
Depreciation reversed on revaluation	483		483
Depreciation reversed on disposal	4	-	4
Balance at 30 June 2021	9,061	8	9,069

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2021. 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. During the year the vines on the Somerset Orchard were removed to make way for the Rangiora Business Park. Refer to Note 17 for further information.

15 Biological assets

	2021 \$000	2020 \$000
Forestry		
Balance at 1 July	502	390
Additions	-	-
Change in fair value less estimated costs to sell	178	112
Balance at 30 June	680	502

Fair value of the forestry block has been determined by independent registered valuation at 30 June 2021. Fair value has been determined by using the income approach (Discounted Cash Flow) by assessing the net present value of estimated future costs and revenues pertaining to the standing tree crop, using a discount rate of 7.5%. The fair value measurement is categorised as a Level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs). Notable reasons for the increase in the tree crop value in the last 12 months are as a result of higher long-term log price assumptions, based on forecast market conditions and the maturing of the crop.

Kiwifruit Crop

Harvesting of the kiwifruit crop takes place in April to June each year. At 30 June the crop is measured at fair value which is nil (2020: nil). The fair value is deemed to be cost as insufficient biological transformation has occurred.

16 Investment in equity accounted investees

Investments in equity accounted investees comprise interests in joint venture entities as follows:

Name of Entity	Place of Business	Principal Activity	Balance Date	Measurement Method	% of ownership interest	
					2021	2020
Lakes Commercial Developments Limited	New Zealand	Commercial development – Rotorua	30 June	Equity method	50.00	50.00
Tauranga Commercial Developments Limited	New Zealand	Commercial Development - Tauranga	30 June	Equity method	50.00	50.00

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the company. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. Both joint ventures are private entities and therefore there are no quoted prices available to determine fair value.

A reconciliation of the carrying value of equity accounted investees is as follows:

	2021 \$000	2020 \$000
Balance at 1 July	4,860	4,483
New investment	500	225
Share of profits	710	152
Balance at 30 June	6,070	4,860

There is no committed uncalled capital in equity accounted investees (2020: nil). There are no capital contributions payable at 30 June 2021 of (2020: \$125,000). There are no contingent liabilities relating to interests in equity accounted investees (2020: nil).

Significant judgement: Classification of joint arrangements

The company 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.

Quayside Properties Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

17 Investment properties

	2021 \$000	2020 \$000
Balance at 1 July	54,466	27,886
Additions – Work in progress (at cost)	(1,010)	80
Additions - Acquisitions (at cost)	5,185	18,995
Disposals	(905)	
Revaluation	(828)	7,505
Balance at 30 June	56,908	54,466
<i>Classified as:</i>		
Investment Property – Held for sale - current	-	905
Investment Property – Non current	56,908	53,561
	56,908	54,466
Rental / lease income from investment properties	1,320	992
Expenses from investment property generating income	175	170

Description of investment properties

Investment properties held include the following:

Asset type	Location	Current use
Commercial Building	Tauranga CBD	Commercial Lease
Industrial Building	Mount Maunganui	Commercial Lease
Residential Rural Block	Tauriko	Residential Rental
Rural Block	Paengaroa	Grazing/Forestry
Industrial Zoned Land for future development as a 'Rangiuru Business Park'.	Rangiuru, Te Puke	Kiwifruit orchards, leased dairy grazing land and residential rentals.

Property held for sale

There were no subdivisions during the year. In 2020 the rural block at Paengaroa was subdivided and the contract settled in September 2020.

Rangiuru Land classification

Management have run an assessment in order to determine the classification of Rangiuru land as at 30 June 2021. The decision to classify the land as investment property instead of inventory requires a high degree of judgement from management.

In 2005 Quayside undertook a plan change which changed the land from rural to industrial. There has been no change in the designation of the land since this time. In parallel in 2005, Quayside obtained a number of long-term consents for the park. All are deemed operative, by virtue of the Tauranga Eastern Link development. Quayside is in the process of seeking a renewed earthworks consent and a minor modification on one existing consent. No new consents were issued in the last 12 months.

17 Investment properties (continued)

As at balance date, some residential buildings and vines had been removed from stage one land in preparation for development. As at balance date the land development has not yet started. Earthworks are planned to commence in the 2022 financial year.

Due to the long-term horizon of the project, there is still a lot of uncertainty around timing and actions to be taken with the plan plots and the development of the Business Park. A decision on Quayside's role in relation to the park at completion has not yet been reached. The company is currently seeking expressions of interest in the development and has indicated that it is interested in selling land, leasing land or developing vertical builds.

Due to the existing uncertainties disclosed above and as physical earthworks have not yet commenced, management believes that the classification of the land as investment property is appropriate.

Valuation of investment properties

Investment properties are revalued annually to fair value. The fair value measurements have been categorised as a level 2 fair value based on the inputs to the valuation technique. 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. A summary of the valuation methods and significant assumptions applied in the valuation of these assets are:

Asset type	Valuation Method adopted	Highest and best use	Significant assumptions
Commercial and Industrial Buildings	Capitalisation approach and Discounted Cash Flow Analysis	Current use	Net market rent of \$424 per sqm (Commercial) Net market rent of \$175.83 (Industrial) Capitalisation rate of 4.75% and 5.25% Discount rate of 5.50% and 5.75%
Residential Rural Block - Tauriko	Market approach	Current use	-
Rural block - Paengaroa	Market approach	Current use	-
Rangiuru Business Park	Market approach	Stage 1 Land – Industrial park development Stage 2 land – Orchard/rural use.	-

18 Trade and other payables

	2021 \$000	2020 \$000
Trade payables	195	148
Other	95	55
	290	203

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

Quayside Properties Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

19 Deferred taxation

	Assets		Liabilities		Net	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Deferred tax (asset) / liability						
Investment property	-	-	559	1,981	559	1,981
Biological assets	-	-	55	5	55	5
Bearer plants	-	-	2,264	1,844	2,264	1,844
Intangibles	-	-	843	915	843	915
Right of use asset	-	-	322	-	323	-
Right of use asset/lease liabilities	(321)	-	-	-	(321)	-
Total deferred tax (asset) / liability	(321)	-	4,043	4,745	3,722	4,745

	Recognised in income statement		Recognised in comprehensive income	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Investment property	(1,423)	1,863	-	-
Biological assets	50	31	-	-
Bearer plants (note 21b)	(114)	(172)	610	(716)
Bearer plants – historic tax adjustment	-	-	(75)	-
Intangibles (note 21b)	(37)	(33)	(73)	266
Intangibles – historic tax adjustment	-	-	38	-
Right of use asset	(38)	-	-	-
Right of use asset/lease liabilities	40	-	-	-
Total	(1,522)	1,689	500	(450)

20 Borrowings

	2021 \$000	2020 \$000
	Current	Non-current
<i>Loan from Quayside Holdings Limited</i>		
Balance at 1 July	47,200	23,421
Further advances	-	23,803
Principal Repayments	-	(24)
Interest charged	389	712
Interest paid	(389)	(712)
Balance at 30 June	47,200	47,200

Quayside Properties Limited has an intercompany loan from Quayside Holdings Limited. This loan has interest charged at the Bank Bill Benchmark Rate (BKBM) at the beginning of each quarter plus a margin (2020: Tranche line rates incurred by Quayside Holdings Limited). The loan is repayable on demand; however Quayside Holdings Limited has undertaken that they will not recall this loan within the next twelve months. In the prior year the loan was classified as non-current, however as QPL does not have the right to defer payment this year it has been classified as current.

Quayside Properties Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

21 Capital and reserves

(a) Share capital

	2021 No.	2020 No.
Number of ordinary shares		
Balance at 1 July	10,500,100	10,500,100
Issue of ordinary shares of cash	-	-
Balance at 30 June	10,500,100	10,500,100

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 Company, and rank equally with regard to the Company's residual assets on wind up. All shares were issued for \$1 and are fully paid.

(b) Revaluation reserves

The revaluation reserves relate to the revaluation of kiwifruit licences and bearer plants. Refer to further information in notes 13 and 14.

	2021 \$000	2020 \$000
Revaluation reserve - intangibles		
Opening balance	2,610	1,925
Revaluation	829	828
Amortisation reversed on revaluation	116	123
Deferred tax expense (refer note 19)	73	(266)
Movement for the year – other comprehensive income	1,018	685
Transfer to retained earnings on disposal	(1,207)	-
Closing balance	2,421	2,610
Revaluation reserve – bearer plants		
Opening balance	2,801	4,643
Revaluation	1,821	(3,238)
Depreciation reversed on revaluation	483	680
Deferred tax expense (refer note 19)	(610)	716
Movement for the year – other comprehensive income	1,694	(1,842)
Transfer to retained earnings on disposal	(127)	-
Closing balance	4,368	2,801

22 Financial instruments

Categories of financial instruments

	2021 \$000	2020 \$000
Financial assets at amortised cost		
Cash and cash equivalents	3,625	5,603
Trade and other receivables	3,189	3,250
Related party receivables	91	14
Loan to equity accounted investee	500	500
	7,405	9,370
Financial assets at fair value through profit and loss		
Other financial assets	1,392	1,143
Financial liabilities at amortised cost		
Trade and other payables – current	262	201
Related party payables	-	1,094
Borrowings – non current	47,200	47,200
	47,462	48,495

Taxes payable/receivable, prepayments and income in advance, which are included within trade and other payables and trade and other receivables in the statement of financial position, are not classified as financial instruments.

23 Related party transactions

Identity of related parties

Parent and ultimate controlling entity

The Parent entity of the Company is Quayside Holdings Limited, which is 100% owned by the Bay of Plenty Regional Council – refer Note 1.

Key management personnel

The Company has a related party relationship with its directors. The Company has no employees as Quayside Properties Limited contracts with Quayside Holdings Limited for management services.

Other related entities

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

Quayside Properties Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2021

23 Related party transactions (continued)

Transaction values and balances outstanding with related parties at 30 June 2021 include:

	2021 \$000	2020 \$000
Quayside Holdings limited		
Interest charged to Quayside Properties Limited	389	712
Interest payable by Quayside Properties Limited	-	136
Loan payable by Quayside Properties Limited	47,200	47,200
Loan repaid by Quayside Properties Limited	-	24
Loan drawn down by Quayside Properties Limited	-	23,803
Management fees paid by Quayside Properties Limited	114	114
Lease income received by Quayside Properties Limited	39	38
Accounts payable by Quayside Properties Limited	-	46
Bay of Plenty Regional Council		
Subvention payable by Quayside Properties Limited	828	787
Services provided to Bay of Plenty Regional Council	55	
Accounts payable by Bay of Plenty Regional Council	63	
Subvention payment made by Quayside Properties Limited	-	1,945
Resource consent fees paid by Quayside Properties Limited	13	8
Transactions with Equity accounted investees		
Interest receivable by Quayside Properties Limited	28	14
Interest charged by Quayside Properties Limited	14	14
Capital contributions paid by Quayside Properties Limited	500	225
Capital contribution payable by Quayside Properties Limited	-	125
Loan advanced by Quayside Properties Limited	-	500
Loan receivable by Quayside Properties Limited	500	500
Transactions with other related entities		
License sale to Huakiwi Limited	1,128	-

Quayside Properties Limited holds one unit in Quayside Investment Trust, acquired in April 2014 for a cost of \$1. The current value of this unit is \$2.70 (2020: \$2.225). There are no other obligations between Quayside Properties Limited and Quayside Investment Trust.

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

Transactions with key management personnel

The Company does not provide any non-cash benefits to directors in addition to their directors' fees or salaries. Directors' fees paid during the year were \$115,000 (2020: \$116,000), excluding GST. At year-end, no directors' fees were owed.

Transactions with parent company

A contract for management services was agreed between Quayside Holdings Limited and Quayside Properties Limited from 1 April 2015. A monthly management fee is charged by Quayside Holdings Limited.

23 Related party transactions (continued)

From February 2018, Quayside Holdings Limited entered into a lease agreement with Quayside Properties Limited to lease commercial office space. This lease is at market rates. Borrowings from the Parent company amount to \$47,200,000 (2020: \$47,200,000). The loan is charged interest at the BKBM rate at the beginning of each quarter plus a margin. Refer to Note 20.

Transactions with equity accounted investees

In 2020 a loan of \$500,000 was advanced to an equity accounted investee. The loan has interest charged at BKBM rate plus a margin. This loan is repayable on demand, however the directors of the company have undertaken that they will not recall this loan within the next twelve months.

24 Leases

The Company has entered into operating leases this year. The lease liabilities have been measured at the present value of the remaining lease payment. Lease payments are discounted at the Company's weighted average incremental borrowing rate of 1.508%. The right-of-use assets were measured at the amount equal to the corresponding lease liabilities, with no change in net assets.

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

- Borrowing rate
- Lease terms, including any right of renewal where it is reasonably certain they will be exercised

The Company has two leases for the lease of land at development sites. The leases have varying terms and renewal rights.

Information about leases for which the Company is a lessee is presented below:

	2021 \$000	2020 \$000
Right-of-use assets		-
Cost		
Opening balance 1 July 2020	-	-
Additions	1,197	-
Disposals	-	-
Remeasurement	-	
Closing balance 30 June 2021	1,197	-
Accumulated depreciation 1 July 2020		
Opening balance 1 July 2020	-	-
Depreciation	(43)	-
Other adjustments	-	-
Closing balance 30 June 2021	(43)	-
Net book value	1,154	
Lease liability		-
Opening balance 1 July 2020	-	-
Additions	1,197	
Interest expense	-	-
Lease payments	(50)	-
Closing balance 30 June 2021	1,147	-

24 Leases (continued)

During the year a lease liability interest expense of \$269 was recognised in the income statement (2020: \$-)

Commercial buildings classified as investment property are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the company may obtain bank guarantees for the term of the lease.

Although the company is exposed to changes in the residual value at the end of the current leases, the company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Future minimum lease receivables from non-cancellable operating leases are as follows:

	2021 \$000	2020 \$000
Within one year	982	906
One year to two years	927	816
Two to three years	889	744
Three to four years	789	731
Four to five years	134	731
Greater than five years	-	126
Total	3,721	4,054

25 Capital commitments and contingencies

The Company does not have any contractual commitments or contingencies (June 2020: \$4.32 million).

26 Subsequent events

The Directors are aware of circumstances that have arisen after balance date with regards to the Coronavirus (Covid-19) pandemic. Subsequent to the end of the financial year the Delta variant was discovered in New Zealand and the Government has taken action to reduce the spread of the virus in the form of lockdowns and an increased vaccination rollout.

At the date of signing the financial statements the Directors are unable to determine what future potential financial effects the New Zealand outbreak of Covid-19 could have on financial performance either directly or indirectly. Directors believe that any potential negative effects would likely be limited unless there is a sustained economic downturn. In that event, the effect on the key elements in the financial statements would be:

- Kiwifruit revenue – The crops were fully harvested this year.
- Investment property values – The company's investment properties are revalued annually to fair value by independent valuation.

Rangiuru development – progress on the business park may be delayed in the event of sustained lockdowns.

The current alert level escalation has had no material impact on the performance of the company and the Directors acknowledge their responsibility to continuously monitor the situation and evaluate the impact including whether the Trust remains a going concern.

There were no subsequent events in 2020.

Quayside Properties Limited

Statutory information

For the year ended 30 June 2021

Interests 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 Properties Limited is available for inspection at the registered office. The directors of the Company have made general disclosures of interest in accordance with S140(2) of the Companies Act. Current interests and those which ceased during the year, are tabulated below. New disclosures advised since 1 July 2020 are italicised.

Director	Entity	Position
	<i>Archipelago Capital Management Limited – ceased, advised May 2021</i>	<i>Director</i>
	<i>Ngāti Porou Holding Company Limited - appointed 1 Jan 2021)</i>	<i>Director Chair</i>
R McLeod	Port of Tauranga Limited	Director
	QHL Perpetual Preference Shares	Shareholder
	Quayside Holdings Limited	Director Chair
	Quayside Properties Limited	Director Chair
	Quayside Securities Limited	Director Chair
	Sanford Limited	Chair
	Sanford LTI Limited	Director
S Crosby	Bay of Plenty Regional Council	Councillor
	Equip GP Limited	Director
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	Templogger NZ Limited	Director Shareholder
B Hewlett	Bluelab Corporation Limited	Director
	Bluelab Holdings Limited	Director
	Comvita Limited	Chair Director
	Oriens Capital	Shareholder
	<i>Priority One – ceased, advised July 2021</i>	<i>Chair</i>
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
K Horne	Hamilton City Council	ARC Chair
	New Zealand Lotteries Commission	Commissioner ARC Chair
	Quayside Holdings Limited	Director
	Quayside Securities Limited	Director
	Quayside Properties Limited	Director
	ScreenSouth Limited	Director Chair
	Spey Downs Limited	Shareholder
	Television New Zealand Limited	Director
	<i>Timaru District Council – ceased, advised July 2021</i>	<i>ARC Member</i>
	University of Canterbury	Council Member ARC Chair

Quayside Properties Limited
Statutory information (continued)
For the year ended 30 June 2021

Director	Entity	Position
F McTavish	Bay of Plenty Regional Council	Officer
	BOPLASS Limited	Director
	McTavish – Huriwai Investments Limited	Director / Shareholder
	Priority One WBOP Inc	Executive Board Member
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
W Parker	Farmlands Cooperative Society Limited	Director
	Focus Genetics	Director
	Landcorp Estates Limited	Director / Chair
	Landcorp Holdings Limited	Director / Chair
	Landcorp Pastoral Limited	Director / Chair
	PAMU, Landcorp Farming Limited	Director / Chair
	<i>Predator Free 2050 Limited – ceased, advised October 2020</i>	<i>Director</i>
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
Quayside Securities Limited	Director	
Warrens Insights Limited	Director / Shareholder	
T White (appointed 10 March 2021)	<i>Bay of Plenty Regional Council</i>	<i>Councillor</i>
	<i>Indigenuity Limited</i>	<i>Director</i>
	<i>Kahukiwi Management Limited</i>	<i>Director</i>
	<i>Noa New Zealand Limited</i>	<i>Director / Shareholder</i>
	<i>NZ Baywide Credit Union</i>	<i>Director</i>
	<i>Quayside Holdings Limited</i>	<i>Director</i>
	<i>Quayside Properties Limited</i>	<i>Director</i>
	<i>Quayside Securities Limited</i>	<i>Director</i>
	<i>Te Taru White Consultancy Limited</i>	<i>Director / Shareholder</i>
<i>Toitu Te Waonui Operations Limited</i>	<i>Director / Shareholder</i>	
P Thompson (Retired as a Director 1 April 2021)	<i>Bay of Plenty regional Council</i>	<i>Councillor</i>
	<i>Bay of Plenty Regional Council, Regional Direction and Delivery Committee</i>	<i>Chair</i>
	<i>Eastern Bay of Plenty Economic Development Trust (Toi EDA)</i>	<i>Trustee</i>
	<i>Quayside Holdings Limited (Retired 1 April 2021)</i>	<i>Director</i>
	<i>Quayside Properties Limited (Retired 1 April 2021)</i>	<i>Director</i>
	<i>Quayside Securities Limited (Retired 1 April 2021)</i>	<i>Director</i>
	<i>Woman Walking Limited</i>	<i>Director / Shareholder</i>

Quayside Properties Limited
Statutory information (continued)
For the year ended 30 June 2021

Information used by directors

During the financial year there were no notices from directors of Quayside Properties Limited 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 Company has arranged policies of Directors' and Officers' Liability Insurance and separate Directors' and Officers' defence costs insurance.

Donations

No donations were made by Quayside Properties Limited during the year ended 30 June 2021.

Remuneration of directors

The following directors of Quayside Properties Limited held office during the year ended 30 June 2021:

	Remuneration \$000
R McLeod (Chair)	28
S Crosby	16
B Hewlett	16
K Horne	21
F McTavish *	-
W Parker	16
P Thompson <i>retired 31 March 2021</i>	13
T White <i>appointed 11 March 2021</i>	5
Total	115

* F McTavish was remunerated by the Bay of Plenty Regional Council.

The fees above are exclusive of GST.

Loans

There were no loans by Quayside Properties Limited to directors.

Employees

Quayside Properties Limited does not have any employees.

Auditor's remuneration

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

Audit NZ: Audit Fees for the current year \$18,859

Additional audit fees from the prior year \$6,735

Quayside Properties Limited Directory

Registered office

Level 2, 41 The Strand
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

