



Quayside Holdings Limited Annual Report 2022

Quayside Holdings ©

Quayside Holdings Limited
Level 2, 41 The Strand
Tauranga 3110, New Zealand



Annual Report 2022 Quayside Holdings Limited



Our best stories
are ahead of us



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Spotlight on 2022

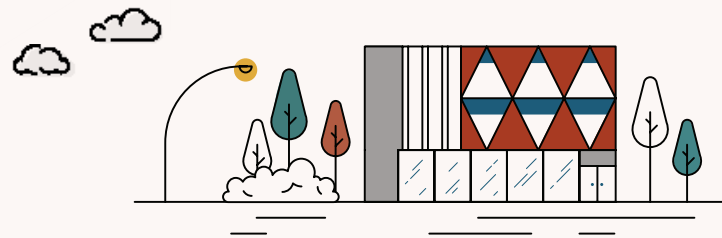


\$40m

Dividend to the Bay of Plenty Regional Council 2022

\$387.1m

Total dividends to Council since 1991



Quayside impact on Bay of Plenty Region 2021/22: Dividend reduces general rates by an average

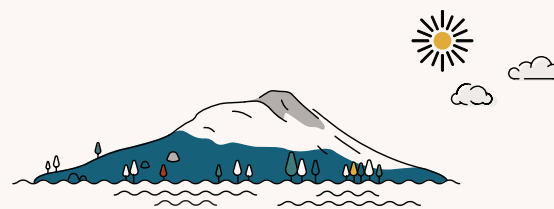
\$348

per property, per annum¹



Since 1991, Council has been able to raise debt against Quayside asset value to the benefit

\$253.4m



\$640m

Total cash benefit to Council since 1991

Stakeholder engagement

Deepening of relationships and understanding of all stakeholders, including local iwi to deliver positive outcomes

Culture

Continued investment into Quayside people and culture, with renewed values, an Employee Value Proposition and continued growth in human capital to grow our non-port returns

Environment, Sustainability & Governance (ESG)

Focus on continuous improvement in this space and how the Climate-Related Disclosures matters will affect our business, community and stakeholders into the future

Asset value of shares in Port

\$2.3b



Port total trade decreased by

0.48%

to

25.6

million tonnes



Port group net profit after tax

8.73%

increase



Growth in non-port assets:

10.7%

24

11

The gross rolling Internal Rate of Return (IRR) for the last five years

of direct investments (private equity and properties)

of Bay of Plenty businesses Quayside has invested in



Rangioru Business Park

Tapuika Iwi Authority and Quayside Properties Limited have a strong working partnership (mahitahitanga) around land development at the Rangioru Business Park.

Stage 1A



Earthworks commenced for Stage 1A following a site blessing by Tapuika as mana whenua.

Detailed design completed for the Tauranga Eastern Link interchange to the Rangioru Business Park.



Stage 1A titles on schedule for issue in 2024, with 30 hectares of industrial land developed for industry by 2025.

¹Data source: Bay of Plenty Regional Council



Summary of Group Performance

On the back of an extraordinary 2021 result, 2022 has been a more difficult year for Quayside. COVID-19 continues to impact, inflationary pressures and interest rates are on the rise, supply chain issues have created a ripple effect, and the markets are disrupted - throughout all this, Quayside's results (financial and non-financial) remain solid.

We are proud of our record \$40 million distribution back to our shareholder, the Bay of Plenty Regional Council, a significant increase of almost 21% from our \$33.1 million return the previous year. The Quayside Distribution Policy looks to support Council over time with an increased dividend flow aligned to the asset growth of the company.

Quayside continues to invest in our people in a variety of ways to ensure we can continue to deliver to future expectations from our shareholder. Strategic planning and operational delivery are always at the forefront of our minds as we look to the future.

This annual report will be current Quayside CEO Scott Hamilton's last after 12 years of service. The integration of a new CEO will be seamless with a clear transition plan in place.

Our focus on stakeholder engagement has never been clearer or more important. Aligning with partners that share the same values is critical to us. Our team are bringing to fruition some great project work in the stakeholder space, particularly the Rangiuru Business Park.

Quayside's mandate is to invest for commercial purposes, earning income to support the growing needs of our shareholder. Juggling the business community's expectations versus our remit as the region grows is a focus in 2023.

This last year, we are proud that through our distribution, we have reduced the general ratepayers bill by an average of \$348 per property². This has a material and real effect on people in our community, while at the same time we have increased the value of assets we hold for future generations.

² Data source: Bay of Plenty Regional Council



The Quayside Group

Quayside Holdings Limited (“Quayside”) and its subsidiaries (together the “Group”) build prosperity for the Bay of Plenty region and for future generations through investment that is deeper than profit.

Quayside is a Council Controlled Trading Organisation (“CCTO”), owned by the Bay of Plenty Regional Council (“the Council”), and acts as the investment arm for the Council, providing a yearly distribution as set out in its Long Term and Annual Plans.

Quayside is required to retain a majority shareholding in the Port of Tauranga (“the Port”), currently 54.14%, with a value of \$2.3 billion (as at 30 June 2022). The Port maintains strong independent governance, a proven model, that separates the Council’s regulatory role from the Port’s operational role.

Our Mandate

Our mandate comes from a desire to efficiently separate commercial and investment assets from the Council operations, to improve the Bay of Plenty across multiple generations. While this started out with a majority shareholding of the Port, we have now grown a substantial portfolio of other assets, diversified across industries with strong partnerships built on shared values.

Our annual performance targets are set with the Council and published through the Statement of Intent, which is available on Quayside’s website (www.quaysideholdings.co.nz). The Statement of Intent aligns with the Council’s strategic objectives as outlined in their Long-Term Plan.

Quayside reports to Perpetual Preference Shareholders twice yearly via the NZDX (the New Zealand Debt Market) on the financial performance of the Group.

We remain commercially focussed yet community minded in creating long-term intergenerational wealth for the Bay of Plenty region.



Quayside as a Council Controlled Trading Organisation

As a Council Controlled Trading Organisation wholly owned by the Bay of Plenty Regional Council, Quayside is governed by the Local Government Act 2002 and operates for the purpose of making a profit.

The Local Government Act provides a framework for effective governance and operation of the Quayside Group. This framework allows for Council and Quayside to agree the scope and role of Quayside through key documents such as an annual letter of expectation and an annual statement of intent.

Our Directors and staff are all governed by this framework. Our policies must reflect this operating environment, including sensitive expenditure.

The Bay of Plenty Regional Council has the power to appoint three (3) members of the Quayside Board. These appointments are made through the Policy for the Appointment and Remuneration of Directors to the Boards of Council Subsidiaries.



Chair & CEO Report

Tēnā koutou katoa,

The Quayside Group has again demonstrated its strength and resilience as we navigate the impacts of high inflation, a slowdown in global economic momentum and the ongoing impact of the Covid-19 pandemic on our investments. The Group after tax profit of \$125.9m, while down on our extraordinary result of 2021, is a significant achievement given the tribulations of the past year.

We have seen the benefit our diversified investment portfolio has delivered, with strong results achieved by the Port of Tauranga and our non-Port assets, particularly our property portfolio. The Quayside asset portfolio grew 8% to \$479.2 million in 2022, reflecting both new investment and a significant revaluation of the Rangiuru Business Park.

While global investment markets were in negative territory in 2022, giving up some of their gains of recent years, the Quayside listed asset portfolio delivered a profit after tax of \$14.6 million.

The Port of Tauranga has achieved another successful year with an after-tax net profit of \$111.3 million, up 8.7% on its 2021 result. These results were driven by strong bulk trade and container volumes as well as increased storage revenue. The Port has again demonstrated the resilience of its operations given ongoing global supply chain issues and labour shortages. It maintains an impressive safety record, continuing to promote worker engagement in safety risk management. With the Ruakura Inland Port in Hamilton due to open late 2022 heralding better connection between Auckland, Waikato and the Bay of Plenty regions, the Port is confident and progressive in its outlook.

Amid ongoing global financial uncertainty and a challenging national economy, we are pleased with Quayside's success and solid financial performance. This performance has enabled us to provide net distributions of \$40 million to the Bay of Plenty Regional Council and a further \$3.5 million to Perpetual Preference Shareholders. Our distributions enable the Council to deliver to its community outcomes: a healthy environment, freshwater for life, safe and resilient communities, and a vibrant region.

Creating value for our shareholder and community remains at the heart of what we do. We are proud to serve our local community and proud of the stories

we are creating. We continue to invest in opportunities that are sustainable and well-governed. Some highlights for the year include:

- concluding the kiwifruit planting programme for Huakiwi, now at 68 canopy hectares,
- the Aqua Curo bioremediation trial which has prevented over 100 kilograms of nitrogen from entering our fresh waterways,
- strengthening of partnerships with local iwi and creation of future employment opportunities.

On a personal note, our Chief Executive, Scott Hamilton leaves Quayside later this year after 12 years in the role. Quayside has grown considerably in scope and scale over Scott's tenure and is now an exceptional and varied investment entity with a portfolio valued at \$2.75 billion, returning substantial dividends to the Council each year. Quayside has achieved great success under Scott's leadership and his work will hold us in good stead as we look to our future. Ngā mihi maioha.

Noho ora mai rā,

Sir Robert McLeod
Chair

Scott Hamilton
Chief Executive



Sir Robert McLeod
Chair

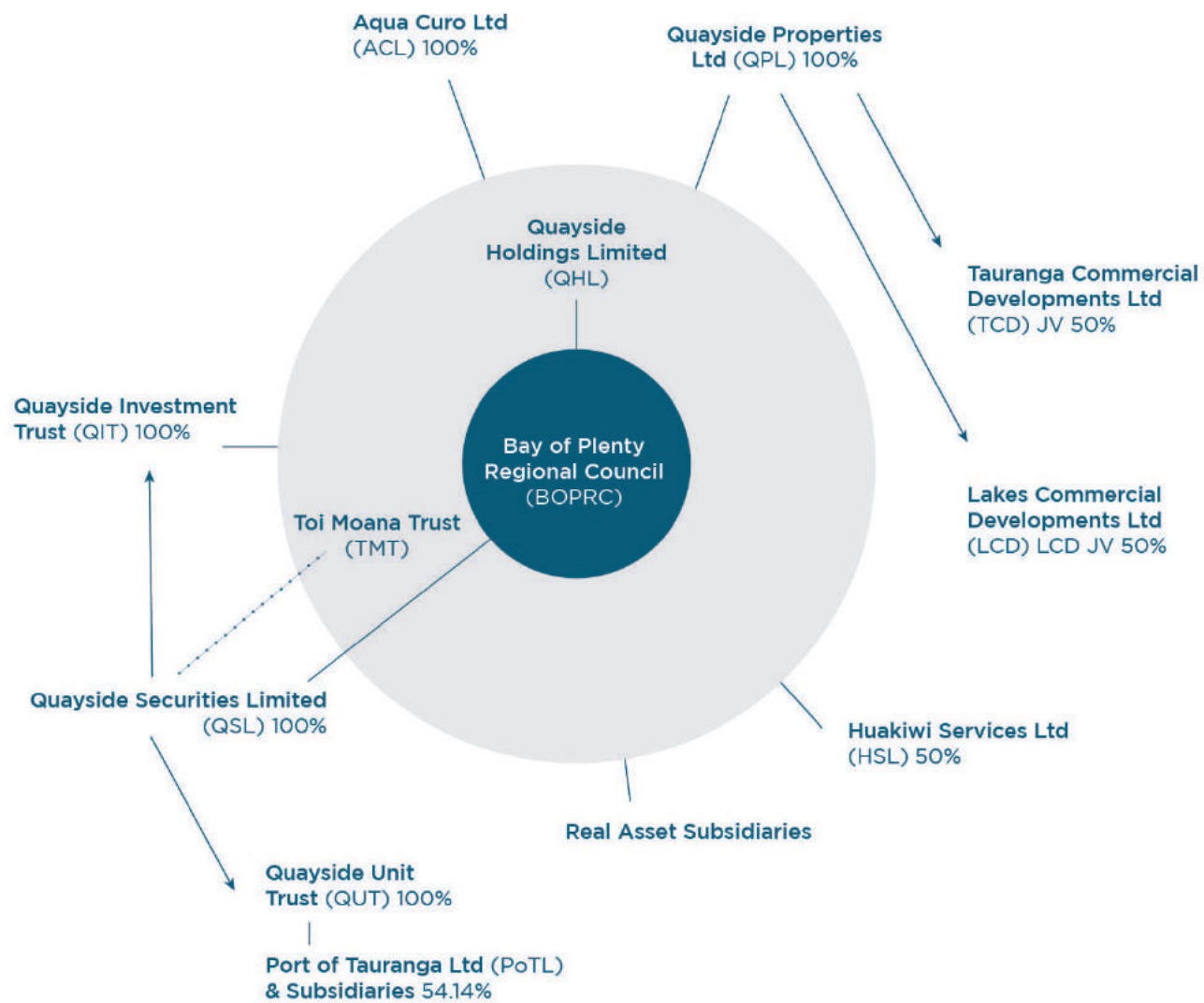


Scott Hamilton
Chief Executive





Group Structure





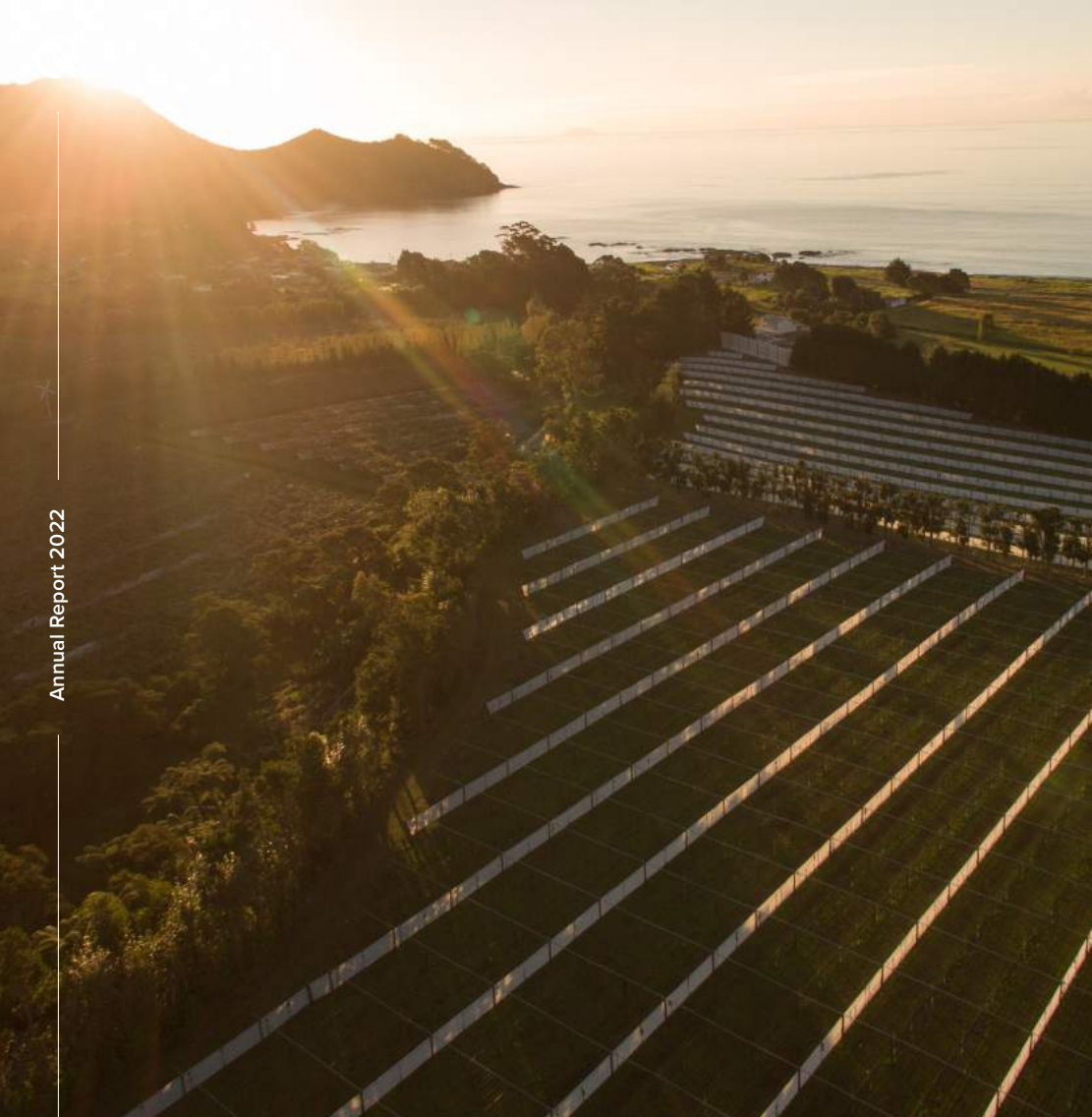
Quayside Board

Quayside is fortunate to be guided by a very experienced group of governance professionals. Our Board of Directors have significant knowledge and insight across investment, business, human capital, strategy and local government providing an expert awareness that has been invaluable to our leadership team adapting to the challenges not only of a post Covid environment but the evolution of our regulatory environment.

Our Board structure is a combination of both independent and shareholder appointments. Quayside is led by independent Director and Chair, Sir Robert McLeod who was named the inaugural Te Tohu Kahukura Māori Leadership in Finance recipient in 2022 recognising his long commitment and contribution to Māori, finance and business. Alongside our highly experienced Chair, Quayside has three other independent Directors, namely our Audit and Risk Chair, Keiran Horne, is a Chartered Accountant and full-time Professional Director; our Chair of People, Culture and Safety Committee, Dr Warren Parker, is the Chair of Pāmu and former CEO of Scion; and Comvita Chair and former CEO, Brett Hewlett.

Our shareholder representatives are the Council's CEO, Fiona McTavish, who is recognised as an outstanding influencer in the government sector; Councillor Stuart Crosby who is the current President of the Local Government NZ and ex-Mayor of Tauranga; and Councillor Te Taru White who is a specialist in indigenous socioeconomics, and amongst other roles, is also the Deputy Chairman of the Te Arawa Federation of Māori Authorities.







Quayside — Our History

- 1989

BOPRC established, receives 77% shares in POT from disestablished BOP Harbour Board
- 1991

QHL established as commercial investment arm of BOPRC

QHL borrows \$53,000,000 to acquire POTL shares from BOPRC
- 1992

POT lists on NZX, QHL shareholding reduces to 55%
- 1997

QHL achieves 1st year as a viable entity in its own right
- 1998

QHL pays first dividend to BOPRC of \$1,290,000
- 1999

1st diversification opportunity for QHL when POT provides unimputed special dividend of \$8,400,000
- 2001

QHL net assets pass through \$250,000,000
- 2003

QHL establishes QPL to enable diversification into property
- 2005

QPL purchases 162ha of land at Rangiuru for business park
- 2008

Consent gained by QPL for development of Rangiuru business park

QHL raises \$200,000,000 through issue of PPS to retail investors, tradable on NZX. Proceeds held by BOPRC for infrastructure projects
- 2010

QHL appoints first full time Chief Executive
- 2011

QHL net assets pass through \$500,000,000
- 2012

Strike at Ports of Auckland increases container volumes via POT resulting in 40% increase in dividends

New QHL policy of holding surplus profits for new opportunities

NZ Productivity Commission attributes part of POT's success as top performing NZ port to the QHL/BOPRC structure
- 2013

QHL net assets pass through \$1,000,000,000
- 2014

QHL establishes QHL Investment Trust, a wholly owned portfolio investment equity trust

QHL founding shareholder in Tauranga tech incubator, WNT Ventures
- 2015

POT enters Kotahi JV with Fonterra and Silver Fern Farms, QHL shareholding reduces to 54.14%

QHL & Te Tumu Paeroa (the Maori Trustee) invest into OPAC, the largest seasonal employer in Opotiki

BOPRC formalises QHL strategy to retain 20% of cash profit, fostering further economic and regional development
- 2016

QHL underwrites the concept of a BOP-based mid-tier private equity firm and becomes cornerstone investor in Oriens Capital

QPL purchases 53 Spring St, Tauranga and develops a regional investment hub (The Vault) with aligned organisations/businesses as tenants
- 2017

Huakiwi Services Ltd founded, a JV between QHL and Te Tumu Paeroa

Huakiwi invests in new kiwifruit orchards in BOP on Maori freehold land
- 2018

QHL net assets pass through \$2,000,000,000

QHL creates JV Tauranga Commercial Development Limited, acquiring commercial site in Tauranga for future development
- 2019

QHL creates JV Lakes Commercial Development Limited, acquiring commercial site in Rotorua for future development of BOPRC office
- 2020

QHL net assets pass through \$3,000,000,000

Provincial Growth Fund funding received to advance the Rangiuru Business Park.
- 2021

Seeka Ltd acquires OPAC, doubling QHL's initial investment

Quayside turns 30 on 22 July 2021.

Earthworks begin on Stage 1a of the Rangiuru Business Park.
- 2022

Quayside acquires a 44% stake in PF Olsen, a leading professional independent forestry service.

Our Vision

Our Vision

A trusted, world class investment manager delivering sustainable, intergenerational prosperity to the region.



QUAYSIDE

Invested in our future
Mauri Ora Roa

Mauri Ora Roa

The journey to unearth an appropriate kōrero that reflects the true wairua, values and future aspirations of Quayside was nuanced – it simply couldn't be a word-for-word translation.

Utilising the concept of “mauri” as a foundation to reflect the Quayside essence and communicate the gravity of influence. Mauri means “longevity and prosperity of life” which speaks to the heart of what Quayside is all about and through its kaupapa, strives to achieve every day.

It encompasses Quayside's commitment to on-going growth and prosperity, sustainability and enduring relationships. “Mauri ora roa” provides a korowai (cloak) for Quayside with a depth and wairua (spirit) that will see it pave a clear pathway into the future..

Our Guiding Principles

Commercially disciplined	It's only when we make money that we can have an impact.
Community minded	We are regionally focused, always looking to the potential social, economic and environmental outcomes for our community.
Intergenerational view	Making long term returns for generations to come is the mark we want to leave on the world.
Innovative	We're always looking ahead to see how we can lead the way from our piece of Aotearoa.
Aligned partnerships	Partnerships are key to our success. We work alongside the likes of Iwi and other entities to make sure our investments are beneficial for both shareholders and the community.
Transparency	As a publicly owned company, we are always open and transparent.
Diverse	To create a stable future we diversify our portfolio - this means looking for opportunities across different industries and investment types.





Te Ao Māori

He nui te aroha o Quayside ki te hapori
me te taiao e noho nei tātau.

E ū tūturu ana a Quayside ki ā mātau mahi
me te mōhio anō hoki ehara tēnei i te mahi
kurī noa nei.

Ko te whakatoitoi manawa ko te whakatupu
rawa kia pai ake ai te kāinga noho,
te akoako, te tupu pakari me te korikori
o te tangata.

Ko te tāhūhū o ngā mahi katoa e kōkiri
ana e mātau ko te tangata, ko te tangata,
ko te tangata – Kia mauri ora roa.



Our Values

Our team has grown and changed since Quayside's original values were adopted. Over the course of the last year, we wanted to be able to connect to our values and be able to see ourselves reflected in them. The kaupapa of our mahi is not lost on our team. We acknowledge that through our guiding principles, our success is the region's and community's success.

We identified three themes – we want a fun place to work with **positive people** that believe you need to have **bold initiatives** and courage to think outside the square to get the best result and most **impactful outcomes** for our community, our stakeholder and our shareholder.

POSITIVE PEOPLE

We are a team of engaged, fun individuals, fostering an environment where the future is what we make it.

BOLD INITIATIVES

We pursue bold initiatives coupled with courageous and robust decision-making; we do work we're proud to stand by.

IMPACTFUL OUTCOMES

Honest collaboration lies at the heart of what we do and we trust our people to provide real outcomes for our community.





The Port of Tauranga

Quayside maintains a majority shareholding in the Port at 54.14%.

After a period of rapid growth, aided by COVID, the Port has again increased their end of year result by 8.73% from the previous year and in excess of the top end of the Port's previous target band of \$103m - \$110m).

This excellent result is on the back of increased capture of more trade, increased outputs by supply chains and continued efficiencies.

Quayside's 54.14% shareholding of the Port is valued at \$2.3 billion.

Carbon Emissions

The Port of Tauranga seeks to reduce its carbon emissions across all areas of the business. The opportunity to significantly reduce emissions in the future lies in automation. Total greenhouse gas emissions decreased 2.1% year-on-year, and carbon emission intensity (emissions per cargo tonne) also decreased slightly, by 0.6%. Ongoing congestion at the container terminal impacted the decarbonisation performance for the second year in a row.

Financial Performance

The Port had a Group Net Profit After Tax result of \$111.3 million. With revenue at \$375.3 million, this equates to an increase of 10.9% on the previous year.

Key statistics:

- TEUs increased by 3.35% (to 1,241,061) *
- Total trade decreased slightly by 0.48% * to 25.6 million tonnes
- Ship visits increased 4.74% (to 1,369)
- Health & Safety: Total Recordable Incident Frequency Rate (TRIFR) was 0 per million hours for Port of Tauranga and 26.7 per million hours for combined Port of Tauranga and contractors

* from last financial year

A total ordinary dividend of
14.7 cents per share
has been declared by the Port
compared to 13.5 cents per share
in 2021





Ruakura Inland Port

The Port’s exciting joint venture with Tainui Group Holdings (TGH) is well underway, with the first stage due to be opened in September 2022. A number of cornerstone tenants have been secured for the first stage of the Ruakura Superhub, including Big Chill and Maersk with a raft of employment opportunities for the community.

The vision to create the largest integrated commercial hub in New Zealand is well underway, with the 30-ha inland port being the focal point for this development.

Berth extension

The berth extension remains a key focus for the Port’s future prosperity and its continued ability to generate revenue for its shareholders, including Quayside.

This berth extension application before the Environmental Court has been delayed until February 2023.

The Port’s continued focus on building and maintaining a strong Health and Safety culture is evident in the TRIFR statistics.

The Port is an economic powerhouse in our region with strong employment and stakeholder opportunities. The Port continues to focus on their productivity through business re-engineering, reflecting their resilience to continue to operate with excellence amidst continued disruption, constrained capacity and resource shortages.

License to Operate

The Port’s CEMARS (Certified Measurement and Reduction Scheme) update notes that the continued congestion at the Port of Tauranga has effected carbon emissions. However, even with ongoing congestion, the Port has recorded a decrease of 2.1% in total greenhouse gas emissions for the year.

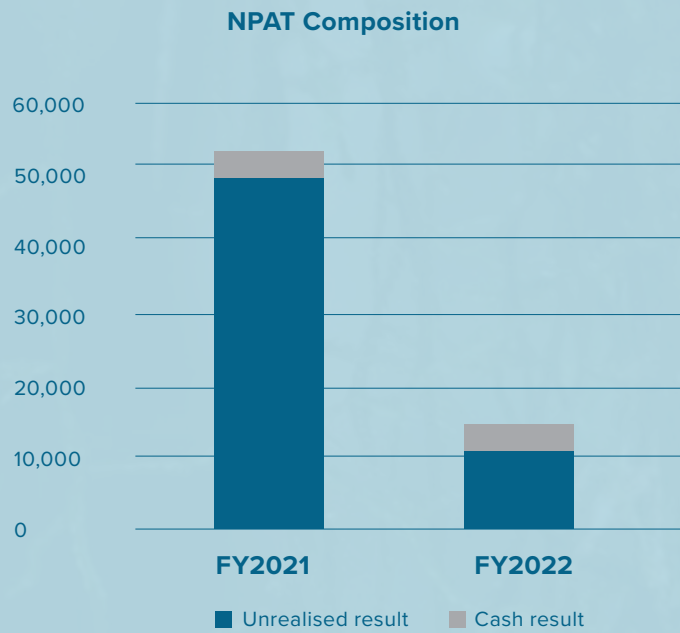
The Port sees their greatest ability to reduce carbon emission in the design and implementation of automation – for example, introducing electric straddle carriers. This work is ongoing and of significant importance to the Port, Quayside and the wider community.



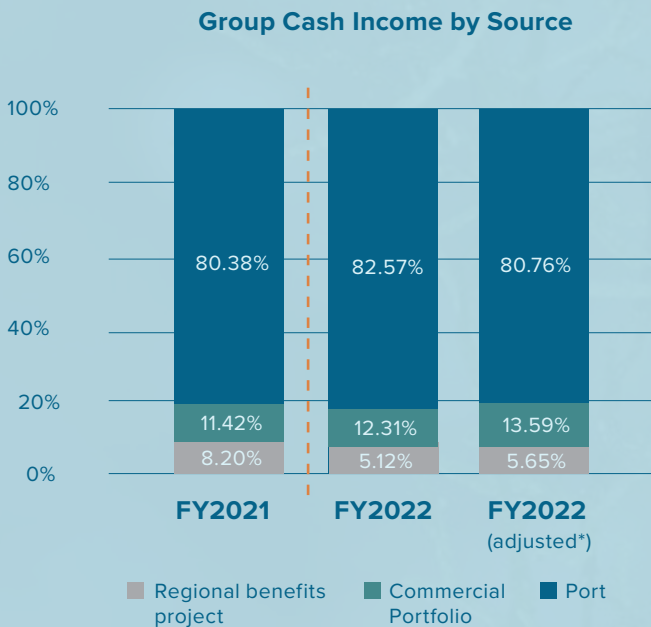
Quayside Holdings Limited Financial Performance

When excluding the dividend from the Port of Tauranga, the Net Profit After Tax (NPAT) for the Quayside Group fell, 71.9% to \$14.5m from 2021's record high (2021: \$51.7m). The movement is reflective of the broader investment markets which slowed after multiple years of strong performance.

Quayside's portfolio has showed resiliency to the market fluctuations from a cash generation perspective, with the portfolio contributing cash income as a component of NPAT at \$3.9m, compared to \$4.3m in 2021.



Quayside continues to grow its sources of income from a diversified range of sources. The contribution of the Quayside's commercial portfolio to the total cash revenue mix was 12.31%, which compares to 11.42% for FY21. This is also affected by the increase of the dividend received from the Port of Tauranga (+\$5.8m). Should the Port dividend have been unchanged, the commercial portfolio contribution to the revenue mix would have been 13.59%, in line with Quayside's strategy to grow its non-Port portfolio.



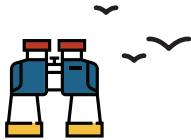
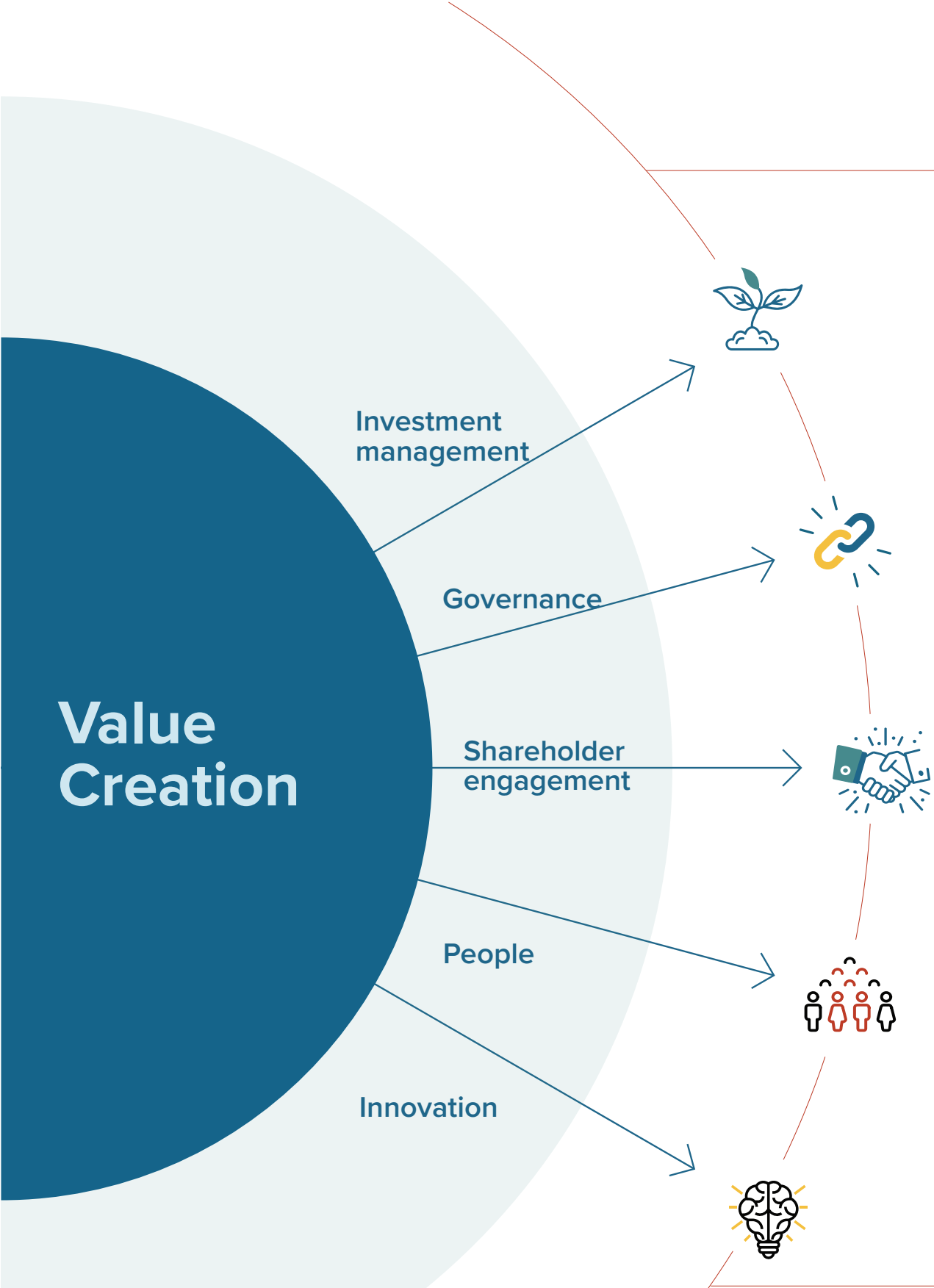
**FY2022 if the Port of Tauranga dividend remained in line with last year.*





Our Value

Creating value and building prosperity for future generations



Our vision

A trusted, world class investment manager delivering sustainable, intergenerational prosperity to the region

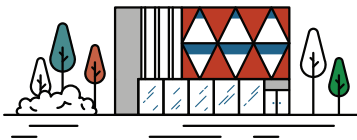
- Diversified portfolio (early/mid/late) to generate 5 year rolling IRR \geq 7% post tax.
- Maximise value of non-port assets across asset classes
- Manage treasury needs through best utilisation of capital
- Shareholder value: \$40m dividend 2022
- Strategic: the Rangiuru Business Park - a modern, connected, quality industrial commercial development

- Ensure Port is expertly managed
- Best practice investment framework
- Adhere to ESG principles

- Trusted relationship with Council
- Trusted partner to other stakeholders and the community
- Respected Te Tiriti o Waitangi partner

- Capability and capacity to deliver growth strategies
- Retention of key specialist talent
- Employee value proposition

- Investment diversification
- Agility across investments and liquidity



Community

\$387 million

dividend since 1991

\$640 million

invested into community overall

- Thriving world-class investments with strong commercial returns
- Aligned priorities
- Engaged, talented team
- Dynamic portfolio to suit a changing environment
- Increased employment opportunities for the region through the Rangiuru Business Park

Our values



Positive People



Bold Initiatives



Impactful Outcomes



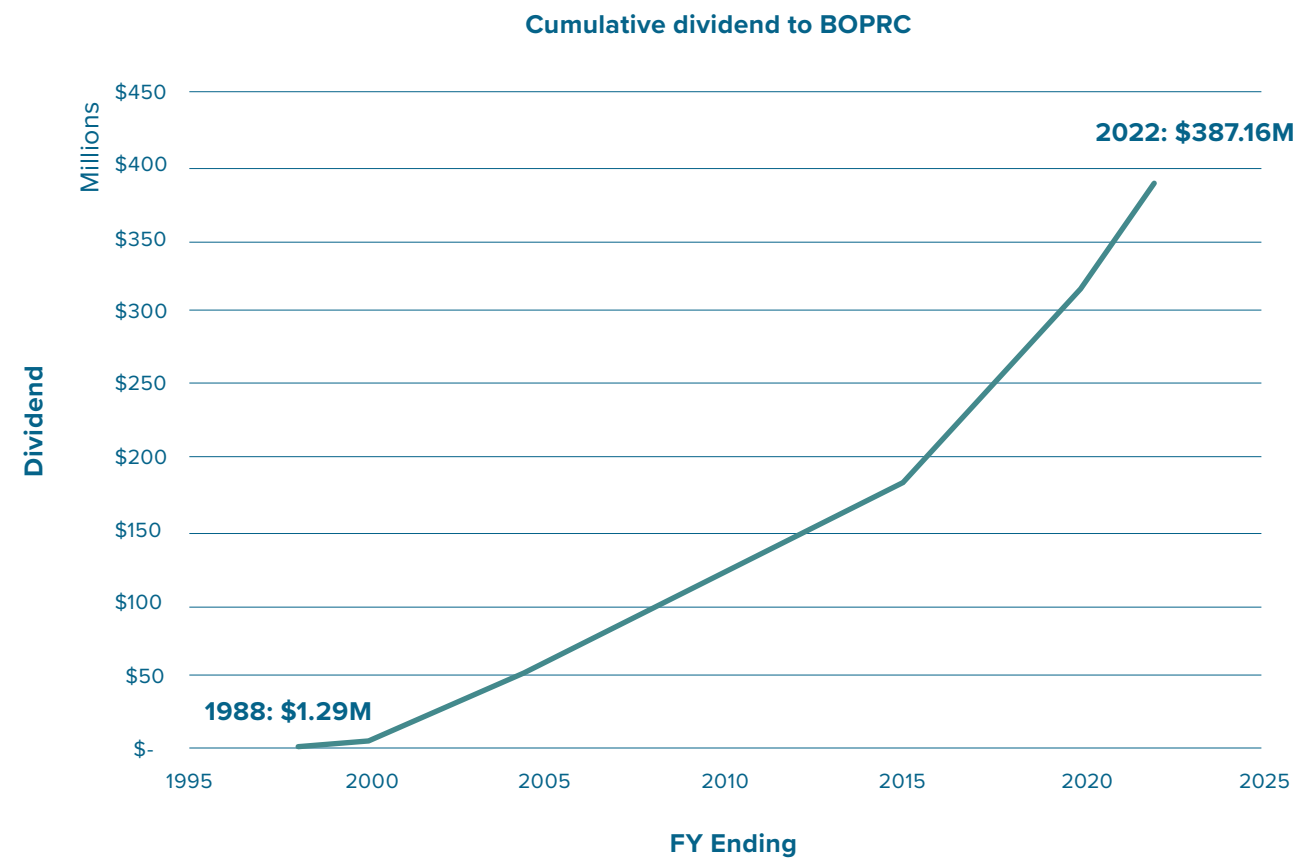


Council Distributions and Rates

Quayside's dividend back to the Council each year has a positive material impact on the general rates for property owners.

Our dividends have increased as our considered and diversified investment portfolio has grown. Our first distribution to the Council of \$1.29M occurred in 1998. This last financial year we distributed \$40M to the Council – a considerable \$6.9M increase from the previous 2020/2021 financial year.

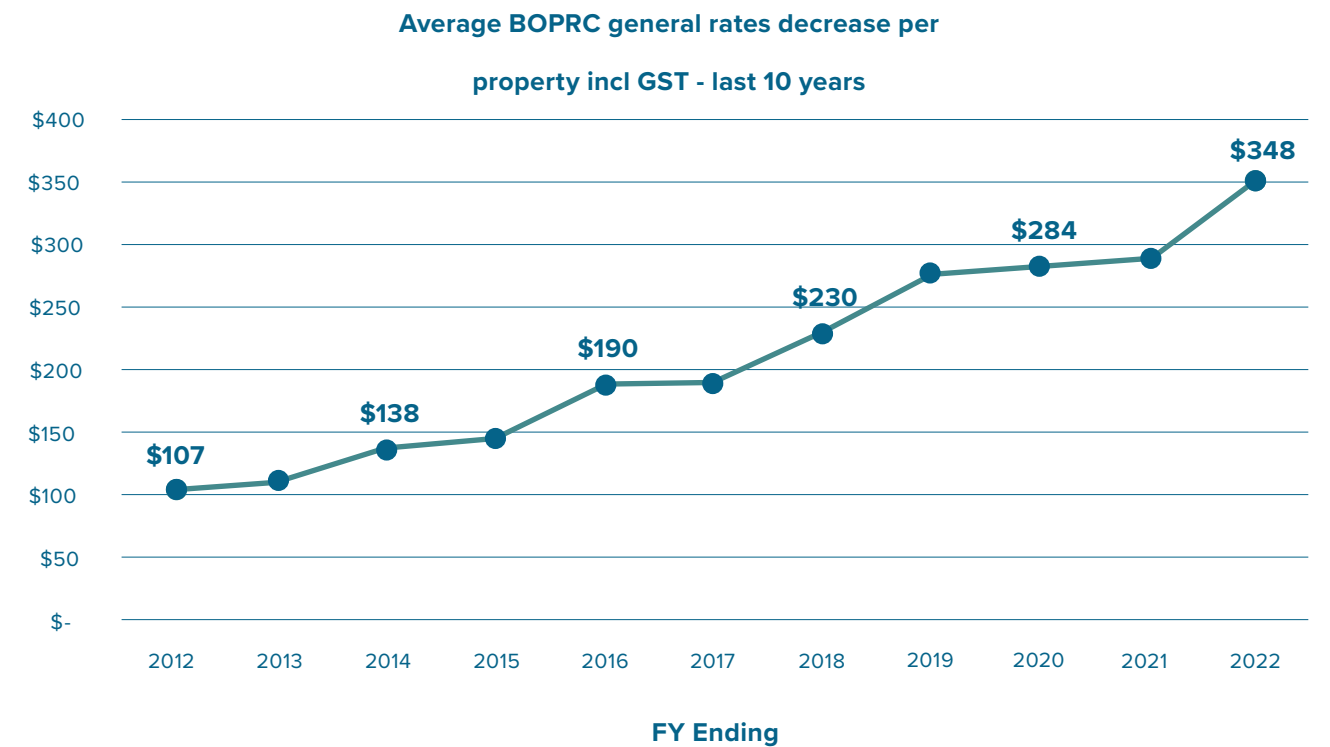
While the more turbulent economic conditions over the coming years will impact the rate of increase of this distribution, we are proud of our positive impact for the community. Our cumulative dividend is shown in the graph below:



In the 2021/2022 year, the average general rates bill was offset by **\$348** per property by these dividend payments³. This is a significant cost saving for people in our community, especially given the difficult socio-economic conditions.

This is even more significant when you consider the rate of growth in the Bay of Plenty region, with the corresponding increase in titles (rating units). Over the last 10 years, the number of rating units has increased by approximately 10.19% since 2011/2012⁴.

Over the last decade, Quayside's dividend to the Council has resulted in the average general reduction in rates going from \$107 per property in 2011/2012 to \$348 in the financial year just ended.



³ Data source: Bay of Plenty Regional Council

⁴ Data source: Bay of Plenty Regional Council





Scott Hamilton – CEO

This financial year will be the last for long standing CEO Scott Hamilton. Scott has been at the helm for the last 12 years - going from Quayside's sole employee in 2010, leading the organisation through its evolution to what it represents today.

Scott has driven the organisation from its original core purpose as the holder of the majority shares in the Port of Tauranga, to an active asset management company with investments across infrastructure, listed markets, private equity, and real assets.

Scott is an 'out of the box' thinker, with an ability to look at opportunities through a unique lens – pushing the boundaries of innovative strategic thinking. This skill, mixed with his broad experience in commercial banking, investment and fund management has led Quayside to invest in Ōpōtiki Packing and Coolstorage, WNT Ventures, Oriens Capital and Huakiwi to name a few regional initiatives.

The Chair of the Quayside Board, Sir Robert McLeod states that "Scott has made an immense contribution to Quayside. Having just celebrated our 30th year, Quayside has grown exponentially from the year Scott joined in 2010 to be an exceptional investment entity which has created substantial value for the Bay of Plenty region and its community."

Quayside now delivers to BOPRC over \$40 millions in dividends annually, contributing to social, economic and environmental outcomes for the region. A long way from \$1.29 million in 1998.

Scott has brought on a team of creative and talented individuals to deliver on the long-held vision of creating intergenerational wealth in the region. As Scott starts a new chapter, there is much for him to reflect on and to feel proud of the legacy he leaves.

"Scott has made an immense contribution to Quayside. Having just celebrated our 30th year, Quayside has grown exponentially from the year Scott joined in 2010 to be an exceptional investment entity which has created substantial value for the Bay of Plenty region and its community."

— Sir Robert McLeod
Chair, Quayside Holdings





Environmental, Social and Governance (ESG) & Culture

Statement

Quayside is fully committed to take actions in line with the outcome of COP26 which aims to halve emissions by 2030, to keep the global temperature increases below 1.5 degrees Celsius.

Enhancing ESG outcomes is a part of Quayside's strategy. As part of our vision of being a trusted, world-class investment manager, our focus is on delivering sustainable regional intergenerational prosperity.

As the owner and manager of a diversified investment portfolio, we observe the importance of reporting the climate change risks and opportunities that have material consequences on the community in which we operate.

Quayside is aware of the significance of our contribution to global climate change mitigation efforts. Hence, during 2022, we started our journey towards the preparation of our Climate Disclosure Statement to be compiled observing the

recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). Quayside will prepare its first climate statements as part of our 30 June 2024 reporting.

Our actions to address climate change are aligned to our long-term strategy – 'to deliver sustainable intergenerational prosperity to the region' - more specifically, to our commitment to deliver sustainable impactful outcomes through bold initiatives and positive people.





Environmental, Social and Governance (ESG) & Culture

E - Environmental

Techion – “making the invisible visible” (29% Quayside owned)

Intelligent digital microscope providing point of care in real time for animals, humans and the environment based in the deep south of New Zealand.

While Techion started with a focus on sheep, it has since grown to an integrated blend of environment and technology to support positive and targeted outcomes for the environment and Techion customers.

Techion’s digital microscope has evolved from detecting faecal egg count in sheep, to a variety of production animals, humans and aquaculture. Applying the technology to farm animals, Techion’s FECPAKG2 system allows anyone, everywhere, online or off line to collect a faecal sample, analyse it using the Micro-I digital microscope then have AI (Artificial Intelligence) assist with reading the results. Egg count results are emailed to clients enabling them to make informed treatment decisions. This means drench is only used when necessary, keeping animals healthy and reducing impact on the environment.

Quayside’s capital investments into Techion since 2016 has allowed the company to further develop its Artificial Intelligence to add value to the product and create a ‘parasite library’ that can be used by clients all over the world.

New Zealand aquaculture is the latest industry to see the benefit of the Techion platform - greenshell mussel farms are trialling Techion’s imaging technology to identify and count juvenile mussels (spat) to assist with growth, manage yield and generate increased export income.

While COVID may have thrown a curveball, Techion’s future strategy and business plans are set to capitalise on the needs of tomorrow, as Techion’s digital microscope and software negate the carbon effect of transporting samples to laboratories and provide diagnosis in real time.



Aqua Curo – “healing water” (100% Quayside owned)

Aqua Curo, Latin for “Healing Water”, uses world-first technology to harness bio-remediation (through algae) to eliminate pollutants from our waterways, leaving the water safer and cleaner. With the conclusion of the year long trial fast approaching, the data is showing even greater results than anticipated, with removal of environmental pollutants (phosphorus and over 100 kilograms of nitrogen) through the use of algae from a Bay of Plenty waterway over the financial year. The flow-on effect of this means that this technology can be used to remove thousands of kilograms of nitrogen from treated water before it hits New Zealand rivers.

Quayside has seen considerable support from stakeholders and the community for the environmental outcomes that Aqua Curo produces. We continue to develop the commercial and scale opportunities that we believe Aqua Curo can present. –We are proud to be part of investments that have strong environmental benefits.

*“A healthy environment”
“Freshwater for life”*





Environmental, **Social** and Governance (ESG) & Culture

S - Social



Huakiwi

In 2017, Quayside partnered with Te Tumu Paeroa to create Huakiwi – a \$40 million investment programme to build and develop kiwifruit orchards on Māori land in the Bay of Plenty. Once the targeted rate of return and capital invested is repaid, the mana whenua will not only retain their land, but now benefit from productivity that provides intergenerational income and employment.

Since its inception, Huakiwi has completed the development of eight orchards, with over 68 hectares of kiwifruit planted (gold, green and red). Our plantings have taken place in Matata, Rangitaiki, Ōpōtiki and Te Kaha, with the majority on Matakana Island. This partnership has provided real and significant employment to local iwi in the area, with long-term benefit to the Māori land owners. One example of this is a team of locals now working full-time on Matakana Island, providing opportunity, skill development and long-term prosperity. This will create real social change for whānau in the area, that will have a lasting positive impact for future generations.



“Safe and resilient communities”

“Vibrant region”

Rangiora Business Park

Modern, future-focused and connected

With earthworks having started at the Rangiora Business Park in the last financial year, the ethos for a modern, high quality industrial development in the Bay of Plenty is coming to life. Along with our partners, the Park will create between 3,000 to 4,000 local jobs for the wider community. With our earthworks head contractor now about to start the second season of earthworks, the benefits of this plan change are coming to fruition.





Environmental, Social and Governance (ESG) & Culture

G - Governance

Capability development

Quayside recognises the role we have to play in developing investment and governance capability in the Bay of Plenty region as part of our wider responsibility. We have attracted experienced independent talent on the Group’s Board of Directors. Their collective skills across multiple industries and functions means that the depth and breadth of that experience is translated into strong governance at Quayside; experience that is shared into the Executive team.

Quayside has a proven track record in supporting the regional financial eco-system, from start-up innovators to pre-profit to mature investments. Oriens Capital, WNT Ventures and Enterprise Angels are real examples of our impact on the regional investment community, for long-term growth and prosperity.

We pride ourselves on being an active investor. To us, this means we look to use our voice when it comes to voting and corporate actions, engaging in meaningful stakeholder dialogue and ensuring we use our expertise to get the very best outcomes from our investments. Our team hold numerous directorships across our investments as part of our strategy to deliver engaged governance.

“Safe and resilient communities”
“Vibrant region”





Environmental, Social and Governance (ESG) & Culture

C - Culture

Our People

Beyond investment....

Part of our operational work this year for improved performance has been to look at how we manage our human capital, including our talent attraction and retention. We have strengthened our Diversity and Inclusion Policy and while we recruit on merit, we are proud of our diverse workforce that provide a greater level of context from a social lens. Furthermore, we have incorporated a number of benefits and flexible practices into our workforce.

Recognising the role we play in the community and the importance of values alignment with our employees, Quayside has also implemented a Volunteer Day, allowing our team together to give back to the community we live in, with a focus on environmental outcomes.

Our entire team completed a Cultural Awareness six-week journey together to learn and understand principles of Te Ao Māori, learn more about tikanga and how we apply those principles in business and with each other. The outcomes have been beyond our expectations and the team's further interest leads us into Stage 2 for the coming financial year.

Our Community

- Rangiora Business Park: our relationship with the Rangiora Iwi Authority has strengthened with the start of the industrial development at Rangiora. We work closely with our Te Ahurei Māori (Senior Advisor - Kaupapa Māori) and Rangiora to develop a cultural master plan for the site development that adds to the overall outcomes for the Park and acknowledges, protects and enhances Rangiora's link to the whenua.
- Huakiwi: our joint venture partnership with Te Tumu Paeroa, with its focus on whenua Māori, gives real opportunities to the community for long-term employment.



Tapuika whenua atop of Rangiora maunga during Matariki

“Safe and resilient communities”
“Vibrant region”



Our People & Culture

Over the last 12 months, Quayside team has grown from strength to strength. A fresh look at our values and brand enabled our team to reconnect and illustrate what Quayside means to them – *Positive People, Bold Initiatives, Impactful Outcomes*

As a result, our culture has changed and grown significantly, with renewed energy on delivering meaningful outcomes to the wider community. Our brand realignment has also meant that this message is filtering out to others in our community that may not have understood what we did and what drove us.

During the year we have visited some of the companies we have investment in around the region to provide all of the team with a broader understanding of the business, engage with our stakeholders and spend time together out of the office environment.

We have also introduced a Community Day into our employee benefits, allowing us to get out into the community en-masse to undertake a mini-project to benefit the wider community we live in.

Our Employee Value Proposition remains as important as ever in this tight labour market:

Quayside's EVP Statement

Quayside is about generating stakeholder benefit externally while creating a community internally. We challenge, empower and drive our people with a focus on values, flexibility in life and work and creating opportunities. We expect the best from our people to create a lasting impact for our community and the Bay of Plenty region. We enjoy the challenges our work provides while supporting each other.

Innovation, impact, success



Positive People



Bold Initiatives



Impactful Outcomes



Our role within the
Bay of Plenty community
is significant, **responsibility**
we don't take lightly

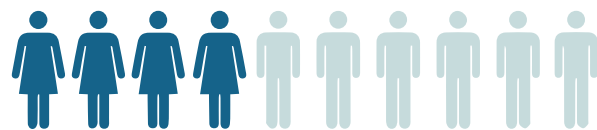




People Statistics



46% of our workforce are female



40% of our Leadership team are female



28.6% of our Board are female



Health & Safety: 0 reportable injuries

Diversity and Inclusion

We continue to refresh and embrace diversity and inclusivity in our workforce. This also means ensuring robust market-led remuneration decisions to provide equal pay for work of equal value. Coupled with a Remuneration and Benefits Policy and a Performance Review policy to guide our team, we remain confident that we reward on merit.





Investment Highlights

After the extraordinary results of last financial year, we are just as pleased with the investment results for the last 12 months given the very difficult market and economic conditions Quayside is operating within. Quayside manages a diversified investment portfolio with a gross rolling Internal Rate of Return (IRR) for the last five years of 10.78% as of 30 June 2022.

From an investment perspective, Quayside has had a flat year but performed well above benchmark across almost every sector under trying market conditions. Our Real Estate and Private Equity portfolios performed relatively well, while we lost some ground in the listed equities.

Quayside has also hit a record \$40 million distribution back to our shareholder, up from \$33.1 million last year.

With our mandate around building intergenerational returns for the region, and for future generations, this last 12 months has reinforced Quayside's strategic asset allocation is on target, allowing us to maintain our position and provide a strong positive outlook for the future.

Investment	Total	Change in FY22
Real Estate	10	3
Private Equity	14	4
BOP businesses	11	1

* Inclusive of LCD, TCD and WNT

The Rangiora Business Park – artist's impression

Feature Story — PF Olsen

As part of our diversification strategy, Quayside acquired 44% of PF Olsen on 10 June 2022.

PF Olsen is a leading provider of independent professional forestry services and celebrated their 50th anniversary in 2021. Across NZ and Australia, PF Olsen manages 372,000 hectares of forest, harvesting 5.1 million m³ of logs each year as well as planting 14 million trees per annum. PF Olsen offers exceptional services to their clients across the whole forestry value chain.

The partnership with PF Olsen aligns with our investment strategy and growth aspirations, as an industry that is expecting significant growth aligned with our ESG principles. Our investment allows PF Olsen to maximise some real opportunities in the market and continue to provide outstanding service. Alongside this, there will be further regional employment and opportunities for iwi and other community groups to come together to be part of this growth.

Quayside is excited to be part of this next stage of growth and opportunity with the team at PF Olsen.





Quayside’s portfolio had enjoyed a number of years of strong performance leading into the 2022 year. This year has seen not only the challenge of COVID-19 but also the war in Ukraine, and unprecedented inflationary and interest rate pressures. Despite this backdrop, the Quayside portfolio has performed strongly.

The portfolio is designed to be able to weather environmental storms with a focus on firstly providing shareholders with the returns required to provide long term distribution growth. This year has seen capital growth within the portfolio challenged in some market segments such as equities.

Equities:

Quayside manages a diversified investment portfolio with a market value of \$246.5 million as of 30 June 2022. Active management of this portfolio, despite a negative return, means Quayside performed well above benchmark across almost every sector under trying market conditions.

Real Assets:

Our property investments have performed in line with the market, with pleasing results through our development partnership in Rotorua. The Real Asset portfolio generated a return of 13.3% with an IRR of 11.8% for FY 2022. The returns performance is net of capital contributions into the portfolio for the period.

Private Equity:

Quayside’s managed private equity portfolio performed strongly providing solid capital growth for future generations. The Private Equity portfolio generated a return of 35.1% with an IRR of 31.9% for FY 2022. The returns performance is net of capital contributions into the portfolio for the period.

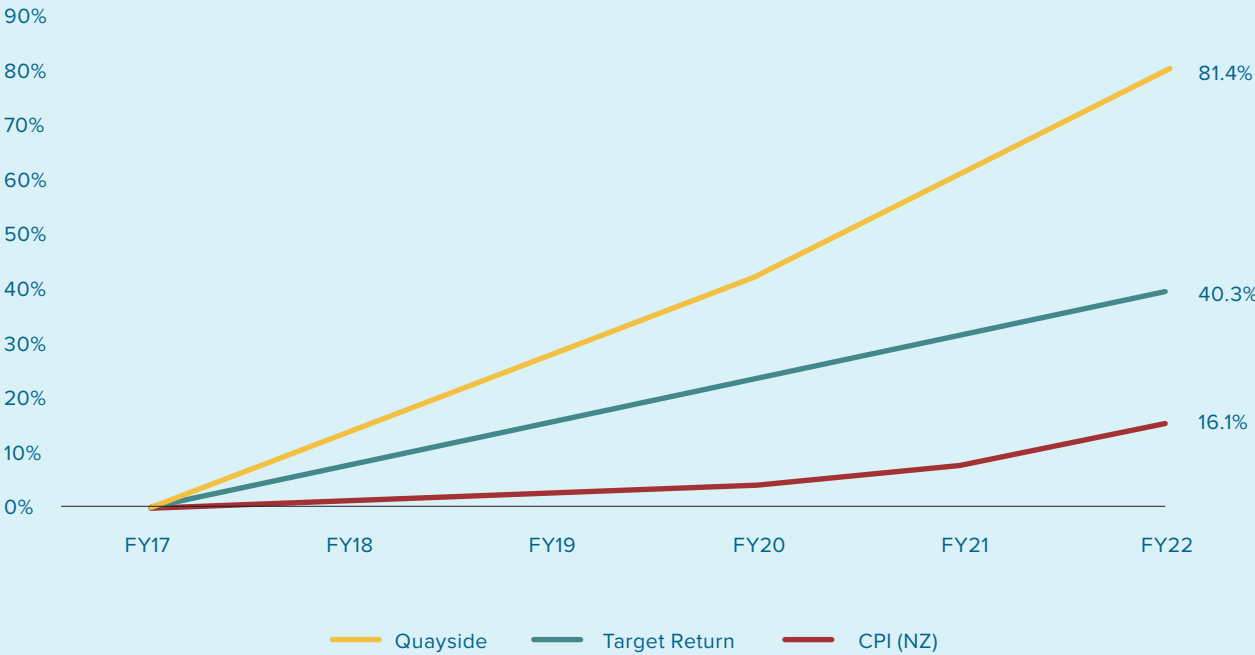
Strategic Assets:

Quayside’s investment in the Rangioru Business Park gathered significant momentum in 2022 as Stage 1a earthworks commenced. The financial results for the year reflect the demand for Rangioru as a quality industrial subdivision.

Quayside’s focus on deriving cash income as part of its overall return, has allowed Quayside to provide a record \$40 million distribution back to our shareholder, up from \$33.1 million last year.



**Quayside, Target Return, and Inflation
Compounded Growth**



Rangiuru Business Park

Quayside is the owner and developer of land that forms 40% of the 148-hectare industrial land zoned for the Business Park at Rangiuru, the largest greenfield consented industrial zone in the Bay of Plenty.

In October 2021, the Tapuika Iwi Authority (TIA) joined Quayside directors and staff along with dignitaries and stakeholders to perform a blessing on the land at the Rangiuru Business Park as the first season of earthworks commenced. We strive to recognise the importance of the land to Tapuika, as mana whenua - who many generations earlier farmed this land for kai. As part of our vision, the Park will celebrate this rich history.

Our journey on the Rangiuru Business Park started in 2005. Three plan changes and a rezoning of the land to industrial later, we have now arrived at an exciting stage in this important regional development. Bordered by the Tauranga Eastern Link (TEL) and main

trunk rail line, the Park is well positioned to act as conduit for connection from regional centres such as Whakatāne, Rotorua and Taupō, to Hamilton, Auckland and Tauranga.

Quayside has started construction on Stage 1 of the development. This stage focuses on key infrastructure requirements such as storm and wastewater, internal roading and the start of the Interchange connection with the TEL.

We are very proud to be working alongside Tapuika to weave their story through the Business Park as part of the cultural masterplan. Our stormwater management plan for the Park will also provide an opportunity for Quayside and Tapuika to work closely together on a circa 40 hectare stormwater pond. This strong working partnership will add value to the development as we progress into the future.



Planting framework strategy





Governance

Perpetual Preference Shares

In 2008, Bay of Plenty Regional Council raised \$200 million through the issue of Perpetual Preference Shares, in Quayside. Council used these funds to generate positive environmental, social and governance outcomes for the region.

The Preference shares continue to be traded on the NZDX under the ticker QHLHA. There are over 2,000 individual Perpetual Preference shareholders in Quayside.

Perpetual Preference Shares are subject to a private binding ruling for a period of five years to 2021. We are seeking a renewal of this ruling with the Department of Inland Revenue for a further five years.

The shares are subject to a reset every three years, at the three-year swap rate, on the day plus a margin of 1.70%. On 12 March 2020 the preference shares rate was reset for the next three years to 2.46%. The next reset will occur on 13 March 2023.

Quayside made a gross distribution of \$4.9 million to Perpetual Preference shareholders during the year.

Ordinary Shares

Council is the sole holder of the ordinary shares of Quayside Holdings Limited. The Group consists of the following entities:

QHL	Quayside Holdings Limited (an investment holdings company)
-----	---

The following are wholly owned subsidiaries of Quayside Holdings Limited:

QSL	Quayside Securities Limited (a corporate trustee company)
QUT	Quayside Unit Trust (a port holding trust)
QPL	Quayside Properties Limited (a property investment company)
QIT	Quayside Investment Trust (portfolio investment entity)
ACL	Aqua Curo Limited (macro algae or bioremediation purposes)

Statement of Intent

Quayside prepares a Statement of Intent for all group entities, and this is presented to Council annually in accordance with the Local Government Act 2002. Quayside successfully achieved all nine objectives it set itself in the 2021 – 2022 Statement of Intent.

Quayside has submitted its 2022 - 2023 Statement of Intent to Council in accordance with the requirements of the Local Government Act 2022.

The Statement of Intent for 2022 - 2023 is available on Quayside's website at

www.quaysideholdings.co.nz.





Group Structure

Group Ownership						
Parent				Type of Business	Ownership	Shareholder/s
Quayside Holdings Ltd (QHL)				Holding Company	100%	Bay of Plenty Regional Council
	Subsidiaries					
	Aqua Curo Limited			Aquaculture	100%	QHL
	Quayside Investment Trust (QIT) *			Trust	100%	QHL
	Quayside Securities Limited (QSL) *			Trust	100%	QHL
	Quayside Properties Limited (QPL)	Tauranga Commercial Developments Ltd (TCD)		Regional Benefit Investment	100%	QHL
				Commercial Property JV	50% 50%	QHL Commercial Fund Investors Limited
				Commercial Property JV	50% 50%	QHL TPB Holdings Limited
	Real Asset Subsidiaries					
	Quayside Barnett Place Limited			Real Asset Investment	100%	QHL
	Quayside Mystery Valley Limited			Forestry	100%	QHL
	Quayside Portside Drive Limited			Real Asset Investment	100%	QHL
	Quayside Tauriko Limited			Real Asset Investment	100%	QHL
	Quayside Te Papa Tipu Limited			Real Asset Investment	100%	QHL
	Quayside The Vault Limited			Real Asset Investment	100%	QHL
	Joint Ventures					
	Huakiwi Services Limited			Horticulture (Kiwifruit)	50% 50%	QHL Te Tumu o Paeroa (Maori Trustee)
		Subsidiary				
	Quayside Unit Trust (QUT) *	Port of Tauranga Ltd		Parent company		54.14% Quayside Unit Trust
			Port of Tauranga Trustee Company Limited	Holding Company		
			Quality Marshalling Limited	Port operations		100% Port of Tauranga
			Timaru Container Terminal Limited	Port operations		100% Port of Tauranga
			Northport Limited	Port - Associate Company		50% Port of Tauranga, 50% Marsden Maritime Holdings
			Prime Port Timaru Limited	Port - Associate Company		50% Port of Tauranga, 50% Timaru District Holdings
			Port Connect Limited	Port operations - Associate Company		50% Port of Tauranga, 50% Ports of Auckland
			Coda Group Limited	Port operations - Associate Company		50% Port of Tauranga, 50% Kotahi
			Ruakura Inland Port LP	Port JV - Associate Company		50% Port of Tauranga, 50% Tainui Group Holdings
Other						
Toi Moana Trust *			Managed by QHL	Trust		Bay of Plenty Regional Council

* QSL is trustee of TMT, QUT and QIT





Corporate Governance

Role of the Board

The Board of Quayside is appointed by Council, as the ordinary shareholder.

The Board supports the executive in achieving Quayside’s objective to deliver long term commercial returns through focused investment to our regional community and shareholder.

In achieving this, the role of the Board is to:

- Monitor and supervise the management of the Company.
- Ensure shareholders’ interests are protected.
- Develop and oversee the Group’s strategic objectives and policy framework.

An important objective is to monitor the performance of the Port of which it is a 54.14% shareholder as at 30 June 2022.

Board Composition

The Board must have at least five (5) Directors, with a minimum of two (2) being independent. As at 30 June 2022 the Board was comprised of seven members, including four (4) independent directors.

The Council as voting shareholder adopted a policy regarding the appointment and reappointment of directors onto the Board of Quayside in June 2014.

Sir R A McLeod, W J Parker, K Horne and B Hewlett are independent directors. On 23 June 2022, K Horne was reappointed as Non-Executive Director by the Council for a further three (3) year term, commencing 1 November 2022.

F C McTavish, S A Crosby and T White are directors of the Board.

Sir R A McLeod is the chair of the Board.

Board Diversity

Quayside has a Diversity and Inclusion policy. Appointments to the Board of Quayside are made in accordance with the Council’s ‘Policy for the Appointment and Remuneration of Directors to the Boards of Council Subsidiaries’.

NZDX Listing Rule 10.5.5 (j) requires all issuers to disclose Board gender diversity as at balance date in respect of directors and officers.

For the purpose of this disclosure, Mr A S Hamilton as Chief Executive is deemed the sole officer of Quayside.

	Female	Male
30 June 2018	3	5
30 June 2019	2	6
30 June 2020	3	5
30 June 2021	2	6
30 June 2022	2	6

Director Remuneration

Director remuneration is in accordance with Council’s ‘Policy for the Appointment and Remuneration of Directors to the Boards of Council Subsidiaries’.

During the year, Council approved a Directors pool of \$230,000 (plus GST if any) with an equivalent aggregate sum for remuneration pools for directors divided between subsidiaries Quayside Securities Limited (“QSL”) and Quayside Properties Limited (“QPL”).

Board and Committees

Quayside’s constitution sets out the procedures for the election of a Board chair, the convening of Board meetings and the establishment of Committees.

The directors of QHL met formally eight times during the year while the Board’s Committees met as set out in their respective charters.

In the period, there were six formal meetings of the directors of QSL and six formal meetings of the directors of QPL.

The Annual Report of the Group and the audited financial statements for the period ended 30 June 2021, together with an unmodified Audit Certificate, were presented to the voting shareholder in October 2021.

The Annual Report incorporating the audited statements for the year ended 30 June 2022, is presented with this report.

The following table outlines the number of the Group’s meetings which were attended by directors during the year.

Board Committees			
	Full Board	ARC	PCS
Sir R A McLeod	9	8	2
S A Crosby	9	8	
B Hewlett	9	8	
K Horne	8	8	
F C McTavish	9		1
W J Parker	9		2
T White	8		2
Total Meetings Held	9	8	2





Audit and Risk Committee

The Audit and Risk Committee Charter sets out the responsibilities of the committee.

The Committee has been established to focus on audit and risk management with respect to accounting practices, policies and controls. To assist the Board in meeting its responsibilities under the Companies Act 1993, the Financial Reporting Act 2013, the Port Companies Act 1988, the Financial Markets Conduct Act 2013, the Local Government Act 2002 and the NZDX listing rules.

The Audit and Risk Committee members as at 30 June 2022 are K Horne (Chair), S A Crosby, B Hewlett, and Sir R A McLeod (ex-officio).

The Audit and Risk Committee Charter was last updated in September 2020.

People, Culture and Safety Committee

The People, Culture and Safety Committee Charter sets out the responsibilities and objectives of the committee.

The Committee’s objective is to assist the Board in all aspects of remuneration policy and statutory compliance in respect of both officers and directors.

The Committee members for the period were W J Parker (Chair), T White, F C McTavish and Sir R A McLeod (ex officio).

The People, Culture and Safety Committee Charter was updated in April 2022.

Board Charter and Code of Ethics

The Board has adopted a board charter, setting out the vision, role, responsibilities, powers, delegations and membership of the board.

The Board adopted a Code of Ethics setting out the ethical and behavioural standards expected of directors and officers.

Share Trading

Quayside has a policy on share trading. The policy acknowledges that Quayside is responsible for public money and ensures transparency, fairness and ethical trading.

Other Matters

Quayside maintains a register of directors’ interests in which details of certain transactions and interests of directors must be recorded.

Quayside maintains both standard Directors’ and Officers’ liability and defence cost insurance.

During the year Quayside’s website www.quaysideholdings.co.nz was updated.

The website facilitates communication of annual and interim reports to the Perpetual Preference Shareholders, as well as the Group’s 2021 - 2022 Statement of Intent.

**Quayside Holdings Limited
and Subsidiaries**

Annual Financial Statements

**For the year ended
30 June 2022**





Quayside Holdings Limited and Subsidiaries

Annual Financial
Statements

For the year ended
30 June 2022

Quayside Holdings Limited and Subsidiaries
For the year ending 30 June 2022

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Independent Auditor’s Report

To the readers of Quayside Holdings Limited’s group financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Quayside Holdings Limited and its subsidiaries (the group). 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 the performance information of the group, on his behalf.

Opinion

We have audited:

- the financial statements of the group on pages 10 to 94, that comprise the statement of financial position as at 30 June 2022, 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 the accounting policies and other explanatory information; and
- the performance information of the group on pages 95 to 100.

In our opinion:

- the financial statements of the group present fairly, in all material respects, the financial position of the group as at 30 June 2022, and its 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 group’s actual performance compared against the performance targets and other measures by which performance was judged in relation to the group’s objectives for the year ended 30 June 2022.

Basis for our 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 for the audit of the group financial statements and performance information* section of our report. We are independent of the group in accordance with the Auditor-General’s Auditing Standards, which incorporate Professional and Ethical Standard 1: *International 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, Quayside Holdings Limited or any of 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. In applying our professional judgement to determine key audit matters, we considered those matters that are complex, have a high degree of estimation uncertainty, or are important to the public because of their size or nature.

These matters were addressed in the context of our audit of the financial statements and performance information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How did the audit address this matter
Property, plant and equipment recorded at fair value	
Refer to note 10 of the financial statements. The group has property, plant and equipment of \$2.396 billion. The group has a policy of valuing land, buildings, wharves and hardstanding and harbour improvements at fair value (Revalued PP&E). Full independent valuations are obtained at least every 3 years (by an independent valuer) over these asset classes. In the current year, both the land and buildings asset classes were revalued by an independent valuer. Wharves and hardstandings and harbour improvements fair values were adjusted with reference to cost inflation indices. The Revalued PP&E is considered a key audit matter due to the judgement involved in the assessment of the fair value and the material value of Revalued PP&E on the Statement of Financial Position.	Our procedures focused on the appropriateness of the group’s assessment as to whether the carrying values of Revalued PP&E materially represent their fair values, and if a revaluation of a class of asset was required, that the revalued assets have been accurately reflected in the financial statements. For land and buildings we have: <ul style="list-style-type: none">Assessed the competence and objectivity of the valuer used.Assessed the methodology applied by the valuer and assessed whether the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value of identified assets.Compared the asset holdings in the fixed asset register to those valued to ensure all relevant property was captured;Compared the key assumptions within each assessment to market evidence and applicable industry data.Assessed the reasonableness of valuation movements between financial years with consideration to broader sector/local market evidence (where available).





Key audit matter	How did the audit address this matter
	<ul style="list-style-type: none">Assessed whether the increase in valuation was correctly accounted for within the Revaluation Reserve and Statement of Comprehensive Income. <p>For wharves, hardstandings and harbour improvements we have:</p> <ul style="list-style-type: none">Assessed the competence and objectivity of the valuer used.Compared and recalculated the valuers fair value assessment against publicly available data (including relevant price indices).Assessed whether the increase in valuation was correctly accounted for within in the Revaluation Reserve and Statement of Comprehensive Income. <p>As a result of the above procedures, we are satisfied the carrying value of property, plant and equipment is reasonable and supportable. We are also satisfied with the adequacy of disclosures.</p>
Quayside Holdings Limited’s investments in unlisted equity investments and venture capital managed funds	
<p>Refer to note 17 of the financial statements.</p> <p>The company has investments of \$68.447 million in unlisted direct equity investments and venture capital managed funds, which are accounted for at fair value.</p> <p>Management has assessed fair value for the managed funds based on the latest quarterly reports from the fund managers. Management has assessed the fair value of unlisted equity investments using valuation techniques as disclosed in note 17.</p> <p>The fair value of these investments is considered a key audit matter because there are significant judgements to be made in determining valuation approaches and inputs. There are significant uncertainties in the fair value of some of these investments because of the early stage nature of the investments and the absence of market transactions.</p>	<p>Our procedures for investments in unlisted equity investments and venture capital managed funds included the following:</p> <ul style="list-style-type: none">We assessed management’s and the Board’s processes for reviewing and approving valuations.For unlisted equity investments we:<ul style="list-style-type: none">Assessed the appropriateness of the chosen valuation techniques.Identified the key inputs into the valuations (such as transaction prices, financial forecasts and discount rates) and assessed management’s support for these.Considered how management had taken into account the uncertainty inherent in the financial forecasts of early-stage investments.Considered the impact on the valuations of alternative assumptions and alternative valuation approaches.



Key audit matter	How did the audit address this matter
	<ul style="list-style-type: none">Assessed whether the increase in valuation was correctly accounted for within the Revaluation Reserve and Statement of Comprehensive Income. <p>For wharves, hardstandings and harbour improvements we have:</p> <ul style="list-style-type: none">Assessed the competence and objectivity of the valuer used.Compared and recalculated the valuers fair value assessment against publicly available data (including relevant price indices).Assessed whether the increase in valuation was correctly accounted for within in the Revaluation Reserve and Statement of Comprehensive Income. <p>As a result of the above procedures, we are satisfied the carrying value of property, plant and equipment is reasonable and supportable. We are also satisfied with the adequacy of disclosures.</p>
Quayside Holdings Limited’s investments in unlisted equity investments and venture capital managed funds	
<p>Refer to note 17 of the financial statements.</p> <p>The company has investments of \$68.447 million in unlisted direct equity investments and venture capital managed funds, which are accounted for at fair value.</p> <p>Management has assessed fair value for the managed funds based on the latest quarterly reports from the fund managers. Management has assessed the fair value of unlisted equity investments using valuation techniques as disclosed in note 17.</p> <p>The fair value of these investments is considered a key audit matter because there are significant judgements to be made in determining valuation approaches and inputs. There are significant uncertainties in the fair value of some of these investments because of the early stage nature of the investments and the absence of market transactions.</p>	<p>Our procedures for investments in unlisted equity investments and venture capital managed funds included the following:</p> <ul style="list-style-type: none">We assessed management’s and the Board’s processes for reviewing and approving valuations.For unlisted equity investments we:<ul style="list-style-type: none">Assessed the appropriateness of the chosen valuation techniques.Identified the key inputs into the valuations (such as transaction prices, financial forecasts and discount rates) and assessed management’s support for these.Considered how management had taken into account the uncertainty inherent in the financial forecasts of early-stage investments.Considered the impact on the valuations of alternative assumptions and alternative valuation approaches.



Our opinion on the group 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 group 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 group 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 on the other information that we obtained prior to the date of this auditor’s report, 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 for the group financial statements and performance information

The directors are responsible on behalf of the group for the preparation and fair presentation of the group financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards. The directors are also responsible for preparing the performance information for the group.

The directors are responsible for such internal control as the directors determine is necessary to enable the preparation of group financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements and the performance information, the directors are responsible on behalf of the group for assessing 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 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 and the Local Government Act 2002.

Auditor’s responsibilities for the audit of the group financial statements and performance information

Our objectives are to obtain reasonable assurance about whether the group 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 group 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 group 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 group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- evaluate the appropriateness of the reported performance information within the 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 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 group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the group financial statements and the performance information, including the disclosures, and whether the group financial statements and performance information represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information 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 group 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.



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
2 September 2022

Quayside Holdings Limited and Subsidiaries
Income Statement
For the year ended 30 June 2022

	Note	2022 \$000	2021 \$000
Income			
Trading revenue	4(a)	380,131	344,213
Other income	4(b)	6,042	5,211
Other gains	4(c)	59,466	69,796
Operating income	4	445,639	419,220
Expenses			
Employee benefit expenses	5	(49,851)	(45,498)
Trading and other expenses	6(a)	(140,334)	(125,532)
Other losses	6(b)	(46,238)	(23,624)
Operating expenses		(236,442)	(194,654)
Results from operating activities		209,217	224,566
Depreciation and amortisation	10, 11, 12	(37,965)	(34,800)
Impairment of property, plant and equipment		-	(12)
Operating profit before finance costs, share of profit from equity accounted investees and taxation		171,251	189,754
Finance income	7(a)	923	376
Finance expenses	7(b)	(18,219)	(17,713)
Net finance costs		(17,296)	(17,337)
Impairment of investment in equity accounted investees		(599)	(2,707)
Share of profit/(loss) from equity accounted investees	14	17,561	17,018
Profit before income tax		170,917	186,728
Income tax benefit/(expense)	8	(45,052)	(32,630)
Net profit after tax		125,865	154,098
Attributable to:			
Equity holders of the parent		75,573	107,845
Non controlling interest		50,293	46,253
		125,865	154,098



Quayside Holdings Limited and Subsidiaries
Statement of Comprehensive Income
For the year ended 30 June 2022

	Note	2022 \$000	2021 \$000
Net profit after tax		125,865	154,098
Other comprehensive income			
<i>Items that will be reclassified to profit or loss when specific conditions are met:</i>			
Cash flow hedge - changes in fair value, net of tax*		15,165	6,618
Cash flow hedge - reclassified to profit or loss, net of tax*		4,382	3,903
Share of net change in cash flow hedge reserves of equity accounted investees		862	496
		20,409	11,017
<i>Items that will not be reclassified to profit or loss:</i>			
Bearer plant revaluation, net of tax *		(4,136)	1,694
Kiwifruit licence revaluation, net of tax *		1,115	1,018
Asset revaluation, net of tax*		625,137	157,842
Share of net change in revaluation reserve of equity accounted investees		13,865	12,090
		635,981	172,644
Total other comprehensive income		656,390	183,661
Total comprehensive income / (loss) for the period		782,255	337,759
Attributable to:			
Equity holders of the parent		434,044	209,754
Non controlling interest		348,212	128,005
		782,255	337,759

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



Quayside Holdings Limited and Subsidiaries
Statement of Changes in Equity
For the year ended 30 June 2022

	Share capital \$000	Hedging reserve \$000	Revaluation reserve \$000	Retained earnings \$000	Non controlling interest \$000	Total equity \$000
Balance at 30 June 2020	200,011	(12,205)	600,346	177,045	538,255	1,503,452
Profit after tax	-	-	-	107,845	46,253	154,098
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	3,628	-	-	2,990	6,618
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	2,140	-	-	1,763	3,903
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	272	-	-	224	496
Net change in share of Equity Accounted Investees' revaluation reserve	-	-	6,628	-	5,462	12,090
Asset revaluation, net of tax	-	-	86,530	-	71,312	157,842
Bearer plant revaluation, net of tax	-	-	1,694	-	-	1,694
Kiwifruit licence revaluation, net of tax	-	-	1,018	-	-	1,018
Total Comprehensive Income	-	6,040	95,870	107,845	128,005	337,759
Non-controlling interest adjustment	-	-	-	25	-	25
Increase / (Decrease) in share capital	-	-	-	403	332	735
Shares issued upon vesting of management LTI plan (Note 17c)	-	-	-	123	(123)	-
Equity settled share-based payment accrual (Note 17c)	-	-	-	-	2,078	2,078
Shares, previously subject to call option, issued	-	-	-	2,168	(2,168)	-
Dividends to shareholders (Note 17b)	-	-	-	(36,642)	(38,667)	(75,309)
Balance at 30 June 2021	200,011	(6,165)	696,215	250,966	627,712	1,768,739



Quayside Holdings Limited and Subsidiaries
Statement of Changes in Equity
For the year ended 30 June 2022

	Share capital	Hedging reserve	Revaluation reserve	Retained earnings	Non controlling interest	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2021	200,011	(6,165)	696,215	250,966	627,712	1,768,739
Profit after tax	-	-	-	75,573	50,293	125,865
Net effective portion of changes in fair value of cash flow hedges, net of tax	-	8,314	-	-	6,851	15,165
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	2,402	-	-	1,980	4,382
Net change in share of Equity Accounted Investees' cash flow hedge reserves	-	473	-	-	389	862
Net change in share of Equity Accounted Investees' revaluation reserve	-	-	7,601	-	6,264	13,865
Asset revaluation, net of tax	-	-	342,703	-	282,434	625,137
Bearer plant revaluation, net of tax	-	-	(4,136)	-	-	(4,136)
Kiwifruit licence revaluation, net of tax	-	-	1,115	-	-	1,115
Total Comprehensive Income	-	11,188	347,283	75,573	348,212	782,255
Non-controlling interest adjustment	-	-	-	(11)	(2)	(13)
Retained earnings adjustment	-	-	-	506	-	506
Increase / (Decrease) in share capital	-	-	-	(20)	(17)	(37)
Shares issued upon vesting of management LTI plan	-	-	-	126	(126)	-
Equity settled share-based payment accrual	-	-	-	-	2,021	2,021
Dividends to shareholders	-	-	-	(43,542)	(43,661)	(87,203)
Balance at 30 June 2022	200,011	5,023	1,043,498	283,597	934,140	2,466,269

Quayside Holdings Limited and Subsidiaries
Statement of Financial Position
As at 30 June 2022

	Note	2022 \$000	2021 \$000
ASSETS			
Current assets			
Cash and cash equivalents		45,680	40,664
Receivables and prepayments	15	65,599	68,888
Inventories		2,185	1,009
Derivative financial instruments	19	350	-
Loans to Equity accounted investees	17	2,930	-
Total current assets		116,744	110,560
Non-current assets			
Intangible assets	12	27,430	27,240
Property, plant and equipment	10	2,396,124	1,767,864
Investments in equity accounted investees	14	250,590	208,502
Investment property	24	97,308	56,907
Biological assets	25	807	680
Other financial assets	17	262,025	293,950
Right-of-use assets	11	40,407	41,935
Deferred tax asset	9	719	710
Derivative financial instruments		11,957	77
Receivables and prepayments	15	18,612	16,502
Total non-current assets		3,105,978	2,414,368
Total assets		3,222,722	2,524,929
LIABILITIES			
Current liabilities			
Trade and other payables	21	42,313	39,838
Revenue in advance		3,283	162
Loans and borrowings	18	125,000	334,706
Lease liability	11	864	987
Employee benefit provisions	5	3,350	3,389
Derivative financial instruments	19	67	1,151
Contingent consideration	20	368	434
Current taxation		13,746	10,005
Total current liabilities		188,991	390,672
Non-current Liabilities			
Loans and borrowings	18	389,499	215,000
Lease liability	11	41,659	42,241
Employee benefit provisions	5	1,627	2,244
Deferred tax liabilities	9	124,587	89,349
Contingent consideration		2,688	2,920
Derivative financial instruments	19	7,403	13,763
Total non-current Liabilities		567,463	365,517
Total liabilities		756,453	756,189
NET ASSETS		2,466,269	1,768,739





Quayside Holdings Limited and Subsidiaries
Statement of Financial Position
As at 30 June 2022

	Note	2022 \$000	2021 \$000
EQUITY			
Paid up capital	16(a)	200,011	200,011
Reserves	16(c)	1,048,521	690,050
Retained earnings		283,597	250,966
Total equity attributable to equity holders of the parent		1,532,129	1,141,027
Non controlling interest	16(e)	934,140	627,712
TOTAL EQUITY		2,466,269	1,768,739

These financial statements have been authorised for issue by the Board of Directors on 2 September 2022.

Director

Director



Quayside Holdings Limited and Subsidiaries
Statement of Cash Flows
For the year ended 30 June 2022

	Note	2022 \$000	2021 \$000
Cash flows from operating activities			
Receipts from customers		397,173	339,385
Dividends received		5,681	4,658
Interest received		(72)	(28)
Other income		906	623
Payments to suppliers and employees		(198,540)	(188,746)
Taxes refunded		33	13
Taxes/subvention paid		(36,447)	(37,728)
Interest paid		(18,431)	(18,709)
Net cash flow from operating activities		150,303	99,468
Cash flows from investing activities			
Proceeds from sale of investments		66,299	34,901
Purchase of investments		(50,695)	(81,831)
Redemption of units		-	-
Distributions from equity investments		3,951	4,390
Finance lease payments received, including interest		(13)	13
Repayment of advances from equity accounted investees		-	5,171
Advances to equity accounted investees		(2,627)	-
Investment in equity accounted investees		(30,165)	(6,231)
Disposal of in equity accounted investees		-	3,912
Investment in subsidiaries		-	-
Distributions from equity accounted investees		20,314	12,388
Advances of intercompany loans		-	-
Repayment of intercompany loans		-	-
(Purchase) / Sale of intangible assets		(135)	167
Purchase of biological assets		-	-
Purchase of investment property		(8,808)	(2,850)
Improvements to investment property		(5,720)	-
Purchase of property, plant and equipment		(21,345)	(22,677)
Proceeds from sale of property, plant and equipment		33	10
Interest capitalised on property, plant and equipment		(102)	(89)
Payment of contingent consideration		(488)	-
Cash acquired as part of business combinations		-	794
Net cash flow from investing activities		(29,501)	(46,727)
Cash flows from financing activities			
Proceeds from borrowings		110,768	61,020
Repurchase of shares		(931)	-
Repayment of lease liabilities		(874)	(869)
Repayment of borrowings		(138,029)	(64,000)
Dividends paid	16	(87,204)	(75,309)
Net cash flow from financing activities		(116,270)	(79,158)
Effects of exchange rate changes on cash and cash equivalents		484	(44)
Net increase/(decrease) in cash and cash equivalents		5,016	(31,666)
Cash and cash equivalents at the beginning of the year		40,664	72,330
Cash and cash equivalents at the end of the year		45,680	40,664



Quayside Holdings Limited and Subsidiaries
Statement of Cash Flows
For the year ended 30 June 2022

RECONCILIATION OF PROFIT FOR THE PERIOD
TO CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the period		125,865	154,098
Items classified as investing/financing activities:			
Finance lease interest revenue	7a	(41)	(55)
Net (gain)/loss on investments		(14,557)	(49,283)
Gain on sale of property, plant and equipment		38	(10)
		111,305	104,750
Non cash and non operating items:			
Depreciation and amortisation	10,11,12	37,931	34,832
Impairment of property, plant and equipment	10	-	12
Impairment of property, plant and equipment on revaluation	10	1,445	2,326
(Decrease)/Increase in deferred taxation expense		5,874	(4,977)
Ineffective portion of change in fair value of cash flow hedge		(51)	3
Amortisation of interest rate collar premium		-	86
Reversal of previous year deficit		508	-
Share of net profit after tax retained by equity accounted investees	14	(17,560)	(17,018)
Impairment of investment in equity accounted investees		599	2,707
Increase in equity settled share based payment accrual		2,021	2,078
Loss on disposal of Equity Accounted Investees		-	741
Write off of bearer plants		-	398
Revenue received in advance		2,244	
Change in the fair value of contingent consideration		117	103
		33,128	21,291
Movements in working capital:			
Change in trade receivables and prepayments		1,683	(31,487)
Change in inventories		(1,176)	452
Change in taxation payable		3,734	1,170
Change in trade, other payables and revenue received in advance		2,108	3,247
Changes in foreign cash deposits		(479)	45
		5,870	(26,573)
Net cash flow from operating activities		150,303	99,468

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2022

1 Company Information

Reporting Entity

Quayside Holdings Limited (referred to as the “Parent” company) is a company domiciled in New Zealand and registered under the Companies Act 1993.

The Group is wholly owned by Bay of Plenty Regional Council (“Council”). The Group is a holding company for the investment activity of Council. Through appropriate subsidiaries, the Parent is the majority shareholder in Port of Tauranga Limited, and 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.

Consolidated financial statements are presented. The consolidated financial statements comprise the Group wholly owned subsidiaries (Quayside Holdings Limited, Quayside Properties Limited, Quayside Securities Limited, Quayside Investment Trust, Quayside Unit Trust, Aqua Curo Limited, Quayside Barnett Place Limited, Quayside The Vault Limited, Quayside Portside Drive Limited, Quayside Mystery Valley Limited, Quayside Tauriko Limited), 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”). Although Toi Moana Trust comes under the governance of the Quayside Group, through Quayside Securities Limited being the appointed Trustee, it is beneficially owned and controlled by Bay of Plenty Regional Council and is therefore not consolidated by Quayside Holdings Limited. These financial statements often reference the two governance structures being:

- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust, Quayside Properties Limited, Aqua Curo Limited, Quayside Barnett Place Limited, Quayside The Vault Limited, Quayside Portside Drive Limited, Quayside Mystery Valley Limited, Quayside Tauriko Limited., and its equity accounted investees. Quayside Group has investments in equities, shares and other assets.
- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and its equity accounted investees. The Port of Tauranga group is owned 54.14% (2021: 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.

The Group is classified as a-profit entity. The diagram on the following page illustrates the two subsets of the Group: Quayside Group and Port of Tauranga Group.





Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

Group Structure

Group Ownership					
Parent			Type of Business	Ownership	Shareholder/s
Quayside Holdings Ltd (QHL)			Holding Company	100%	Bay of Plenty Regional Council
Subsidiaries					
Aqua Curo Limited			Aquaculture	100%	QHL
Quayside Investment Trust (QIT) *			Trust	100%	QHL
Quayside Securities Limited (QSL) *			Trust	100%	QHL
Quayside Properties Limited (QPL)			Regional Benefit Investment	100%	QHL
	Tauranga Commercial Developments Ltd (TCD)		Commercial Property JV	50% 50%	QHL Commercial Fund Investors Limited
	Lakes Commercial Developments Ltd (LCD)		Commercial Property JV	50% 50%	QHL TPB Holdings Limited
Real Asset Subsidiaries					
Quayside Barnett Place Limited			Real Asset Investment	100%	QHL
Quayside Mystery Valley Limited			Forestry	100%	QHL
Quayside Portside Drive Limited			Real Asset Investment	100%	QHL
Quayside Tauriko Limited			Real Asset Investment	100%	QHL
Quayside Te Papa Tipu Limited			Real Asset Investment	100%	QHL
Quayside The Vault Limited			Real Asset Investment	100%	QHL
Joint Ventures					
Huakahi Services Limited			Horticulture (Kiwifruit)	50% 50%	QHL Te Tumu o Paeroa (Maori Trustee)
	Subsidiary				
Quayside Unit Trust (QUT) *	Port of Tauranga Ltd	Port of Tauranga Trustee Company Limited	Parent company		54.14% Quayside Unit Trust
		Quality Marshalling Limited	Port operations		100% Port of Tauranga
		Timaru Container Terminal Limited	Port operations		100% Port of Tauranga
		Northport Limited	Port - Associate Company		50% Port of Tauranga, 50% Marsden Maritime Holdings
		Prime Port Timaru Limited	Port - Associate Company		50% Port of Tauranga, 50% Timaru District Holdings
		Port Connect Limited	Port operations - Associate Company		50% Port of Tauranga, 50% Ports of Auckland
		Coda Group Limited	Port operations - Associate Company		50% Port of Tauranga, 50% Kotahi
		Ruakura Inland Port LP	Port JV - Associate Company		50% Port of Tauranga, 50% Tainui Group Holdings
Other					
Toi Moana Trust *			Managed by QHL	Trust	Bay of Plenty Regional Council

* QSL is trustee of TMT, QUT and QIT



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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: other financial assets and liabilities (including derivatives) at fair value through the income statement, land, buildings, harbour improvements, wharves and hardstanding, kiwifruit licences, investment properties, bearer plants and biological assets.

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. Cash balances in the current and prior year are comprised solely of on call bank accounts.

The financial statements were authorised for issue by the Board of Directors on 2 September 2022.

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.

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);
- valuation of biological assets (note 25);
- impairment assessment of intangible assets (refer note 12);
- impairment assessment of investments in equity accounted investees (refer to note 14);
- valuation of share rights granted (refer to note 23); and
- valuation of investment properties (refer to note 24).
- Valuation of unlisted private equity investment (refer to note 17).

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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

2 Basis of Preparation (continued)

Classification of property

The Group 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 \$97.4 m (2021: \$56.9m). In the case of the industrial land held by Quayside Properties Limited for development as Rangioru 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 Group whilst the land is developed. These incidental cash flows are independent of the cashflows generated by other assets held by the Group. The kiwifruit bearer plants on the land are classified as property, plant and equipment – refer to note 10, while the underlying land is classified as investment property.

The directors in applying their judgement have classified these properties as investment property according to NZ IAS 40. Also refer to note 24 for more information on the classification of Rangioru Land.

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.

Financial Instruments

Financial Assets – Classification and Subsequent Measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value Through Profit and Loss (FVTPL). Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Financial Liabilities – Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

2 Basis of Preparation (continued)

New accounting standards and interpretations not yet adopted

There are no new or amended accounting standards and interpretations that are issued but not yet adopted that are expected to have a material impact on the Group.

3 Segmental Reporting

At 30 June 2022 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 *Port of Tauranga Group* operates in one geographical area, that being New Zealand. During the year the Group had two external customers which comprised more than 10% of total revenue. Revenue from these two customers is included in Port Operations and accounts for 29% and 13% (2021: 30% and 12%) of total revenue.

	Port \$000	Investing \$000	Total \$000
30 June 2022			
Total segment revenue	374,885	57,623	432,508
Inter-segment revenue	-	(51,581)	(51,581)
Revenue (from external customers)	374,885	6,042	380,927
Other income/gains	403	64,309	64,712
Finance income	287	636	923
Finance costs	(16,452)	(1,767)	(18,219)
Depreciation & amortisation	(37,586)	(1,308)	(38,894)
Other expenditure/losses	(182,727)	(52,766)	(235,493)
Income tax (expense) / benefit	(39,079)	(5,973)	(45,052)
Impairment of equity accounted investees	-	(599)	(599)
Share of profit of equity accounted investees	11,586	5,975	17,561
Net profit after tax	111,317	14,548	125,865



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

3 Segmental Reporting (continued)

	Port \$000	Investing \$000	Total \$000
30 June 2021			
Total segment revenue	337,302	50,897	388,199
Inter-segment revenue	-	(45,686)	(45,686)
Revenue (from external customers)	337,302	5,211	342,513
Other income/gains	979	75,728	76,707
Finance income	164	212	376
Finance costs	(16,736)	(977)	(17,713)
Depreciation & amortisation	(33,998)	(802)	(34,800)
Other expenditure/losses	(163,485)	(30,440)	(193,925)
Income tax (expense) / benefit	(34,634)	2,004	(32,630)
Impairment of equity accounted investees	-	(2,707)	(2,707)
Loss on disposal of Equity Accounted Investee	(741)	-	(741)
Share of profit of equity accounted investees	13,524	3,494	17,018
Net profit after tax	102,375	51,723	154,098

The segment assets at 30 June are:

	Port \$000	Investing \$000	Total \$000
30 June 2022	2,743,526	479,197	3,222,723
30 June 2021	2,081,270	443,659	2,524,929

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).



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

4 Operating Revenue

	2022 \$000	2021 \$000
(a) Trading revenue		
Revenue from contracts with customers		
Container terminal revenue	239,333	209,212
Multi cargo revenue	63,445	61,348
Marine services revenue	39,148	35,830
Sale of goods – kiwifruit	3,199	4,659
	345,125	276,285
Other revenue		
Rental income	34,605	32,195
Other	401	969
Total trading revenue	380,131	344,213
(b) Other Income		
Foreign dividends	2,238	1,496
New Zealand dividends	3,657	3,275
Other	146	440
Total other income	6,042	5,211
(c) Other gains		
Change in fair value of investment property	25,272	-
Change in fair value of biological assets	102	179
Realised foreign exchange gains	27	298
Realised gain on equity investments and associates	3,546	5,221
Unrealised foreign exchange gain on equity investments	1,545	20
Unrealised gain on equity investments	28,972	64,068
Other gains	2	10
Total other gains	59,466	69,796

The Group 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 (2021: 26.45 hectares).

Sale of goods – kiwifruit for an amount of \$3.2m is included in the Segment "Investing" as disclosed in note 3.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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. Standard credit terms are a month following invoice with any rebate variable component calculated at the client's financial year end. Rebateable sales are eligible for sales volume rebates. When the rebate is accrued, it is accrued as a current liability (rebate payable) based on contracted rates and estimated volumes. For financial reporting purposes rebates are treated as a reduction in profit or loss. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

- *Container terminal revenue:* relates to the handling, processing, storage and rail of containers. Contracts are entered into with shipping lines and cargo owners. The primary performance obligations identified include the load and discharge of containers (which include the services provided to support the handling of containers). Container terminal revenue is recognised over time based on the number of containers exchanged (an output method). This method is considered appropriate as it allows revenue to be recognised based on the Port of Tauranga group's effort to satisfy the performance obligation. The transaction price is determined by the contract and adjusted by variable consideration (rebates). Rebates are based on container volume and the Port of Tauranga group accounts for the variable consideration using the expected value method. The expected value is the sum of probability weighted amounts in a range of possible consideration amounts. The Port of Tauranga group estimates container volumes based on market knowledge and historical data.
- *Multi cargo revenue:* relates to the wharfage and storage of bulk goods. Contracts are entered into with cargo owners. The stevedoring services are provided by a third party. Multi cargo revenue is recognised after the vessel's departure, at a point in time, except storage revenue which is recognised over time. The transaction price for multi cargo services is determined by the contract.
- *Marine services revenue:* relates directly to the visit of a vessel to the port and includes fees for pilotage, towage and mooring. Contracts are entered into with vessel operators. The performance obligations identified include vessel arrival, departure and berthage. Revenue is recognised over time, based on time elapsed, as customers are charged a daily service fee for each day in the Port. The transaction price for marine services is determined by the contract.
- *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.
- *Other income:* is recognised when the right to receive payment is established.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

5 Employee Benefit Expenses

	2022	2021
	\$000	\$000
Wages and salaries	47,318	43,164
ACC Levy	276	273
Kiwisaver contribution	1,709	1,557
Medical subsidy	307	304
Other	241	201
Total employee benefit expenses	49,851	45,498

Employee Benefit Provisions

	Long Service Leave	Profit Sharing and Bonuses	Total
	\$000	\$000	\$000
Balance at 30 June 2021	2,106	3,527	5,633
Additional provision	(188)	3,426	3,238
Unused amounts reversed	(295)	-	(295)
Utilised during the period	(134)	(3,465)	(3,599)
Balance at 30 June 2022	1,489	3,488	4,977
Total current provisions	141	3,209	3,350
Total non-current provisions	1,348	279	1,627

Employee Benefits – Long Service Leave

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 – Profit Sharing and Bonuses

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

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

6 Other Expenses

The following items of expenditure are included in other expenses:

	2022 \$000	2021 \$000
(a) Trading and other expenses		
<i>Audit Fees for the audit and review of the financial statements:</i>		
Audit NZ – audit fees paid to principal auditor	238	131
Audit NZ – audit fees paid for other group entities	-	2
KPMG – audit fees paid for other <i>Quayside group</i> entities	-	12
KPMG - audit fees paid to principal auditor of the <i>Port of Tauranga Group</i>	239	294
Contracted services for Port operations	84,796	69,143
Direct fuel and power expenses	14,494	11,545
Maintenance of property, plant and equipment	12,895	15,633
Orchard expenses	1,196	1,386
Directors' fees	460	454
Subvention expense	-	828
Other	26,016	26,105
Total trading and other expenses	140,334	125,532
 (b) Other losses		
Loss on revaluation investment properties	-	828
Realised foreign exchange losses	-	350
Realised loss on equity investments	1,428	2,142
Unrealised foreign exchange losses	-	11
Unrealised loss on equity investments	43,710	17,771
Other losses through income statement	1,100	2,521
Total other losses	46,238	23,624

Audit fees for the financial statements to Audit New Zealand is made up of \$167,375 for the audit of the 2021/22 financial statements. An additional \$39,672 has been recognised based on the actual bill for the audit of 2020/21 financial statements and \$29,000 has been recognised based on the actual bill for the audit of 2019/20 financial statements.

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

7 Finance Income and Expenses

	2022 \$000	2021 \$000
(a) Finance income		
Interest income on bank deposits	329	81
Interest on advances to equity accounted investees	55	41
Interest on finance lease	-	1
Change in Fair value of hedged risk	125	-
Ineffective portion of changes in fair value of cash flow hedges	6	-
Convertible note interest	252	90
Interest income other	156	163
Total finance income	923	376
 (b) Finance expense		
Interest expense on borrowings	(16,157)	(15,955)
Less: interest capitalised to property, plant and equipment	102	89
	(16,055)	(15,866)
 Interest expense on lease liabilities	(2,084)	(1,758)
Ineffective portion of changes in fair value of cash flow hedges	-	(3)
Amortisation of interest rate collar premium	(80)	(86)
Total finance expense	(18,219)	(17,713)
Net finance cost	(17,296)	(17,337)

Capitalised interest

The average weighted interest rate for interest capitalised to property, plant and equipment, was 2.60% for the current period (2021: 2.45%).

Total interest capitalised to property, plant and equipment was \$0.102 million for the current period (2021: \$0.089m).

Policies

Finance income comprises interest income on bank deposits, finance lease interest, other interest income and gains on hedging instruments that are recognised in the income statement. Interest income is measured at amortised cost and 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 measured at amortised cost and recognised in the income statement using the effective interest method.

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

8 Income Tax

	2022 \$000	2021 \$000
Components of tax expense		
Profit before income tax for the period	170,917	186,728
Income tax on surplus at 28% (2021: 28%)	47,857	52,284
<i>Tax effect of amounts which are non (deductible)/taxable:</i>		
Fair value (loss)/gain through profit and loss	2,969	(14,412)
Exempt dividends (Wholly owned group)	(14,424)	(12,773)
Foreign dividend regime	1,050	672
Impairment of investment in equity accounted investees – refer to note 14	-	758
Share of equity accounted investees after tax income, excluding Coda Group Limited Partnership	(4,453)	(4,267)
Dividend imputation credits/Other tax credits	13,241	13,038
PIE attributed (income)/loss	-	(1,443)
Other attributed (income)/loss	5	(163)
Group loss offset election	(826)	(596)
Tax losses unutilised	79	-
Prior period adjustment	(403)	(66)
Assessable income on disposal	401	
Loss on disposal of Equity Accounted Investees	-	207
Other	(444)	(607)
Income tax (benefit)/expense	45,052	32,630
<i>The income tax (benefit)/expense is represented by:</i>		
Current tax expense		
Tax payable in respect of the current period	39,481	36,977
Adjustment for prior period	(260)	630
Total current tax expense	39,221	37,607
Deferred tax expense		
Origination/reversal of temporary differences	6,154	(4,433)
Adjustment for prior period	(323)	(544)
Total deferred tax expense (note 9)	5,831	(4,977)
Income tax (benefit)/expense	45,052	32,630

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

8 Income Tax (continued)

	2022 \$000	2021 \$000
Income tax recognised in other comprehensive income:		
Revaluation of property, plant and equipment	22,912	17,935
Revaluation of bearer plants	1,627	35
Revaluation of intangibles	(433)	-
Cash flow hedges	7,602	4,091
Total (note 9)	31,708	22,061
Imputation credit account		
Imputation credits available for use in subsequent periods	131,623	118,040

Policies

Income tax expense includes components relating to current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

9 Deferred Taxation

Group	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000	\$000
Deferred tax (asset)/liability						
Tax losses	(693)	(690)	-	-	(693)	(690)
Biological assets	-	-	-	55	0	55
Property, plant and equipment	-	-	116,273	95,490	116,273	95,490
Investment property	-	-	6,913	701	6,913	701
Intangible assets	-	-	2,053	1,903	2,053	1,903
Derivatives	0	(4,182)	3,420	-	3,420	(4,182)
Provisions and accruals	(3,037)	(3,513)	-	-	(3,037)	(3,513)
Equity accounted investees	(788)	(638)	-	-	(788)	(638)
Leases	(58)	-	-	3	(58)	3
Others	-	(143)	79	-	51	(143)
Contingent consideration	(265)	(348)	-	-	(265)	(348)
Total	(4,841)	(9,514)	128,737	98,152	123,868	88,639

Group	Recognised in the Statement of Financial Position on Acquisition of Subsidiary		Recognised in the Income Statement		Recognised in Comprehensive Income	
	2022	2021	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000	\$000
Tax benefit	-	-	-	(461)	-	-
Property, plant and equipment	-	390	(320)	(1,460)	24,539	17,935
Biological asset	-	-	-	(50)	-	-
Investment property	-	-	6,068	1,423	-	-
Intangible assets	-	757	(237)	(180)	(433)	35
Finance lease receivables	-	-	(44)	(2)	-	-
Derivatives	-	-	-	-	7,602	4,091
Provisions and accruals	-	(7)	431	(1,090)	-	-
Equity Accounted Investees	-	-	(150)	(213)	-	-
Contingent consideration	-	(450)	83	102	-	-
Total	-	690	5,831	(1,930)	31,708	22,061



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

9 Deferred Taxation (continued)

Unrecognised tax losses or temporary differences

There are no material unrecognised temporary differences in the Group.

Policies

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit. Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

10 Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Wharves and Hardstanding	Harbour Improvements	Bearer Plants	Plant and Equipment	Work in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group								
Gross carrying amount:								
Balance at 1 July 2020	825,556	137,445	321,065	175,751	7,638	247,492	10,273	1,725,220
Additions	1,660	10,836	10,572	956	(398)	2,978	(3,468)	23,136
Timaru assets acquired	-	361	106	-	-	7,104	-	7,571
Revaluation	103,838	-	28,688	2,255	1,821	-	-	136,602
Balance at 30 June 2021	931,054	148,642	360,431	178,962	9,061	257,574	6,805	1,892,529
Balance at 1 July 2021	931,054	148,642	360,431	178,962	9,061	257,574	6,805	1,892,529
Additions	-	1,083	11,290	1,320	-	4,930	4,114	22,737
Disposals	-	-	-	-	-	(134)	-	(134)
Transfers between asset classes	-	(904)	904	-	-	-	(561)	(561)
Revaluation	537,841	(6,713)	75,313	28,697	(6,392)	-	-	628,746
Balance at 30 June 2022	1,468,895	142,108	447,938	208,979	2,669	262,370	10,358	2,543,317
Accumulated depreciation and impairment:								
Balance at 1 July 2020	-	(54)	(22,726)	(2,809)	-	(106,995)	-	(132,584)
Depreciation expense	-	(5,643)	(12,086)	(1,590)	(487)	(11,955)	-	(31,761)
Disposals	-	-	-	-	-	(12)	-	(12)
Revaluation	-	-	34,806	4,399	487	-	-	39,692
Balance at 30 June 2021	-	(5,697)	(6)	-	-	(118,962)	-	(124,665)
Balance at 1 July 2021	-	(5,697)	(6)	-	-	(118,962)	-	(124,665)
Depreciation expense	-	(5,898)	(14,583)	(1,250)	(647)	(12,317)	-	(34,695)
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	67	-	67
Transfers between asset classes	-	23	(23)	-	-	-	-	-
Revaluation	-	11,466	-	-	647	-	-	12,113
Balance at 30 June 2022	-	(106)	(14,612)	(1,250)	-	(131,212)	-	(147,180)
Carrying amounts:								
Net book value as at 30 June 2021	931,054	142,945	360,425	178,962	9,061	138,612	6,805	1,767,864
Net book value as at 30 June 2022	1,468,895	142,002	433,326	207,729	2,669	131,158	10,358	2,396,124

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

10 Property, Plant and Equipment (continued)

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	
	2022 Notional carrying amount	2021 Notional carrying amount
	\$000	\$000
Freehold land	119,203	119,203
Freehold buildings	85,235	89,978
Wharves and hardstanding	61,778	61,622
Harbour improvements	112,239	107,922
Bearer plants	920	985
Total notional carrying amount	379,375	379,710

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 \$32.2m (2021: \$29.4m).

On 28 September 2020, the Port of Tauranga formed a 50:50 joint venture named Ruakura Inland Port LP with Tainui Group Holdings Limited.

The new joint venture will take an initial 50-year ground lease to establish an inland port in Ruakura, and plans to start operations within two years.

The Port of Tauranga has committed capital of \$25.0 million to fund the development of the inland port and as at 30 June 2022 \$2.9 million has been provided for.

In addition, if the development costs exceed the initial \$25.0 million capital commitment, construction contingency funding of up to \$2.5 million must be provided to the joint venture.

Judgements

Fair values

Bearer plants, land, buildings, harbour improvements, and wharves and hardstanding assets

This 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).

Judgement is required to determine whether the fair value of land, buildings, wharves and hardstanding, and harbour improvements assets have changed materially since the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment.

Remaining useful lives and residual values are estimated based on Management's judgement, previous experience and guidance from registered valuers. Changes in those estimates affect the carrying value and the depreciation expense in the income statement.





Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

10 Property, Plant and Equipment (continued)

At the end of each reporting period, the Group makes an assessment whether the carrying amounts differ materially from the fair value and whether a revaluation is required. The assessment considers movements in the capital goods price indices and other market indicators since the previous valuations.

As at 30 June 2022, buildings have been revalued, due to indicators of a potential material movement in the fair value of the asset class. As the majority of buildings are valued on a combined land and building basis, a revaluation of land has also been performed.

There are also indicators of a potential material movement in the fair value of wharves and hardstanding, and harbour improvement. Due to a full revaluation being performed on these asset classes in the prior year, a full revaluation being performed in the current year is deemed unnecessary as the asset base is substantially the same, therefore the prior year assessments are still relevant. The major movement in value is due to price movements of the materials used to construct these assets. The Port of Tauranga have therefore determined that an adjustment to the carrying value of the asset classes by a cost inflation index will give an accurate representation. The index has been provided by an independent valuer and is based on publicly available price indices.

Bearer plants

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2022 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.

Land valuation

The valuation of Port of Tauranga land assets as at 30 June 2022 was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of land by \$537.8 million.

Land assets are valued using the direct sales comparison approach which analyses direct sales of comparable properties on the basis of the sale price per square metre which are then adjusted to reflect stronger and weaker fundamentals relative to the subject properties.

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

Asset valuation method	Key valuation assumptions	Hectares	2022		2021	
			Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	182.2	\$450 - \$1,650	\$755	\$404 - \$1,044	\$468
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	\$1,000 - \$1,067	\$1,050	\$842 - \$936	\$873
	Rolleston land – MetroPort Christchurch per square metre	15.0	\$140	\$140	\$124	\$124

- *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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

10 Property, Plant and Equipment (continued)

Building valuations

The valuation of buildings was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of buildings by \$4.753 million.

The majority of assets are valued on a combined land and building basis using a Capitalised Income Model with either contract income or market income. A small number of specialised assets, such as gatehouses and toilet blocks, are valued on a Depreciated Replacement Cost basis due to their specialised nature and the lack of existing market.

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

The 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	2022		2021	
		Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Capitalised income model	Market capitalisation rate	1.75 –9.50%	3.71%	4.50 – 8.00%	5.33%

Wharves and Hardstanding, and Harbour Improvements

The carrying amount of wharves, hardstanding and harbour improvements have been adjusted based on a price inflation index provided by WSP New Zealand Limited. This index movement increased the carrying amount of these asset classes by \$104,000 million.

WSP use publicly available price indices from Statistics New Zealand and Waka Kotahi NZ Transport Agency to assist in informing their assessment of unit rate increases since the last valuation at 30 June 2021. A different combination of indices has been used for each asset class. The price indices used for each asset component of wharves are as follows:

Index	Description	Weighting
Capital Expenditure Price Index – structural metal products and parts thereof (CEPQ.S2421)	Used to represent the cost of reinforcing and structural steel	39%
Labour Cost Index – construction industry (LCIQ.SG53E9)	Used to represent the cost of labour	40%
Capital Expenditure Price Index – civil construction (CEPQ.S2GC)	Used to represent the cost of other materials	21%

The cost inflation adjustment also includes an allowance for on-costs which allow for those costs directly attributable to the construction of an asset. On-costs include professional fees (which include activities such as design, traffic management and quality monitoring), administration costs and finance charges. The on-costs for the components of wharves and hardstandings, and harbour improvements have increased from a range of 13% to 23% in 2021, to 14% to 34% in 2022.

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

- Replacement Unit Costs of Construction Rates – Cost Rates are 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 New Zealand Limited construction cost database.
 - Long run price trends.
 - Historic costs adjusted for changes in price levels.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

10 Property, Plant and Equipment (continued)

- An allowance is included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over construction period.
- Depreciation – the Calculated Remaining Lives of Assets Were Reviewed, Taking Into Account:
 - Observed and reported condition, performance and utilisation of the asset.
 - Expected changes in technology.
 - Consideration of current use, age and operational demand.
 - Discussions with the Port of Tauranga Limited’s operational officers.
 - WSP New Zealand Limited Consultants’ in-house experience from other infrastructure valuations.
 - Residual values.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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	2022		2021	
		Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per lineal metre – high performance wharves	\$137,300 - \$282,000	\$232,500	\$107,000 - \$220,000	\$181,170
	Earthworks construction replacement unit cost rates per square metre	\$8.09	\$8.09	\$7.50	\$7.50
	Basecourse construction replacement unit cost rates per square metre	\$23.45 - \$45	\$37	\$21 - \$42	\$34
	Asphalt construction replacement unit cost rates per square metre	\$29 - \$59	\$47	\$27 - \$55	\$44
	Capital dredging replacement unit cost rates per square metre	\$5 - \$89	*	\$4 - \$77	*
	Depreciation method	Straight line basis	Not applicable	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	Indefinite	Not applicable	Indefinite	Not applicable
	Pavement – remaining useful lives	1-37 years	14 years	2-38 years	15 years
	Wharves remaining useful lives	0-61 years	20 years	0-62 years	21 years

* Weighted average unit cost rates are not presented due to the complexity in measuring the types and locations of removed quantities.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

10 Property, Plant and Equipment (continued)

Sensitivities to changes in key valuation assumptions for land, buildings, wharves and hardstanding, and harbour improvements

The following table shows the impact on the fair value due to a change in significant unobservable input:

		Fair value measurement sensitivity to significant:	
		Increase in input	Decrease in input
Unobservable inputs within the direct sales comparison approach for land			
Rate per square metre	The rate per square metre assessed from recently sold properties of a similar nature	Increase	Decrease
Unobservable inputs within the income capitalisation approach for buildings			
Market rent	The valuer's assessment of the net market income attributable to the property	Increase	Decrease
Market capitalisation rate	The rate of return, determined through analysis of comparable market related sales transactions, that is applied to a market rent to assess a property's value	Decrease	Increase
Unobservable inputs within depreciated replacement cost analysis for buildings, wharves and hardstanding, and harbour improvements			
Unit costs of construction	The cost of constructing various asset types based on a variety of sources	Increase	Decrease
Remaining useful lives	The remaining useful life on an asset	Increase	Decrease

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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 Port of Tauranga group undertakes a three yearly revaluation cycle to ensure the carrying value of these assets do not differ materially from their fair value. In the years between independent valuations, the carrying value of land is adjusted annually based on a desktop valuation provided by an independent valuer, For the remaining asset classes, 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.





Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

11 Leases

Leases as a lessee

The Group as lessee has various non cancellable leases predominantly for the lease of land and buildings. The leases have varying term and renewal rights.

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

	2022	2021
	\$000	\$000
Right of use assets		
Opening balance	41,935	25,011
Additions to right of use assets	1,872	2,663
Depreciation	(1,845)	(1,432)
Right-of-use assets acquired on acquisition of Timaru Container Terminal	-	15,675
Adjustments to existing right of use assets	-	19
Closing balance	41,961	41,935
Lease liabilities	43,228	25,402
Opening balance	384	1,573
Additions	-	16,156
Adjustments to existing lease liabilities	-	1,108
Interest	2,082	1,759
Repayments	(2,957)	(2,768)
Closing balance	42,737	43,228
Lease liabilities maturity analysis		
Between 0 – 1 year	926	987
Between 1 – 5 years	3,735	3,441
More than 5 years	38,076	38,800
Total lease liabilities	42,737	43,228

Leases as a Lessor

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 where the Group is the lessor are:

	2022	2021
	\$000	\$000
Within one year	25,798	18,626
One to two years	20,991	14,280
Two to three years	15,829	12,770
Three to four years	10,729	10,138
Four to five years	9,872	9,226
Greater than five years	29,746	35,359
Total	112,965	100,399



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

11 Leases (continued)

Included in the financial statements are land and buildings classified under property, plant and equipment leased to customers under operating leases.

	2022	2022	2021	2021
	Valuation	Accumulated Depreciation	Valuation	Accumulated Depreciation
	\$000	\$000	\$000	\$000
Land	760,498	-	484,311	-
Buildings	97,392	-	104,832	3,508
Total	857,890	-	589,143	3,508

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. Where the Group is a lessee, a right-of-use asset and a lease liability are recognised at the lease commencement date.

The right-of-use asset is initially measured at a cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial indirect costs. The right-of-use asset is subsequently depreciated using the straight-line method over the life of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments or if the Group changes its assessment of whether it will exercise a right of renewal.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

12 Intangible Assets

Group	Kiwifruit G3 Licences	Goodwill	Computer Software	Consents and Contracts	Total
	\$000	\$000	\$000	\$000	\$000
Revalued cost					
Balance at 1 July 2020	3,315	15,490	5,227	10,567	34,599
Additions	-	-	305	937	1,242
Disposals	(1,104)	-	(285)	(10,000)	(11,389)
Revaluation	829	-	-	-	829
Intangible assets acquired on acquisition of Timaru Container Terminal Limited	-	2,930	34	2,667	5,631
Balance at 30 June 2021	3,040	18,420	5,281	4,171	30,912
Balance at 1 July 2021	3,040	18,420	5,281	4,171	30,912
Additions	-	-	135	-	135
Disposals	-	-	-	-	-
Revaluation	1,382	-	-	-	1,382
Balance at 30 June 2022	4,422	18,420	5,416	4,171	32,429
Accumulated amortisation and impairment					
Balance at 1 July 2020	-	-	(2,655)	(9,650)	(12,305)
Amortisation expense	(130)	-	(544)	(878)	(1,552)
Disposals	-	-	55	10,000	10,055
Revaluation	130	-	-	-	130
Balance at 30 June 2021	-	-	(3,144)	(528)	(3,672)
Balance at 1 July 2021	-	-	(3,144)	(528)	(3,672)
Amortisation expense	(167)	-	(562)	(765)	(1,494)
Disposals	-	-	-	-	-
Revaluation	167	-	-	-	167
Balance at 30 June 2022	-	-	(3,706)	(1,293)	(4,999)
Carrying amounts					
Net book value 30 June 2021	3,040	18,420	2,137	3,643	27,240
Net book value 30 June 2022	4,422	18,420	1,710	2,878	27,430

	2022 \$000	2021 \$000
Kiwifruit Licence Revaluation Reserve		
Opening balance	2,421	2,610
Revaluation, net of tax	1,115	680
License disposal	-	(869)
Closing balance	3,536	2,421



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

12 Intangible assets (continued)

G3 licences
The G3 licences held are for a total of 5.53 hectares (2021: 5.53 hectares).
A registered valuer at 30 June 2022 determined that the fair value for licences held by the Group was 4,424,000. The current valuation is based on \$800,000 per hectare, which was the median G3 licence cost from Zespri's 2022 release of licences. The original cost of the licences is \$57,649. There are no restrictions over the title of the intangible assets. The fair value measurement for these assets is categorised as a level 1 fair value. The notional carrying amount that would have been recognised, had the licences been carried under the cost model, would be \$38,449 (2021: \$38,449).
Judgements
Goodwill relates to goodwill arising on the acquisition of Quality Marshalling (Mount Maunganui) Limited and Timaru Container Terminal Limited.
Goodwill was tested for impairment at 30 June 2022 and confirmed that no adjustment was required. For impairment on the goodwill in Quality Marshalling (Mount Maunganui) Limited, the calculation of value in use was based upon the following key assumptions:
<ul style="list-style-type: none">Cash flows were projected using management forecasts over the five-year period. Average revenue growth for this period is 6%.Terminal cash flows were estimated using a constant growth rate of 2% after year five.A pre-tax discount rate of 12% was used.
Restrictions
There are no restrictions over the title of the intangible assets.
Security
No intangible assets are pledged as security for liabilities.
Policies
Kiwifruit licences
Kiwifruit licences are initially measured at cost and are then subsequently revalued each year. Previously kiwifruit licences were not amortised as the useful life of the Plant Variety Rights was undetermined. In September 2016, Zespri issued a statement that Plant Variety Rights had been granted for the Gold3 (G3) variety and that these rights have an expiration date of 6 September 2039. Amortisation has been calculated on the licences from September 2016 based on this licence period.
After initial recognition, licences are carried at a revalued amount, being fair value at the date of revaluation less any subsequent accumulated impairment losses. Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in other comprehensive income. To the extent that the increase reverses a decrease previously recognised in the Income Statement, the increase is recognised in the Income Statement. If the carrying amount is decreased as a result of revaluation, the decrease shall be recognised in the Income Statement unless there is a credit balance existing in the revaluation reserve in respect of that asset – in which case the reserve should be offset first.
Goodwill
Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill as the fair value of consideration transferred, less the fair value of the net identifiable assets and liabilities assumed at acquisition date. Goodwill is measured at cost less accumulated impairment losses.
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.
Other
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:
Consents and contracts 4 to 35 years
Computer software 1 to 10 years
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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

13 Investment in Subsidiaries

Investments in subsidiaries comprise:

Name of entity	Principal activity	2022	2021	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, QIT and Toi Moana Trust	100.00	100.00	30 June
Quayside Properties Limited (QPL)	Holds investment properties	100.00	100.00	30 June
Cibus Technologies Limited (CTL)	Shell company	-	100.00	30 June
Aqua Curo Limited (ACL)	Involvement with macroalgae for bioremediation purposes	100.00	100.00	30 June
Quayside Te Papa Tipu Limited (QTPTL)	Development company	100.00	-	30 June
Quayside Mystery Valley Limited (QMVL)	Holds investment property	100.00	-	30 June
Quayside Barnett Place Limited (QBPL)	Holds investment property for annuity	100.00	-	30 June
Quayside Portside Drive Limited (QPDL)	Holds investment property for annuity	100.00	-	30 June
Quayside The Vault Limited	Holds investment property for annuity	100.00	-	30 June
Quayside Tauriko Limited (QTL)	Holds investment property.	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
Timaru Container Terminal Limited	Sea Port	100.00	100.00	30 June



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

13 Investment in Subsidiaries (continued)

The subsidiaries of the Group are incorporated / established in New Zealand and have their place of business 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.

	2022	2021
	\$000	\$000
Ownership Interest in Port of Tauranga Limited		
Non current assets	2,671,990	2,007,115
Current assets	71,536	74,155
Non current liabilities	(485,890)	(360,595)
Current liabilities	(183,198)	(323,707)
Net assets (100%)	2,074,438	1,396,968
Group’s share of net assets – 54.14% (2021: 54.14%)	1,123,101	756,318
Non Controlling Interest – 45.86 % (2021: 45.86%)		
Accounting adjustment to non-controlling interest (refer note 16€)	(17,198)	(12,937)
	934,139	627,713
Port of Tauranga Group – summary of financial performance and cash flow		
Operating revenue	375,288	338,281
Profit after income tax	111,317	102,375
Total comprehensive income	770,728	283,324
Net cash inflow from operating activities	145,249	99,682
Ending cash and cash equivalents	7,272	7,886

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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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	2022 %	2021 %	Balance Date
Quayside Holdings Limited				
Huakiwi Developments Limited Partnership (JV)	Orchard development	50.00	50.00	31 Mar*
WNT Ventures (A)	Technology incubator	20.00	20.00	30 June
HoneyLab Limited (A)	Honey products	25.74	25.74	31 Mar*
Rhodium Limited (A)	Dental technology	13.02	13.02	31 Dec*
Techion Holdings Limited (A)	Diagnostic technology	29.18	29.87	30 June
Oriens Capital (A)	Private Equity Fund	19.77	19.77	31 Mar*
PF Olsen Holdings Limited (A)	Forestry Management	44.43	-	31 Dec
HRL Property Limited	Land ownership	49.00	-	30 Jun
Goodbuzz Limited	Kombucha Manufacturer	33.30	-	31 Mat
Quayside Properties Limited				
Lakes Commercial Developments Limited (JV)	Commercial property development	50.00	50.00	30 June
Tauranga Commercial Developments Limited (JV)	Commercial property development	50.00	50.00	30 June
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
Ruakura Inland Port. LP (JV)	Inland Port	50.00	-	30 June

* Non-standard balance dates of Group equity accounted investees are aligned to their business cycle and are accepted on the basis they are not material to the Group. All of the Group's equity accounted investments except for Techion Holdings Limited and WNT Ventures, are audited to a balance date earlier than 30 June 2022 (31 December or 31 March). The equity accounting for these investments with non-aligned balance dates is based on unaudited management accounts as at 30 June, which have been reviewed by management. WNT Ventures and Techion Holdings Limited have balance dates of 30 June, but audited accounts are generally not available before reporting date. The equity accounting for WNT Ventures and Techion Holdings Limited is therefore based on unaudited management accounts at 30 June. The Group accepts the use of unaudited management accounts on the basis that changes, if any, between management accounts and audited accounts, would not be material to the Group.

The equity Accounted Investees of the Group are all incorporated / established in New Zealand.

The joint venture and associate investments of Quayside Holdings Limited and Quayside Properties Limited are held for investment purposes, to diversify Quayside Group's income earning asset base.

Acquisition of PF Olsen Group Limited Holdings

On 10 June 2022, Quayside Holdings Limited acquired 44.43% of PF Olsen Group Holdings Limited (PF Olsen). The purchase of PF Olsen fits into the Group strategy to grow a diversified asset base and is also envisaged to generate cash returns for its shareholder.

The purchase price paid by Quayside was \$23.0m and includes retention amounts. Hence, there is no additional contingent consideration payable by Quayside Holdings Limited.

The management concluded that Quayside Holdings has significant influence of PF Olsen and accounted for the transaction using the equity method. The investment has been recognised at cost, including goodwill.

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

14 Investments in Equity Accounted Investees (continued)

Carrying value of investments in Equity Accounted Investees:

	2022 NZ\$000	2021 NZ\$000
Associates		
Balance at 1 July	19,376	22,221
Share of after net profit after tax	5,072	3,195
Share of total comprehensive income	5,072	3,195
New investment during the year	27,667	2,356
Impairment of investment	(599)	(2,707)
Distributions received	(9,551)	(2,752)
Disposals	-	(2,937)
Balance at 30 June	41,965	19,376
Joint Ventures		
Balance at 1 July	189,126	176,015
Share of after net profit after tax	12,489	13,823
Share of hedging reserve	862	496
Share of revaluation reserve	13,865	12,090
Share of total comprehensive income	27,216	26,409
New investment during the year	3,047	3,750
Disposal	-	(7,412)
Distributions received	(10,764)	(9,636)
Balance at 30 June	208,625	189,126
Total equity accounted investees	250,590	208,502

Quayside Group

The Group has uncalled capital commitments in its equity accounted investees of \$1.8m (2021: \$3.1m).

There are no contingent liabilities relating to the Group'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. PF Olsen is presented separately as considered a material equity accounted investee.





Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

14 Investments in Equity Accounted Investees (continued)

Summarised financial information of individually material equity accounted investees – Associates:

Group	2022 Individually immaterial associates NZ\$000	2022 PF Olsen Group Holdings NZ\$000	2022 Total NZ\$000	2021 NZ\$000
Cash and cash equivalents	5,351	20,647	25,998	3,666
Total current assets	6,811	85,817	92,627	6,988
Total non current assets	50,118	30,337	80,455	64,478
Total assets	56,929	116,154	173,083	71,466
Current financial liabilities excluding trade and other payables and provisions	3,443	83,457	86,900	2,462
Total current liabilities	4,640	86,405	91,045	4,490
Non current financial liabilities excluding trade and other payables and provisions	8,636	1,560	10,196	827
Total non current liabilities	8,636	1,560	10,196	4,698
Total liabilities	13,276	87,965	101,241	9,188
Net assets	43,653	32,622*	71,842	62,279
Group's share of net assets	11,359	14,494	23,883	12,131
Goodwill acquired on acquisition of Equity Accounted Investees	7,424	8,506	17,900	7,245
Carrying amount of Equity Accounted Investees	18,965	23,000	41,965	19,376
Revenues	34,794	16,227	51,021	24,831
Depreciation and amortisation	(28)	1,100	1,072	(28)
Interest expense	24	-	24	26
Net profit before tax	24,861	1,830	26,691	14,548
Tax expense	19	(543)	(524)	(19)
Net profit after tax	24,879	1,287	26,166	14,548
Other comprehensive income	-	-	-	-
Total comprehensive income	24,879	1,287	26,166	14,548
Group's share of net profit after tax	5,072	10	5,082	3,291
Group's share of total comprehensive income	5,072	10	5,082	3,291
Group's share of dividends/distributions	9,551	-	9,551	2,752

*Net assets adjusted by \$4.4m retentions already paid into PF Olsen Group Holdings but not released to PF Olsen Group.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

14 Investments in Equity Accounted Investees (continued)

The following table summarise the financial information of Northport Limited, PrimePort Timaru Limited and 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 2022	Northport Limited NZ\$000	Coda Group Limited Partnership NZ\$000	Prime Port Timaru Limited NZ\$000	Other Equity Accounted Investees NZ\$000	Total NZ\$000
Cash and cash equivalents	299	9,842	1,671	2,891	14,703
Total current assets	5,834	38,021	5,214	8,068	57,137
Total non current assets	225,781	78,537	140,878	59,213	504,409
Total assets	231,615	116,558	146,092	67,281	561,546
Current financial liabilities excluding trade and other payables and provisions	-	(10,774)	(408)	(2,890)	(14,072)
Total current liabilities	(5,942)	(32,618)	(5,258)	(15,911)	(59,729)
Non current financial liabilities excluding trade and other payables and provisions	(45,457)	(40,421)	(43,071)	(683)	(129,632)
Total non current liabilities	(45,457)	(40,421)	(43,071)	(474)	(129,423)
Total liabilities	(51,399)	(73,039)	(48,329)	(16,385)	(189,152)
Net assets	180,216	43,519	97,763	50,896	372,394
Group's share of net assets	90,108	21,760	48,882	25,448	186,197
Goodwill acquired on acquisition of Equity Accounted Investees less impairment losses	-	22,428	-	-	22,428
Carrying amount of Equity Accounted Investees	90,108	44,188	48,882	25,448	208,625
Revenues	42,574	245,666	27,515	7,400	323,155
Depreciation and amortisation	(5,330)	(3,101)	(3,573)	(1,886)	(13,890)
Interest expense	(1,928)	(2,623)	(1,457)	(283)	(6,291)
Net profit before tax	20,746	3,282	7,020	1,800	32,848
Tax expense	(5,692)	-	(2,506)	315	(7,883)
Net profit after tax	15,054	3,282	4,514	2,126	24,976
Other comprehensive income	25,570	-	3,884	-	29,454
Total comprehensive income	40,624	3,282	8,398	2,126	54,430
Group's share of net profit after tax	7,527	1,641	2,257	1,063	12,488
Group's share of total comprehensive income	20,312	1,641	4,199	1,063	27,215
Group's share of dividends/distributions	9,513	-	1,250	-	10,763



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

14 Investments in Equity Accounted Investees (continued)

Tax Treatment of Limited Partnerships

Coda Group Limited Partnership and Ruakura Inland Port Limited Partnership are treated as partnerships for tax purposes and are 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 2022 the Quayside Holdings Limited 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.

Management has reviewed each of these investments in associates and joint ventures for indicators of impairment, including considering the impact of the Covid-19 pandemic. The investments in equity accounted investee were tested for impairment at 30 June 2022 based upon the fair value of the investment.

Port of Tauranga Group

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.

Impairment indicators for the Port of Tauranga's investment in Coda Group Limited Partnership were reviewed at 30 June 2022 and confirmed that no adjustment was required.

Policies

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

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

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

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

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



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

15 Receivables and Prepayments

	2022 \$000	2021 \$000
Non current		
Prepayments and sundry receivables	18,612	16,502
Total non current	18,612	16,502
Trade receivables	54,875	58,521
Trade receivables from Equity Accounted Investees, subsidiaries and related parties	326	312
	55,201	58,833
Kiwifruit income receivable	2,786	3,177
Advances to Equity Accounted Investees (refer note 23)	1,400	1,400
Provision for expected credit losses – advances to equity accounted investees (refer to note 20(a))	(211)	(265)
Prepayments and sundry receivables	6,423	5,743
Total current	65,599	68,888
Total receivables and prepayments	84,211	85,390
Aging of trade receivables		
Not past due	43,553	45,214
Past due 0 – 30 days	9,910	10,572
Past due 30 – 60 days	956	2,040
Past due 60 – 90 days	167	501
More than 90 days	288	194
	54,875	58,521

Advances to equity accounted investees

The Group 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 2022 crop. This is based on the actual number of trays supplied to Zespri and latest forecast information from Zespri on the revenue per tray expected to be received. Revisions of income receivable during the year are recorded against profit and loss – refer to note 4.

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 expected credit losses is established when the assessment under NZ IFRS 9 deems a provision is required (refer to note 20).

Prepayments

Prepayments is predominantly made up of a \$22.5 million payment made to KiwiRail Limited in consideration of the extension of the rail agreement at MetroPort. The payment is amortised over 20 years.

Policies

Receivables and prepayments are initially recognised at transaction price. They are subsequently measured at amortised cost and adjusted for impairment losses. Receivables with a short duration are not discounted



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

16 Equity

(a) Share Capital

	2022	2021
Number of shares held	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

	2022	2021	2022	2021
	\$ paid up	\$ paid up	\$ uncalled	\$ uncalled
Paid up and 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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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 2022, the amount uncalled is \$81,829,918 (2021: \$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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

16 Equity (continued)

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 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 2026.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

16 Equity (continued)

(b) Dividends

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

	2022 \$000	2021 \$000
Ordinary shares		
Total dividends paid of \$4,000 per share (2021: \$3,310)	40,000	33,100
	40,000	33,100
Perpetual preference shares		
Total quarterly dividends paid of 0.2776 cents per share (2021: 0.2776)	3,542	3,542
	3,542	3,542
Total dividends paid	43,542	36,642

The dividends are fully imputed. Dividends paid by the Port of Tauranga Limited to non-controlling interests were \$43.7m (2021: \$38.7m)

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 12 March 2020, where the rate for the following three-year period was set at 2.46%. The next dividend reset date will be 13 March 2023.

Dividends declared subsequent to balance date

The Port of Tauranga approved a final dividend of 8.2 cents per share to a total of \$55.8 million after reporting date.

No other dividends were declared after balance date but prior to the date of signing of these accounts.

(c) Reserves

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.

Share Based Payment Reserve – Container Volume Commitment Agreement

On 1 August 2014 the Port of Tauranga Limited issued 2,000,000 shares as a volume rebate to Kotahi Logistics Limited Partnership ("Kotahi") as part of a 10-year freight alliance. Due to the Port of Tauranga Limited completing a 5:1 share split on 17 October 2016, the number of shares originally issued to Kotahi increased to 10,000,000. Of these shares, 7,000,000 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.

The increase in the reserve of \$1.5m (2021: \$2.2m) recognises the shares earned based on containers delivered during the period.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

16 Equity (continued)

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 2022 the balance of the equity settled share-based payment reserve was \$3.7m (2021: \$1.6m). 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 no shares were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2021: nil).

(e) Non-controlling interest

Non controlling interest of 45.86% (2021: 45.86%) is the existing share of Port of Tauranga Limited’s consolidated equity which is not owned by *Quayside Group*. A change in non controlling interest in prior years arose from Port of Tauranga Limited’s freight alliance with Kotahi involving the issue of ordinary shares to Kotahi, subject to meeting certain freight volume commitments over a 10 year period, as disclosed in (c) above.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

16 Equity (continued)

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 periods.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

17 Other Financial Assets

	2022	2021
	\$000	\$000
Loans to Equity accounted investees	2,930	500
Total current	2,930	500

Mandatorily measured at fair value through income statement

Other financial assets	262,025	293,450
Total non current	262,025	293,950

Non-current advances to equity accounted investees comprise an advance from Quayside Properties Limited, which is repayable on demand, however the directors of Quayside Properties Limited have undertaken that the loan will not be demanded within 12 months of balance date. This advance has interest charged at variable rates.

Other financial assets represent the diversified portfolio of the Group that are traded in active markets and direct investment into private equity and managed funds.

Quayside Investment Trust has invested in New Zealand, Australian and International Equities which are managed by an investment manager. Investment reports from the investment manager are received to provide a basis for the valuation. The investment manager values the investments using quoted market prices.

Below a detail of the composition of other financial assets:

Other financial assets	2022	2021
	\$000	\$000
Listed assets	193,578	247,519
Unlisted direct equity investments	15,560	15,487
Venture capital managed funds	50,240	25,550
Convertible Notes	2,647	4,895
Total other financial assets	262,025	293,450

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

17 Other Financial Assets (continued)

The Group has other equity investments of \$68.4m (2021: \$41.1m) comprising unlisted direct equity investments and investments in venture capital managed funds. All of the Group's other equity investments are either audited to a balance date earlier than 30 June 2022 (31 December or 31 March) or are unaudited. The accounting as at 30 June is based on unaudited management accounts. Management accepts the use of management accounts on the basis that these are reviewed by management and changes, if any, between management accounts and audited accounts, would be unlikely to result in a material impact on the carrying value of the investment.

Venture capital managed funds are measured to fair value based on the latest quarterly reports provided by the fund managers. The fund managers have used a variety of valuation techniques in valuing the underlying investments consistent with the guidance from the International Private Equity and Venture Capital Valuation Board (IPEV). These include revenue and earnings multiples, discounted cash flows or earnings, market evidence, and transaction prices for recent investment. In some cases cost is assessed as a reasonable approximation of fair value.

While the Board is of the view that the fair values of the venture capital managed funds and unlisted equity investments in these financial statements represent the best available information, uncertainty exists over the fair value of the investments in the absence of an active market to determine fair value. There is inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments.

The Group has additional other financial assets of \$2.6m. There are represented by convertible notes. The management reviewed the value of the notes and fair valued the instrument. The fair value of the convertible note was assessed considering the specific provisions included in the different agreements.

Where relevant information was available the management assessed the fair value of the convertible notes weighting the probability of conversion for the potential fair value derived from conversion and the probability of non-conversion for the value obtained under this second scenario.

The Group company has uncalled commitments of \$56.4m (2021: \$30.5m) in relation to equity managed fund investments.

The following tables group equity investments as at 30 June 2022 based on the typology and the valuation techniques and inputs used by the Group to derive the fair value of these investments:

Venture capital managed funds

Valuation Technique	Audited Information	Fair Value 2022 \$000	Significant Inputs
Adjusted share of net assets	31/03/2022	14,961	1. Manager audited financial statements 2. Management assessment of the unaudited period 3. Manager quarterly report
Adjusted share of net assets	31/12/2021	35,279	
Total venture capital managed funds		50,240	

Unlisted direct equity investments

Valuation Method	Audited Information	Fair Value 2022 \$000	Significant Inputs
Discounted Cash Flow and Earnings Multiple	30/06/2021	12,267	1. Compound annual growth in Revenue and Gross Profit 2. Discount Rate 3. Terminal value multiple
Cost	n/a	3,293	n/a
Total direct equity investments		15,560	



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

17 Other Financial Assets (continued)

Policies

A financial asset is mandatorily measured at fair value through profit or loss if it is not measured at amortised cost or designated at fair value through comprehensive income upon initial recognition. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets mandatorily measured at fair value through profit or loss are measured at fair value and changes therein, which takes in to account any dividend income, are recognised in profit or loss.

Financial assets mandatorily measured at fair value through profit or loss include: share market investments and other equity investments.

The fair value of share market investments measured at fair value through the income statement is based on quoted market prices at the reporting date and are categorised under the level 1 fair value hierarchy. Share market investments are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Investments in unlisted venture capital funds and unlisted equity investments are not traded in active markets. The fair value is categorised under the level 3 fair value hierarchy. The valuation approaches for these investments are explained above.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement and other comprehensive income within other gains and other losses.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Partnership has transferred substantially all risks and rewards of ownership. On derecognition, any gain and loss is recognised in the income statement.

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).

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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 21.

Term and debt repayment schedule

Group 2022	Maturity	Coupon	Committed facilities NZ\$000	Undrawn facilities NZ\$000	Fair Value Adjustment NZ\$000	Carrying value NZ\$000
Non current						
Fixed rate bond	2028	3.55%	100,000	-	(7,528)	92,472
Standby revolving cash advance facility	2026	Floating	130,000	130,000	-	-
Fixed rate bond	2025	1.02%	100,000	-	-	100,000
Standby revolving cash advance facility	2025	Floating	100,000	75,000	-	25,000
Standby revolving cash advance facility	2024	Floating	100,000	-	-	100,000
Standby revolving cash advance facility	2023	Floating	50,000	50,000	-	-
Westpac borrowings	2023	Floating	75,000	57,575	-	17,425
Bay of Plenty Regional Council	2024	Floating	50,000	400	-	49,600
Bay of Plenty Regional Council	2033	Floating	100,000	94,998	-	5,002
Total non current			805,000	407,973	(7,528)	389,499
Current						
Multi option facility	2022	Floating	5,000	5,000	-	-
Commercial papers	<3 months	Floating	-	-	-	125,000
Total current			5,000	5,000		125,000
Total			810,000	412,973		514,499



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

18 Loans and borrowings (continued)

Group 2021	Maturity	Coupon	Committed facilities	Undrawn facilities	Fair Value Adjustment	Carrying value
			NZ\$000	NZ\$000	NZ\$000	NZ\$000
Non current						
Fixed rate bond	2025	0.0102	100,000	-	-	100,000
Standby revolving cash advance facility	2024	Floating	100,000	-	-	100,000
Standby revolving cash advance facility	2023	Floating	200,000	185,000	-	15,000
Standby revolving cash advance facility	2022	Floating	130,000	130,000	-	-
Total non current			530,000	315,000	-	215,000
Current						
Standby revolving cash advance facility	2022	Floating	50,000	-	-	50,000
Multi option facility	2021	Floating	5,000	5,000	-	0
Commercial papers	<3 months	Floating	-	-	-	220,000
Westpac borrowings	2021	Floating	55,000	39,894	-	15,106
Bay of Plenty Regional Council	2022	Floating	50,000	400	-	49,600
Total current			160,000	45,294	-	334,706
Total			690,000	360,294	-	549,706



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

18 Loans and Borrowings (continued)

Westpac Banking Corporation

Quayside Holdings Limited has a \$75.0 million (2021: \$55.0 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 2 years expiring 30 November 2023, hence for the year ended 30 June 2022 has been classified as non-current.

Bay of Plenty Regional Council

In October 2019, Quayside Holdings Limited entered in to a \$50 million financing arrangement with Bay of Plenty Regional Council, which, to fund this, has in turn borrowed from the Local Government Funding Agency. This facility expires on 1 July 2023

In December 2021, Quayside Holdings Limited entered in to a \$100 million facility arrangement with Bay of Plenty Regional Council, which, to fund this, has in turn borrowed from the Local Government Funding Agency. This facility expires on 30 June 2033.

Fixed rate bonds

The Port of Tauranga has issued two \$100 million fixed rate bonds, a five-year bond with a final maturity on 29 September 2025, and a seven-year bond with a final maturity on 24 November 2028.

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 2022 the Port of Tauranga group had \$125 million of commercial paper debt that is classified within current liabilities (2021: \$220 million). Due to this classification, the Group's current liabilities exceed the Group's current assets. Despite this fact, the Group does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.

Standby revolving cash advance facility agreement

The Port of Tauranga Limited has a \$380 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand Branch and MUFG Bank, Ltd, Auckland Branch (2021: \$480 million). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

Multi option facility

The Port of Tauranga has a \$5 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2021: \$5 million).



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

18 Loans and Borrowings (continued)

Security

Bank facilities and fixed rate bonds are secured by way of a security interest over certain floating plant assets (\$15.289 million, 2021: \$15.954 million), mortgages over the land and building assets (\$1,610.341 million, 2021: \$1,073.498 million), and by a general security agreement over the assets of the Port of Tauranga Group (\$2,600.187 million, 2021: \$1,956.214 million).

Covenants

The Port of Tauranga Limited borrows under a negative pledge arrangement, which with limited circumstances does not permit it to grant any security interest over its assets. The negative pledge deed requires the Port of Tauranga Limited to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The Port of Tauranga 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 2.92% at 30 June 2022 (2021: 2.38%) for the Group.

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.

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

19 Derivative Financial Instruments

	2022 NZ\$000	2021 NZ\$000
Current assets		
Foreign exchange derivatives – cash flow hedges	350	-
Total current assets	350	-
Non current assets		
Interest rate derivatives – cash flow hedges	11,957	77
Total non current assets	11,957	77
Total assets	12,307	77
	-	
Current liabilities		
Interest rate derivatives – cash flow hedges	(67)	(1,151)
Total current liabilities	(67)	(1,151)
Non current liabilities		
Interest rate derivatives – Fair value hedge	(7,403)	(13,763)
Total non current liabilities	(7,403)	(13,763)
Total liabilities	(7,470)	(14,914)

The details of hedging instruments and hedged items are as follows:

Group 2022	Hedging Instrument	Hedged Item	Carrying Amount of Hedging Instrument		Carrying Amount of Hedged Item		Change in Fair Value Used for Calculating Hedge Effectiveness	Change in Fair Value Used for Calculating Hedge Ineffectiveness	Notional amount of hedging Instrument
			Assets NZ\$000	(Liabilities) NZ\$000	Assets NZ\$000	(Liabilities) NZ\$000	NZ\$000	NZ\$000	
Cash flow hedge	Interest rate derivatives	Loans and borrowings	11,957	(67)	-	(205,000)	26,797	6	NZD300 million
Fair value hedge	Interest rate derivatives	Loans and borrowings	-	(7,403)	-	(92,472)	(7,403)	-	NZD100 million
Cash flow hedge	Foreign exchange derivatives	Plant, property, and equipment	310	-	-	-	233	-	USD1,410 million
Cash flow hedge	Foreign exchange derivatives	Plant, property, and equipment	40	-	-	-	40	-	AUD1,568 million
Total			12,307	(7,470)	0	(297,472)	19,667	6	





Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

19 Derivative Financial Instruments (continued)

Group 2021	Hedging Instrument	Hedged Item	Carrying Amount of Hedging Instrument		Carrying Amount of Hedged Item		Change in Fair Value Used for Calculating Hedge Effectiveness	Change in Fair Value Used for Calculating Hedge Ineffectiveness	Notional amount of hedging Instrument
			Assets	(Liabilities)	Assets	(Liabilities)			
			NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	
Cash flow hedge	Interest rate derivatives	Loans and borrowings	-	(14,914)	-	(240,000)	14,449	(3)	NZD375,000 million
Cash flow hedge	Foreign exchange derivatives	Plant, property and equipment	77	-	-	-	77	-	USD1,410 million
Total			77	(14,914)	-	(240,000)	14,526	(3)	

The details of movements within the hedging reserve are as follows:

	2022 NZ\$000	2021 NZ\$000
Opening balance	(11,358)	(22,375)
Fair value gains / (losses)	27,075	14,523
Ineffective portion transferred to income statement	(6)	3
Amortisation of interest rate collar premium	80	86
Movement in hedging reserve of Equity Accounted Investees	862	496
Tax impact (refer to note 8)	(7,602)	(4,091)
Closing balance	9,051	(11,358)

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. The change in fair value of the cash flow hedge is accounted for as a cost of hedging and recognised in the hedging reserve within equity.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The notional amount of the hedging instrument must match the designated amount of the hedged item for the hedge to be effective.

The Group's policy of ensuring a certain level of its interest rate risk exposure is at a fixed rate, is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

Sources of hedge ineffectiveness are:

- Material changes in credit risk that affect the hedging instrument but do not affect the hedged item.
- Drawn liabilities that fall below the hedging amount, causing the hedge ratio to exceed 100%.

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



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

19 Derivative Financial Instruments (continued)

Fair Value Hedges

The Group designates as fair value hedges derivative financial instruments on fixed rate debt where the fair value of the debt changes as a result of changes in interest rates. The carrying amount of the hedged items are adjusted for gains and losses attributable to the risk being hedged. The hedging instruments are also measured to fair value. Gains and losses from both are recognised in 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.

Valuation inputs for valuing derivatives are:

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 Port of Tauranga Group for liabilities.
Foreign exchange forward prices	Published spot foreign rates and interest rate differentials.

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



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

19 Derivative Financial Instruments (continued)

Policies

The Port of Tauranga 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.

The Port of Tauranga group's hedging policy parameters are:

Interest Rate Derivatives

<i>Debt Maturity</i>	<i>Minimum Hedging %</i>	<i>Maximum Hedging %</i>
Within one year	45	100
One year to three years	30	85
Three years to seven years	15	65
Seven years to ten years	0	50

Foreign Exchange Derivatives

<i>Expenditure</i>	<i>Minimum Hedging %</i>	<i>Maximum Hedging %</i>
Upon Board approval of capital expenditure denominated in a foreign currency	0	50
Upon signing of contract with supplier for capital expenditure denominated in a foreign currency	75	100



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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* and *Port of Tauranga 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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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:

	Mandatorily at Fair Value through Profit and Loss	Other Amortised Cost	Total Carrying Amount	Fair Value
Group 2022	\$000	\$000	\$000	\$000
Assets				
Cash and cash equivalents	-	45,680	45,680	45,680
Derivative instruments	350	-	350	350
Advances to Equity accounted investees	2,930	-	2,930	2,930
Receivables	-	59,176	59,176	59,176
Total current assets	3,280	104,856	108,136	108,136
Derivative instruments	11,957	-	11,957	11,957
Other financial assets	262,025	-	262,025	262,025
Total non current assets	273,982	-	273,982	273,982
Total assets	277,262	104,856	382,118	382,118
Liabilities				
Loans and borrowings	-	125,000	125,000	125,000
Lease liabilities	-	864	864	864
Trade and other payables	-	13,325	13,325	13,325
Derivative instruments	67	-	67	67
Contingent consideration	368	-	368	368
Total current liabilities	435	139,189	139,624	139,624
Loans and borrowings	-	389,499	389,499	377,820
Lease liabilities	-	41,659	41,659	41,659
Derivative instruments	7,403	-	7,403	7,403
Contingent consideration	2,688	-	2,688	2,688
Total non current liabilities	10,091	431,157	441,248	429,569
Total liabilities	10,526	570,346	580,872	569,193



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

Group 2021	Mandatorily at Fair Value through Profit and Loss	Other Amortised Cost	Total Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	-	40,664	40,664	40,772
Receivables	-	63,145	63,145	63,145
Total current assets	-	103,809	103,809	103,917
Derivative instruments	77	-	77	77
Other financial assets	293,450	500	293,950	293,950
Total non current assets	293,527	500	294,027	294,027
Total assets	293,527	129,741	331,892	331,892
Liabilities				
Loans and borrowings	-	334,706	334,706	331,394
Lease liabilities	-	987	987	987
Trade and other payables	-	12,953	12,953	12,953
Derivative instruments	1,151	-	1,151	1,151
Contingent consideration	434	-	434	434
Total current liabilities	1,585	348,646	350,231	346,919
Loans and borrowings	-	215,000	215,000	215,000
Lease liabilities	-	42,241	42,241	42,241
Derivative instruments	13,763	-	13,763	13,763
Contingent consideration	2,920	-	2,920	2,920
Total non current liabilities	16,683	257,241	273,924	273,924
Total liabilities	18,268	605,887	624,155	620,843



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

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:

	2022 \$000	2021 \$000
Credit risk		
Trade and other receivables	59,176	63,145
Other financial assets	2,930	-
Derivative financial instruments	12,307	77
Cash and cash equivalents	45,680	40,664
Total	120,093	103,886

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For advances to Equity Accounted Investees, which have not had a significant increase in credit risk since initial recognition, ECLs are calculated based on the probability of a default event occurring within the next 12 months. An industry-accepted probability of default is obtained annually from the Standard & Poor's Global Corporate Default Study for use in this calculation.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for any significant known amounts that are not receivable.

There has been no indication of a change in customer payment behaviour, compared with pre-COVID-19 behaviour. On that basis, the following table details loss allowance for trade receivables:

Group 2022	Not past due	Past due 0-30 days	Past due 30- 60 days	More than 60 days	Total
Expected loss rate (%)	-	-	-	-	-
Gross carrying amount – trade receivables (\$000)	43,553	9,910	956	456	54,875
Loss allowance on trade receivables (\$000)	-	-	-	-	-

Movements in provision and impairment of financial assets are:

	2022 \$000	2021 \$000
Opening Balance	265	682
Provision for trade receivables	-	(201)
Provision for advances to Equity Accounted Investees	(54)	(216)
Closing balance	211	265



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

Credit risk management policies

Quayside 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 *Quayside Group* to credit risk, principally consist of bank balances. Unless otherwise approved by the Board, New Zealand cash deposits are required to be with institutions with a credit rating of B or above. Foreign cash deposits are required to be with institutions with a credit rating of A or above.

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.

Default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as security (if any is held).

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Concentration of credit risk

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 59.9% of total Port of Tauranga group revenue (2021: 63.8%). The *Port of Tauranga Group* is satisfied with the credit quality of these debtors and does not anticipate any non performance.

There are no significant concentrations of credit risk for the *Quayside Group*.

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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

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

	Statement of Financial Position	Contractual Cash Flows	6 Months or Less	6 – 12 Months	1 – 2 Years	2 – 5 Years	More Than 5 Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group 2022							
Non derivative financial liabilities							
Loans and borrowings	\$514,499	\$557,156	\$291,683	\$3,597	\$36,754	\$114,525	\$110,597
Lease liabilities	\$42,523	\$83,238	\$1,430	\$1,425	\$2,852	\$9,010	\$68,521
Trade and other payables	\$13,325	\$13,325	\$13,325	-	-	-	-
Contingent consideration	\$3,056	\$3,439	-	\$511	\$2,928	-	-
Total non derivative liabilities	\$573,402	\$657,158	\$306,438	\$5,533	\$42,534	\$123,535	\$179,118
Derivatives							
<i>Interest rate derivatives</i>							
- Cash flow hedges outflow	-	(1,227)	(1,131)	(37)	(34)	(25)	-
- Cash flow hedges inflow	11,990	14,576	344	1,191	2,385	7,198	3,458
- Fair value hedges - outflow	(7,503)	(8,605)	(52)	(818)	(1,623)	(4,007)	(2,105)
<i>Foreign exchange derivatives</i>							
Cash flow hedges - outflow	-	(3,641)	(3,641)	-	-	-	-
Cash flow hedges - inflow	350	3,993	3,993	-	-	-	-
Total derivatives	4,837	5,096	(487)	336	728	3,166	1,353
Total	(644,097)	(729,687)	(347,208)	(5,834)	(72,735)	(120,876)	(183,034)



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

	Statement of Financial Position	Contractual Cash Flows	6 Months or Less	6 – 12 Months	1 – 2 Years	2 – 5 Years	More Than 5 Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group 2021							
Non derivative financial liabilities							
Loans and borrowings	(549,706)	(561,112)	(387,323)	(1,874)	(68,051)	(103,864)	-
Lease liabilities	(43,451)	(85,173)	(1,488)	(1,460)	(2,812)	(8,290)	(71,123)
Trade and other payables	(10,674)	(10,674)	(10,674)	-	-	-	-
Contingent consideration	(3,354)	(3,881)	-	(499)	(534)	(2,848)	-
Total non derivative liabilities	(607,185)	(660,840)	(399,485)	(3,833)	(71,397)	(115,002)	(71,123)
Derivatives							
<i>Interest rate derivatives</i>							
- Cash flow hedges outflow	(14,914)	(18,954)	(3,883)	(3,442)	(4,493)	(6,726)	(210)
- Cash flow hedges inflow	-	2,600	-	-	65	1,087	1,448
Total derivatives	(14,914)	(16,354)	(3,883)	(3,442)	(4,428)	(5,639)	1,238
Total	(622,099)	(677,194)	(403,368)	(7,275)	(75,825)	(120,641)	(69,885)



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

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 *Port of Tauranga Group* enters into derivative transactions into International Swaps Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet for accounting purposes.

The total nominal value of interest rate derivatives outstanding is \$400m (2021: \$375m).

The average interest rate on interest rate derivatives is 3.53% (2021: 2.9%).

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



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

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

	2022 \$000	2021 \$000
Carrying amount		
Fixed rate instruments		
Fixed rate bond	(192,472)	(100,000)
Lease liabilities	(42,523)	(43,228)
Total	(234,995)	(143,228)
Variable rate instruments		
Commercial papers	(125,000)	(220,000)
Standby revolving cash advance facility	(125,000)	(165,000)
Interest rate derivatives	(7,470)	(14,914)
Westpac borrowings	(17,425)	(15,106)
Bay of Plenty Regional Council Borrowings	(54,602)	(49,600)
Cash balances	45,679	40,664
Total	(283,818)	(423,956)

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 2022.

	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp Increase \$000	100 bp Decrease \$000	100 bp Increase \$000	100 bp Decrease \$000
Group 2022				
Variable rate instruments	(3,451)	3,493	-	-
Interest rate derivatives - paying fixed	1,476	(1,476)	5,656	(5,656)
Interest rate derivatives - paying floating	(720)	720	-	-
Total	(2,695)	2,737	5,656	(5,656)
Group 2021				
Variable rate instruments	(3,378)	3,420	-	-
Interest rate derivatives - paying fixed	1,746	(1,746)	8,116	(8,652)
Total	(1,632)	1,674	8,116	(8,652)



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

Profile of Timing

The following table sets out the profile of timing of the notional amount of the hedging instrument:

Group 2022	Maturity				
	Less than 12 months NZ\$000	1-4 Years NZ\$000	4-7 Years NZ\$000	More than 7 years NZ\$000	Total NZ\$000
Interest rate derivatives					
Notional amount (NZD\$000)	30,000	135,000	195,000	40,000	400,000
Average rate (%)	3.56	3.61	3.46	1.41	3.53

Group 2021	Maturity				
	Less than 12 months NZ\$000	1-4 Years NZ\$000	4-7 Years NZ\$000	More than 7 years NZ\$000	Total NZ\$000
Interest rate derivatives					
Notional amount (NZD\$000)	75,000	120,000	110,000	70,000	375,000
Average rate (%)	3.77	3.04	2.03	1.65	3.05

(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:

	2022 \$000	2021 \$000
Cash – AUD	4,098	624
Cash – USD, EUR, GBP, CAD	6,684	1,294
Equities – AUD	34,336	35,316
Equities – USD, EUR, GBP, CAD, SGD	64,403	76,343
	109,521	113,577

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 on the same basis for 2022.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

Group	Profit or Loss	
	10% Increase \$000	10% Decrease \$000
Cash – AUD	410	(410)
Cash – USD, EUR, GBP	668	(668)
Equities – AUD	3,434	(3,434)
Equities – USD, EUR, GBP, CAD, SGD	6,440	(6,440)
30 June 2022	10,952	(10,952)
Cash – AUD	62	(62)
Cash – USD, EUR, GBP	129	(129)
Equities – AUD	3,532	(3,532)
Equities – USD, EUR, GBP	7,634	(7,634)
30 June 2021	11,357	(11,357)



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

(iii) Other price risk

Quayside Group is exposed to equity securities price risk because of investments 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 and managed funds. 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:

	2022 \$000	2021 \$000
Unlisted private equity and managed funds	68,447	45,932
Listed Equities - NZD	94,839	135,860
Listed Equities - AUD	34,336	35,316
Listed Equities – USD, EUR, GBP, CAD, SGD	64,403	76,343
	262,024	293,451

Sensitivity analysis

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

	10% Increase \$000	10% Decrease \$000
Unlisted private equity and managed funds	6,845	(6,845)
Listed Equities - NZD	9,484	(9,484)
Listed Equities - AUD	3,434	(3,434)
Listed Equities – USD, EUR, GBP, CAD, SGD	6,440	(6,440)
30 June 2022	26,202	(26,202)
Unlisted private equity and managed funds	4,593	(4,593)
Listed Equities - NZD	13,586	(13,586)
Listed Equities - AUD	3,532	(3,532)
Listed Equities – USD, EUR, GBP, CAD, SGD	7,634	(7,634)
30 June 2021	29,345	(29,345)

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 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 2022, 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 \$319,920 (2021: \$352,403).



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

(iv) Market liquidity risk

Market liquidity risk is the risk that insufficient liquidity in the market for a security will limit the ability of the security to be sold, resulting in the Group suffering a financial loss. The Group is subject to market liquidity risk if investments are made in relatively illiquid securities, such as unlisted investments. The Group seeks to minimise its exposure to this risk through having sufficient liquid investments.

Financial instruments categories and fair value hierarchy

The Group's other equity investments are mandatorily measured at fair value through the income statement. The table below analyses financial instruments carried at fair value, by level of valuation.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2022 and 30 June 2021.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2022				
Financial assets at fair value through profit or loss				
Listed equity investments	193,578	-	-	193,578
Unlisted direct investments	-	-	15,560	15,560
Unlisted managed funds	-	-	50,240	50,240
Other instruments	-	-	2,647	2,647
	193,578	-	68,447	262,024

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2021				
Financial assets at fair value through profit or loss				
Listed equity investments	247,519	-	-	247,519
Unlisted direct investments	-	-	15,487	15,487
Unlisted managed funds	-	-	25,550	25,550
Other instruments	-	-	4,895	4,895
	247,519	-	45,932	293,450

Transfers between levels in the fair value hierarchy

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Board and management determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation throughout each reporting period. There were no transfers between levels in the current or prior year.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

20 Financial Instruments (continued)

Reconciliation of fair value measurement under Level 3 hierarchy

The table below shows a reconciliation of fair value movements in Level 3 financial instruments.

	2022 \$000	2021 \$000
Opening Balance	45,932	20,094
Purchases	22,895	21,191
Sales	(3,951)	(4,390)
Transfers	(7,339)	
Unrealised gains and losses recognised in net fair value gains on financial instruments held at fair value through profit or loss	10,910	9,037
Closing Balance	68,447	45,932

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy the amount of the total gains or losses for the period included in income that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period was a \$10.9m gain (2021: \$7.7m loss), and these amounts are recognised as part of the 'Other Gains' (Note 4c) or 'Other Losses' (Note 5 b) line item of the income statement.

Fair value sensitivity

	Non-market observable input	Movement %	Impact on fair value measurement	
			Increase \$000	Decrease \$000
2022 –Group				
Unlisted direct investments	(i)	(i)	3,112	(3,112)
Unlisted managed funds	(i)	(i)	10,048	(10,048)
2021 –Group				
Unlisted direct investments	(i)	(i)	3,097	(3,097)
Unlisted managed funds	(i)	(i)	5,110	(5,110)

(i) The Group's investments that have been categorised as private equity and are held either directly or via externally managed investment vehicles. The Board and management have assessed that the reasonably likely movement in fair value in a one-year period is: 20% for direct private equity investments and 20% for managed funds based on internal risk modelling.

Valuations for these investments are provided by investment managers or administrators if held via a managed structure. The Group does not always have access to the underlying valuation models to fully disclose sensitivities to specific assumptions.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

21 Trade and other payables

	2022 \$000	2021 \$000
Accounts payable	40,301	10,659
Accrued employee benefit liabilities	947	5,456
Accruals	1,065	22,621
Payables to Equity Accounted Investees and related parties	-	1,103
Total trade and other payables	42,313	39,838

Payables denominated in currencies other than the functional currency are nil (2021: 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.

Policies

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



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

22 Related Party Transactions

Parent and ultimate controlling entity

The Group is 100% owned by the Bay of Plenty Regional Council – refer Note 1.

Transactions with key management personnel

The below disclosure refers to Quayside Group and Port of Tauranga Group. The Group does not provide any non cash benefits to Directors in addition to their Directors’ fees. Key management personnel compensation comprised the following:

	2022 \$000	2021 \$000
Directors		
Directors’ fees recognised during the period	1,264	1,221
Executive Officers		
Executive officer’s salaries and other short-term employee benefits recognised during the period (cash settled)	4,398	5,608
Executive officer’s share based payments (equity settled) recognised during the period	305	(124)
Post-employment executive officers’ employee benefits recognised during the period	117	-
Total	6,084	6,705

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 23).



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

22 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.

	2022 \$000	2021 \$000
Quayside Group transactions with related parties:		
Transactions with Ultimate Controlling Entity		
Bay of Plenty Regional Council		
Services provided to Quayside Properties Limited	-	13
Interest paid by Quayside Holdings Limited	963	611
Interest payable by Quayside Holdings Limited	45	45
Dividends paid by Quayside Holdings Limited	40,000	33,100
Loan repaid by Quayside Holdings Limited	-	-
Loan payable by Quayside Holdings Limited	54,730	49,600
Subvention payable by Quayside Unit Trust	-	-
Subvention payable by Quayside Properties Limited	-	828
	2022 \$000	2021 \$000
Quayside Group transactions with related parties:		
Transactions with Equity Accounted Investees		
Services provided by Quayside Holdings Limited	50	104
Accounts payable by Quayside Holdings Limited	-	-
Accounts receivable by Quayside Holdings Limited	-	-
Loans advanced by Quayside Holdings Limited	-	-
Loan repayment received by Quayside Holdings Limited	-	-
Loan receivable by Quayside Holdings Limited	-	-
Interest charged by Quayside Holdings Limited	2,226	26
Interest receivable by Quayside Holdings Limited	46	-
Capital contribution payable by Quayside Properties Limited	-	-
Capital contributions by Quayside Properties Limited	-	500
Loan advanced by Quayside Properties Limited	-	-
Loan payable to Quayside Properties Limited	303	500
Interest charged by Quayside Properties Limited	32	14
Interest payable to Quayside Properties Limited	32	28



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

22 Related Party Transactions (continued)

Further information on investment in to, and distributions from Equity Accounted Investees, can be found in note 15.

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

	2022 No	2021 No
R A McLeod (a director) as Trustee	100,000	100,000

Port of Tauranga Group transactions with related parties:

**Transactions with ultimate controlling entity:
Bay of Plenty Regional Council**

Services provided to Port of Tauranga Limited	-	-
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Transactions with equity accounted investees

Services provided to Port of Tauranga Limited	521	754
Services provided by Port of Tauranga Limited	4,071	4,348
Accounts receivable by Port of Tauranga Limited	165	154
Accounts payable by Port of Tauranga Limited	49	14
Advances by Port of Tauranga Limited	1,400	1,400
Services provided to Quality Marshalling (Mount Maunganui) Limited	1	25
Services provided by Quality Marshalling (Mount Maunganui) Limited	703	2,045
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	21	158
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	-	2
Services provided to Timaru Container Terminal Limited	3,050	2,701
Services provided by Timaru Container Terminal Limited	337	1
Accounts receivable by Timaru Container Terminal Limited	140	259
Accounts payable by Timaru Container Terminal Limited	180	-

Transactions with key management personnel

Directors' fees recognised during the period	862	767
Executive officers' salaries and other employee benefits recognised during the period (cash settled)	3,907	5,216
Executive officers' share-based payments (equity settled) recognised during the period	305	62
Postemployment executive officers' employee benefits recognised during the period	117	(186)

In March 2013, the Ultimate Controlling Party granted Port of Tauranga Limited a resource consent to widen and deepen the shipping channels. As a condition of this consent, an environmental bond to the value of \$1.0 million is be held in escrow in favour of the Ultimate Controlling Party. The bond is to ensure the remedy of any unforeseen adverse effects on the environment arising from the dredging. The resource consent expires on 6 June 2027.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

23 Management Long Term Incentive Plan

Members of the Port of Tauranga Group's executive management team participate in an equity settled long term incentive (LTI) plan. Under this LTI plan, share rights are issued to participating executives and have a three year vesting period. 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 2022 is -\$0.6 million (2021: -\$0.1 million) with a corresponding increase in the share based payments reserve (refer note 17).

Number of Share Rights Issued to Executives:

Grant Date	Scheme End Date	Right Type	Balance at 30 June 2021	Granted During the Year	Vested During the Year	Forfeited During the Year	Balance at 30 June 2022
1 July 2018	30 June 2021	EPS	108,500	-	(41,660)	(66,840)	-
1 July 2018	30 June 2021	TSR	90,417	-	(37,071)	(53,346)	-
1 July 2019	30 June 2022	EPS	90,058	-	-	-	90,058
1 July 2019	30 June 2022	TSR	75,050	-	-	-	75,050
1 July 2020	30 June 2023	EPS	88,409	-	-	-	88,409
1 July 2020	30 June 2023	TSR	73,674	-	-	-	73,674
1 July 2021	30 June 2024	EPS	-	79,203	-	-	79,203
1 July 2021	30 June 2024	TSR	-	66,003	-	-	66,003
Total LTI Plan			526,108	145,206	(78,731)	(120,186)	472,397

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	Scheme End Date	Right Type	Grant Date Share Price \$	Risk Free Interest Rate %	Expected Volatility of Share Price %	Valuation per Share Right \$
1 July 2019	30 June 2022	EPS	6.28	0.80	17.60	6.02
1 July 2019	30 June 2022	TSR	6.28	0.80	17.60	2.72
1 July 2020	30 June 2023	EPS	7.59	0.00	25.00	7.03
1 July 2020	30 June 2023	TSR	7.59	0.00	25.00	3.01
1 July 2021	30 June 2024	EPS	7.00	1.38	25.90	6.88
1 July 2021	30 June 2024	TSR	7.00	1.38	25.90	4.19

PAYE Liability

Upon vesting of share rights, the Port of Tauranga funds the PAYE liability and issues the net amount of shares to executives.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

23 Management Long Term Incentive Plan (continued)

Policies

The Port of Tauranga 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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

24 Investment Properties

	2022 \$000	2021 \$000
Balance at 1 July	56,908	54,466
Additions – Work in progress (at cost)	6,044	(1,010)
Additions - Acquisitions (at cost)	9,033	5,185
Sales	-	(905)
Fair value gains on valuation	25,323	(828)
Balance at 30 June	97,308	56,908
Classified as:		
Investment Property – Non current	97,308	56,908
	97,308	56,908
Rental / lease income from investment properties	1,646	1320
Expenses from investment property generating income	186	175

Description of investment properties

Investment properties held include the following:

Asset type	Location	Current use
Commercial Building	Tauranga CBD	Commercial Lease
Commercial Building	Hamilton	Commercial Lease
Industrial Building	Mount Maunganui	Commercial Lease
Industrial Building	Hamilton, Te Rapa	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.

Rangiuru Land classification

The management run an assessment in order to determine the classification of Rangiuru Land as at 30 June 2022. The decision to classify the land as investment property instead of inventory requires a high degree of judgement from the management.

In 2005 the Group undertook a plan change which changed the land from rural to industrial. There has been no change in designation of the land since this time. In parallel, the Group 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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

24 Investment Properties (continued)

As at balance date, buildings and vines had been removed from stage one land in preparation for the development.

As at balance date earthworks have commenced.

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 role in relation to the park at completion is not reached yet. The Group is currently seeking expressions of interest in the development and has indicated that it interested in selling land, leasing land or developing vertical builds.

Due to the existing uncertainties disclosed above, the 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 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.

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 \$438.51 (2021: \$424) per sqm (Commercial) Net market rent of \$181.8 (2021: (\$175.83) (Industrial, Mount Maunganui) Net market rent of \$153.75 (2021: n/a) (Industrial, Hamilton) Capitalisation rate range of 4.875% and 5.375% (2021:4.75% and 5. 25%) Discount rate of 5.75% and 6% (2021: 5.50%and 5.75%)
Residential Rural Block - Tauriko	Market approach	Current use	\$550/ha to \$300,000/ha for improvements and land respectively.
Rural block - Paengaroa	Market approach	Current use	\$250-\$400 (Improvements) \$1,500 to \$32,000 (land value)
Rangiuru Business Park	Market approach	Stage 1 Land – Industrial park development Stage 2 land – Orchard/rural	Stage 1 Land – \$4.4to \$70/sqm. Stage 1 Developed Land \$85/sqm. Stage 2 Land - \$60/sqm.

Commitments

The Group has no contractual commitments at year-end in relation to the settlement on the purchase of investment properties (June 2021: nil).



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

24 Investment Properties (continued)

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.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

25 Biological Assets

	2022 \$000	2021 \$000
Forestry		
Balance at 1 July	680	502
Additions	-	-
Disposals	-	-
Change in fair value less estimated costs to sell	127	178
Balance at 30 June	807	680

The forestry block comprises 103.5 hectares of pinus radiata with planted years ranging from 2013 to 2018. The crop has an expected rotation of 26 years, which would yield revenue in the years 2039 to 2044.

Fair value of the forestry block has been determined by independent registered valuation at 30 June 2022. 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.

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

1. Discounted Cash Flow (DCF) Approach has been applied to the anticipated pre-tax cash flows (future revenues and costs) for the current tree crop rotation.
2. A notional freehold land rental of NZ\$360/ha p.a (2021: \$360)
3. A pre-tax implied discount rate of 7.5% p.a (2021: 7.5%), which was derived from the recent market transaction



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

25 Biological Assets (continued)

Sensitivity of tree crop value to discount rate Tree Crop Value Discount Rate (pre-tax) (NZ\$000)	
6.0%	1,304
6.5%	1,133
7.0%	979
7.5%	841
8.0%	716
8.5%	604
9.0%	504

Implied discount rates (IDR) on pre-tax cash flows - Analysis Implied Discount Rate	
Recent transaction range	2.5% - 10.8%
Average last 6 years	7.50%
Area-weighted average last 6 years	6.50%

Sensitivity of tree crop value to log prices and production costs Discount Rate (pre-tax) (NZ\$000)					
(NZ\$000)	Log Prices				
Production Costs	-10%	-5%	Base	+5%	+10%
+10%	488	619	749	880	1,011
+5%	534	664	795	926	1,056
Base	579	710	841	971	1,102
-5%	625	756	886	1,017	1,147
-10%	670	801	932	1,062	1,193

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 (2021: nil). The fair value is deemed to be cost as insufficient biological transformation has occurred.

26 Contingencies

Refer to the Capital Commitments section of note 10 for details on the construction contingency the Port of Tauranga may be required to fund in relation to Ruakura Inland Port LP.

27 Subsequent Events

The financial statements were approved by the Board of Directors on 2 September 2022.



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

26 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 the ten 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	2022 result	
1. Maintain a majority holding in the Port of Tauranga Limited	Holding of greater than 50.1%. Council consultation and endorsement must be sought prior to any change to the current shareholding.	Quayside held 54.14% of Port of Tauranga shares as at 30 June 2022.	

Target met: **Yes**

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 endorsement from 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 2022	30 June 2021
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	\$375.2m	\$338.3m
Results from operating activities	\$193.1m	\$177.1m
Net profit	\$111.4m	\$102.4m
Cash flows		
Ordinary dividends paid out	\$95.2m	\$84.4m
Ordinary dividends received by Quayside	\$51.6m	\$45.7m
Ordinary dividends as percent of profit	73%	82%
Dividend declared post balance date	\$55.8m	\$51.0m
Asset Backing		
Share price (last bid price)	\$6.16	\$6.98
Market value of Port	\$4,140.5m	\$4,750.5m
Market value of Quayside Holding	\$2,269.6m	\$2,571.7m
Net tangible assets per share (dollars per share)	\$3.05	\$2.04
Governance		
Number of directors	7	7
Number of Quayside affiliated directors	2	2

*Includes treasury shares

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

26 Quayside Group Statement of Service Performance (continued)

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	2022 result	
2. Generate commercial returns across the Investment portfolio.	Five year rolling gross return target of >= 7.0% per annum.	Five year rolling gross return of 10.78% for the Quayside consolidated group achieved at 30 June 2022.	

Target met: **Yes**

The *Quayside Group* manages a diversified investment portfolio with a market value of \$189.8 million at 30 June 2022. 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% 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. The Quayside Group exceeded its rolling five year gross return objective with a return of 10.78%.

Quayside's Statement of Investment Policy and Objectives (SIPO), sets out the investment governance and management framework. Quayside's Responsible Investment Policy 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, commercially focused investor. The primary objectives of the strategic investment policies for the portfolio, are to ensure that the value of the assets is protected long term, managed and grown while generating income that can be distributed to the shareholder as required.

There were two passive breaches of the SIPO during the year. The breaches were the result of fluctuations in share values, one as a result of a takeover announcement and the other a result of a private equity investment becoming a listed entity on the NZX.

Quayside Consolidated Group Investment Portfolio financial highlights are tabled below:

	30 June 2022	30 June 2021
Investment portfolio value	\$189.8	\$246.5
1 year gross return (actual)	(5.36%)	22.22%
5 year rolling gross return (actual)	10.78%	14.49%
5 year rolling gross return (target)	7.00 %	7.50%

* Movement in the value of the investment portfolio reflects a combination of market performance and rebalancing into other investment segments.






Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

26 Quayside Group Statement of Service Performance (continued)

(c) Real asset portfolio

Performance measure	Performance target	2022 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 2022, reaffirming long term objectives. 

Target met: **Yes**

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

The *Quayside Group* real asset portfolio currently comprises commercial buildings in Mount Maunganui, Tauranga, Rotorua and Hamilton, a forestry/agriculture block at Paengaroa and horticulture investments locally and in the Nelson/Tasman region. An annual board assessment in June 2022 has determined that each of the currently held real assets continue to remain strong long-term assets for future growth and return or provide appropriate regional benefit.

Investment continued into the commercial property joint ventures, with the development of a new commercial premises in Rotorua.

Quayside also has a joint venture interest in Huakiwi Developments Ltd, developing kiwifruit orchards on prime horticultural Māori 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. This partnership produced a solid return in 2022 from its first full harvest.

Real asset portfolio financial highlights are tabled below.


	30 June 2022	30 June 2021
Invested	\$141.2*	\$75.8m

*Real assets as a total, is reflective of investment assets and regional benefit assets.

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

26 Quayside Group Statement of Service Performance (continued)

(d) Private equity

Performance measure	Performance target	2022 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 2022, noting short term performance and reaffirming long term objectives. 

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 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.

	30 June 2022	30 June 2021
Invested	\$105.6m	\$80.7m
Undrawn Commitments	\$58.1m	\$33.5m

(e) Regional benefit assets

Performance measure	Performance target	2022 result
5. Develop the business park at Rangiuru to create long term benefit for the Bay of Plenty region.	Quarterly reporting by Quayside to Council on progress and matters related to strategic risk and financial aspects and regional and social benefits of the development.	Development of the business park has started with earthworks undertaken in to the 21/22 season. 
Continue to hold the land at Tauriko for future strategic benefit and or Council initiatives	Retain ownership. Divestment must only occur with the agreement of Quayside and Council.	Quayside presented quarterly reports to Council regarding the development at Rangiuru in September 2021, December 2021 (workshop), April 2022 and June 2022 (workshop). Quayside continues to hold the land at Tauriko.

Target met: **Yes**

The Quayside Group owns land at the future Rangiuru Business Park; a 148 hectare industrial business park development. 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.

During the year, significant progress was made with Quayside completing a successful season of earthworks for stage one and tendering for the interchange works which will commence next season. Design work has continued at pace and enduring relationships with key stakeholders are being formed to ensure the Park is a future focussed asset which represents its local community and the history of the whenua. Planning continues for a busy year ahead, with the continuation of earthworks from September, and the start of construction works on the interchange



Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

26 Quayside Group Statement of Service Performance (continued)

(f) 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	2022 result	
6. Keep Council informed on a no surprises basis, providing quality and timely information. Provide Council with timely advice on financial and commercial decision making as required.	A minimum of four presentations per annum to Council, as shareholders. Quarterly reporting on Group financial position and risk. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity. Long term forecasting of key financial information and key risks provided to Council annually.	Quarterly presentations/workshops with Council in September 2021, December 2021, April 2022 and June 2022 including key financial/risk reporting. Open communication with Council maintained during the year through regular meetings with Quayside CE and Council management. Financial forecasting and risk information provided through: - Quarterly presentations/workshops to Council, - Statement of Intent preparation process, Quayside Distribution and Reserving Policy.	
7. Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	The Quayside Group policy framework was given a full review during the year. All Group policies were reviewed by management as part this process and amended/new policies resolved by the Board.	
8. Meet shareholder distribution expectations as outlined in the Statement of Intent, Distribution Policy or as otherwise agreed.	Distributions paid to forecast values where actual financial performance meets or exceed targets. Policy discussion with Council on the use of any future special dividends received from POTL.	Cash dividends of \$40m (target \$40m) paid to Council as forecast in the SOL. Gross PPS dividend of \$4.9m (target \$4.9m) paid to PPS holders. No special dividend from POTL in 2022	
9. Compliance with NZX listing requirements for PPS.	Matters of material impact are disclosed in line with continuous disclosure requirements. 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.	

Quayside Holdings Limited and Subsidiaries
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

10. Promote and support approaches to responsible investment that align capital with achieving a healthy, sustainable society, environment, and economy.

Maintain a written set of principles for responsible investment which is reviewed no less than biennially.
Benchmark, through biennial review, the Group responsible investment principles against international standards and comparative national entities (for example NZ Super Fund).
Do not invest in companies whose principal business activity is -

- The manufacture and sale of armaments
- The manufacture and sale of tobacco
- The promotion of gambling.

Carry out an annual audit of all existing investments across all classes (listed assets, private equity, real assets, and regional benefit assets) to -

- ensure continued adherence to the Group principles of responsible investment; and
- monitor ESG risks and opportunities.

For new investments -

- screen investments for compliance with the Group principles of responsible investment;
- research and analyse ESG factors as part of due diligence;
- report on ESG factors (including risks and opportunities) in new investment proposals to the Board;
- pursue sustainably themed investments which meet commercial imperatives.

Include responsible investment reporting within the Group annual report.

The Group holds written principles for responsible investment. These were last reviewed in June 2022.

A benchmark 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.

No investments were made in excluded categories.

Annual audit of existing investments was presented to the Board in June 2022.

New investments are screened against responsible investment principles and ESG analysis is included in investment proposals.

The Group annual report contains responsible investment reporting.

Target met: **Yes 5/5**

The Quayside Group policy framework was subject to a full review during the year. Consolidated policies were broken out into stand-alone policies and new policies were added. The Group maintains an extensive suite of policies which are subject to internal operational review regularly, and Board review no less than biennially.

The Group held written principles for responsible investment as contained within its Statement of Investment Policy and Objectives. In June 2022 this was reviewed and made a stand-alone policy and is due for substantive review in the next financial year as Quayside continues to strengthen and grow its commitment to ESG principles and best practice.

Key

 Met  Substantially met  Not met  Not applicable



Quayside Holdings Limited and Subsidiaries
Statutory Information
For the year ended 30 June 2022

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 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 2019 are italicised.

Director	Entity	Position
R McLeod	<i>China Construction Bank (New Zealand) Limited - Appointed 30 Dec 2021</i>	<i>Director</i>
	Ngāti Porou Holding Company Limited	Director Chair
	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	<i>Bluelab Corporation Limited – Removed August 2021</i>	<i>Director</i>
	<i>Bluelab Holdings Limited – Removed August 2021</i>	<i>Director</i>
	Comvita Limited	Chair Director
	Oriens Capital	Shareholder
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
K Horne	Quayside Securities Limited	Director
	ScreenSouth Limited	Director Chair
	Spey Downs Limited	Shareholder
	Television New Zealand Limited	Director <i>ARC Chair</i>
	University of Canterbury	Council Member ARC Chair
	Bay of Plenty Regional Council	Officer
	BOPLASS Limited	Director
	McTavish – Huriwai Investments Limited	Director Shareholder
	Priority One WBOP Inc	Executive Board Member
F McTavish	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director

Quayside Holdings Limited and Subsidiaries
Statutory Information
For the year ended 30 June 2022

Interest register (continued)

W Parker	<i>FarmIQ Systems Limited – Appointed July 2021</i>	<i>Director Chair</i>
	Farmlands Cooperative Society Limited	Director
	Focus Genetics Management Limited	Director
	Landcorp Estates Limited	Director Chair
	Landcorp Holdings Limited	Director Chair
	Landcorp Pastoral Limited	Director Chair
	PAMU, Landcorp Farming Limited	Director Chair
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
T White	Quayside Securities Limited	Director
	Warrens Insights Limited	Director Shareholder
	Bay of Plenty Regional Council	Councillor
	Indigenuity Limited	Shareholder
	Kahukiwi Management Limited	Director
	Noa New Zealand Limited	Director Shareholder
	NZ Baywide Credit Union	Director
	Quayside Holdings Limited	Director
	Quayside Properties Limited	Director
	Quayside Securities Limited	Director
	Te Taru White Consultancy Limited	Director Shareholder
	<i>Toitu Te Waonui Limited – ceased February 2022</i>	<i>Director Shareholder</i>
	<i>Whenua Fruits Limited – March 2021</i>	<i>Shareholder</i>

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





Quayside Holdings Limited and Subsidiaries
Statutory Information
For the year ended 30 June 2022

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 2022.

Auditors remuneration

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

Audit New Zealand: Audit Fees \$254,779

Directors

The following directors of Quayside Holdings Limited and its subsidiaries held office during the year ended 30 June 2022:

	Remuneration	
	Paid by parent \$000	Paid by subsidiaries \$000
R McLeod (Chair)	52	54
S Crosby	26	27
B Hewlett	26	27
K Horne	34	35
W Parker	31	35
T White	26	27
Total	196	205

The fees above are exclusive of GST. F McTavish was remunerated by the Bay of Plenty Regional Council.



Quayside Holdings Limited and Subsidiaries
Statutory Information
For the year ended 30 June 2022

Port of Tauranga

The following directors of Port of Tauranga Limited held office during the year ended 30 June 2022:

	2022 \$000	2021 \$000
D A Pilkington (Chair)	183	174
A M Andrew	98	94
K R Ellis	115	107
D D Bracewell*	50	-
J C Hoare	116	108
A R Lawrence	101	96
D W Leeder	97	94
R A McLeod	101	96
Total	862	767

Loans

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



Quayside Holdings Limited and Subsidiaries
Statutory Information
For the year ended 30 June 2022

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:

Remuneration range \$000	Port of Tauranga Limited		Quayside Holdings Limited	
	Number of employees 2022	Number of employees 2021	Number of employees 2022	Number of employees 2021
100 – 109	19	23	-	-
110 – 119	35	35*	1	-
120 – 129	20	19	1	1
130 – 139	21	14	1	-
140 – 149	10	8	-	1
150 – 159	6	13	-	1
160 – 169	12	15	1	-
170 – 179	11	5	1	-
180 – 189	6	2	1	-
190 – 199	5	2	-	-
200 – 209	2	2	-	-
210 – 219	2	3	-	-
220 – 229	1	-	-	-
230 - 239	-	-	-	1
240 – 249	3	5	1	-
250 – 259	1	4	-	-
260 – 269	1	1	-	-
270 – 279	2	1	-	-
280 - 289	2	1	-	-
290 - 299	2	-	-	-
310 – 319	1	-	-	-
320 - 329	1	-	-	-
330 – 339	1	1*	-	-
370 – 379	1	-	-	1
420 – 429	1	-	-	-
440 – 449	-	1	-	-
470 – 499	-	1	1	-
530 – 539	-	1*	-	-
550 – 559	1*	-	-	-
570 – 579	1*	-	-	-
680 – 689	1	-	-	-
800 – 809	-	1*	-	-
890 – 899	1*	-	-	-
950 – 999	-	-	-	-
1,000 – 1,100	1*	-	-	-
1,500 – 1,569	-	1*	-	-

*Includes vesting of Long Term Incentive Scheme and payment of Short Term Incentive

Quayside Holdings Limited and Subsidiaries
Statutory Information
For the year ended 30 June 2022

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 2022.

Twenty largest holders of perpetual preference shares

Rank	Name	Units at 30 June 2022	% of Units
1	CUSTODIAL SERVICES LIMITED <A/C 4>	52,125,000	26.06
2	JBWERE (NZ) NOMINEES LIMITED <NZ RESIDENT A/C>	27,372,000	13.69
3	FNZ CUSTODIANS LIMITED	19,762,000	9.88
4	FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	6,328,000	3.16
5	HOBSON WEALTH CUSTODIAN LIMITED <RESIDENT CASH ACCOUNT>	5,594,000	2.80
6	JBWERE (NZ) NOMINEES LIMITED <RES INST A/C>	4,760,000	2.38
7	INVESTMENT CUSTODIAL SERVICES LIMITED <A/C C>	3,924,000	1.96
8	TAPPENDEN HOLDINGS LIMITED	2,117,000	1.06
9	ATT INVESTMENTS LIMITED	1,000,000	0.50
9	FAITH PRISCILLA TAYLOR	1,000,000	0.50
9	FLETCHER BUILDING EDUCATIONAL FUND LIMITED	1,000,000	0.50
9	JBWERE (NZ) NOMINEES LIMITED <44626 A/C>	1,000,000	0.50
9	KIA INVESTMENTS LIMITED	1,000,000	0.50
14	JBWERE (NZ) NOMINEES LIMITED <50986 A/C>	700,000	0.35
15	PHILIP MAURICE CARTER	625,000	0.31
16	STEPHEN LEONARD JOHNS	600,000	0.30
17	CUSTODIAL SERVICES LIMITED <A/C 6>	501,000	0.25
18	F S INVESTMENTS LIMITED	500,000	0.25
18	JBWERE (NZ) NOMINEES LIMITED <58681 A/C>	500,000	0.25
20	DULCIE MAY TAYLOR	470,000	0.23
Totals: Top 20 holders of perpetual preference shares		130,878,000	65.44
Total remaining holders balance		69,122,783	34.56
Total		200,000,783	100%





Quayside Holdings Limited and Subsidiaries
Statutory Information
For the year ended 30 June 2022

Distribution of perpetual preference shares

Range of equity holdings	Number of holders	Number of shares held	% of issued equity
1 - 999	1	783	0.00
1,000 - 4,999	1	3,000	0.00
5,000 - 9,999	195	1,089,000	0.54
10,000 - 49,999	1,383	27,670,000	13.83
50,000 - 99,999	332	18,983,000	9.49
100,000 - 499,999	144	21,847,000	10.92
500,000 - 999,999	6	3,426,000	1.71
1,000,000 Over	13	126,982,000	63.49
TOTAL	2,075	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 and Subsidiaries
Directory

Quayside Holdings Limited and Subsidiaries
Directory
For the year ended 30 June 2022

Registered office

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 3144
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.

