Annual Report

MWRC Holdings Ltd
For the year ended 30 June 2024

Contents

Directors Report

MWRC Holdings Ltd
For the year ended 30 June 2024

Chair's Report

This commentary, in conjunction with the financial and operational information contained herein, provides a description of the company's performance for the 2024 financial year.

The past 12 months have been challenging with increased interest rates and insurance costs significantly exceeding budget. In addition, operating costs exceeded budget primarily caused by accountancy expenses, taxation advice, repairs and maintenance, and demolition clearance costs associated with the clearance of the recently acquired sites in Victoria Avenue and Grey Street.

Of particular significance this year was a negative revaluation of properties. All properties, except for the vacant sections, recorded reduced values caused primarily by increased interest rates. Unfortunately, accounting standards require the valuation reduction to be recorded as an expense on the revenue and expense statement. This had a major impact on net profit, reducing the result for the year to a loss of $364k compared to an SOI surplus of $2.43 million.

The value of shareholder funds at year-end was $73.7 million. Total assets were $96.8 million, giving an equity ratio of 76%.

CentrePort, the company's main asset, produced a pleasing result for the year with underlying Net Profit After Tax exceeding budget by over $1.6 million. This financial result was achieved despite cargo volumes being generally down, with logs, in particular, being 10% behind compared to the 2023 financial year. CentrePort is concerned about the future state of global shipping and awaits the outcome of the review of Cook Strait ferries to assess how this may affect their business.

Additionally, we engaged KPMG to conduct an independent valuation of CentrePort, which was in line with our expectations and resulted in no further revaluation changes for the shareholding, which remained at $63 million.

During the year, the acquisition and clearing of properties next to Regional House was completed. This site is now available for Council should it be required for future development.

In the event Council does not require the area at some appropriate time in the future, the site could then be made available for sale or development.

With the relocation of the tenants of 7 Victoria Ave to Te Ao Nui, that building is now fully tenanted.

In conclusion, I would like to thank all those involved in contributing to the company's performance during the year that has been challenged by difficult market conditions. We look forward to what this year brings and the opportunities ahead.

Financial Statements

The financial statements required by section 66 of the Local Government Act 2002 (LGA(2002)), are attached.

R J Keedwell

Date: 25 October 2024

A L Benbow

Registered Office

C/o Horizons Regional Council

11-15 Victoria Avenue
Palmerston North

Auditors

Audit New Zealand on behalf of the Controller and Auditor General.

All Directors listed their interests in the register on being appointed to the company.

The following interests were registered at balance date:

Director		
A L Benbow		
Scanpower Limited	-	Director
AL & KC Partnership		
R J Keedwell		
Has no further interests to disclose.		

The Companies Act 1993 requires disclosure of the amount of donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above $100,000 per annum, in brackets of $10,000. For this financial year, no staff were employed by MWRCH. The audit fee was $47,536 GST exclusive to Audit New Zealand. There were no audit fees for other services and no donations made.

Directors' Insurance

The company has arranged Directors' and Officers' liability insurance cover for $2 million with QEB Insurance (International) Limited and IAG NZ Limited to indemnify the Directors' against loss as a result of actions undertaken by them as Directors and employees provided they operate within the law. This disclosure is made in terms of Section 162 of the Companies Act 1993.

Directors' use of Company Information

The Board received no notices during the year from Directors requesting use of company information received in their capacity as Directors which would not have otherwise been available to them.

Statement of Responsibility

In terms of the Local Government Act 2002, the Board of Directors is responsible for the preparation of MWRC Holdings Limited's financial statements and to assist the company meet its objectives and any other requirements in its Statement of Intent (SOI).

The Board of Directors of MWRC Holdings Limited has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board of Director's opinion, these financial statements fairly reflect the financial position and operations of MWRC Holdings Limited for the year ended 30 June 2024.

Signed on behalf of the Board of Directors:

R J Keedwell

A L Benbow

25 October 2024

Statement of Comprehensive Revenue and Expense

MWRC Holdings Ltd
For the year ended 30 June 2024

	NOTES	2024	SOI	2023
Revenue				
Rents		2,282,752	2,309,000	2,340,030
Interest	1	28,443	23,000	69,065
Dividends		1,615,385	1,500,000	1,384,616
Gain on Investment property revaluation		-	326,000	-
Total Revenue		**3,926,580**	**4,158,000**	**3,793,710**
Expenses				
Administration Costs	2	342,949	271,000	404,327
Finance Costs	1	799,315	580,000	613,876
Rental Expenses	3	618,623	461,000	448,826
Victoria Avenue Development	4	336,405	290,000	289,600
Loss on Investment Property revaluation		2,190,914	-	971,895
Other expenses		1,919	-	-
Subvention payment to Council	5	-	126,000	-
Total Expenses		**4,290,125**	**1,728,000**	**2,728,524**
Surplus/(deficit) before tax		**(363,545)**	**2,430,000**	**1,065,186**
Income tax expense				
Income tax expense	5	(133,350)	156,000	(95,019)
Surplus/(deficit) after tax		**(230,195)**	**2,274,000**	**1,160,205**
Surplus/(deficit) attributable to MWRC Holdings Ltd		**(230,195)**	**2,274,000**	**1,160,205**
Surplus/(deficit) after distributions		**(230,195)**	**2,274,000**	**1,160,205**
Other comprehensive revenue and expense				
Revaluation of Financial Assets to fair value	9	-	-	(7,000,000)
Total comprehensive revenue and expense		**(230,195)**	**2,274,000**	**(5,839,795)**

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

Explanations of major variances against budget are provided in the notes.

Statement of Financial Position

MWRC Holdings Ltd
As at 30 June 2024

	NOTES	2024	SOI	2023
Assets				
Current Assets				
Cash and cash equivalents	6	2,343,531	2,287,000	2,025,550
Debtors and Accruals	7	452,442	221,000	299,179
Goods and Services tax	7	-	-	21,516
Income Tax Receivable	7	37,382	-	22,791
Other Current Assets	8	-	-	199,096
Total Current Assets		**2,833,354**	**2,508,000**	**2,568,131**
Non-Current Assets				
Other Financial Assets	9	63,000,000	70,000,000	63,000,000
Investment Property	11	30,935,000	32,907,000	31,550,000
Total Non-Current Assets		**93,935,000**	**102,907,000**	**94,550,000**
Total Assets		**96,768,354**	**105,415,000**	**97,118,131**
Liabilities				
Current Liabilities				
Creditors and Accrued Expenses	12	4,173,299	2,434,000	2,689,646
Goods and services tax	12	30,115	-	-
Total Current Liabilities		**4,203,414**	**2,434,000**	**2,689,646**
Non-Current Liabilities				
Borrowing and other financial liabilities	13	18,500,000	18,500,000	18,500,000
Deferred Tax Liability	5	371,282	755,000	504,632
Total Non-Current Liabilities		**18,871,282**	**19,255,000**	**19,004,632**
Total Liabilities		**23,074,696**	**21,689,000**	**21,694,278**
Net Assets		**73,693,658**	**83,726,000**	**75,423,853**
Equity				
Contributed Capital	14	31,500,000	31,500,000	31,500,000
Accumulated Funds	14	4,575,657	7,608,000	6,305,852
Reserves	14	37,618,001	44,618,000	37,618,001
Total Equity		**73,693,658**	**83,726,000**	**75,423,853**

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated.

Explanations of major variances against budget are provided in the notes.

Statement of Changes in Equity

MWRC Holdings Ltd
For the year ended 30 June 2024

	NOTES	2024	SOI	2023
Equity				
Balance at 1 July		75,423,853	83,501,000	83,278,648
Total Comprehensive Revenue and Expense for the year				
Total Comprehensive Revenue and Expense for the year		(230,195)	2,274,000	1,160,205
Revaluation reserves		-	-	(7,000,000)
Total Total Comprehensive Revenue and Expense for the year		**(230,195)**	**2,274,000**	**(5,839,795)**
Dividends Paid		(1,500,000)	(2,049,000)	(2,015,000)
Balance at 30 June		**73,693,658**	**83,726,000**	**75,423,853**

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated.

Explanations of major variances against budget are provided in the notes.

Statement of Cash Flows

MWRC Holdings Ltd
For the year ended 30 June 2024

	2024	SOI	2023
Cash Flows from Operating Activities			
Dividends	1,615,385	1,500,000	1,384,616
Interest Received	28,443	23,000	69,065
Other Income	2,302,924	2,192,000	2,301,729
Income tax received/(paid)	(14,591)	-	(22,792)
Interest Paid	(658,675)	(580,000)	(536,690)
Payments to suppliers	(1,438,721)	(1,160,000)	(1,235,780)
GST	59,129	-	10,223
Total Cash Flows from Operating Activities	**1,893,894**	**1,975,000**	**1,970,371**
Cash Flows from Financing Activities			
Dividends Paid	-	1,950,000	(1,988,567)
Total Cash Flows from Financing Activities	-	**(1,950,000)**	**(1,988,567)**
Cash Flows from Investing Activities			
Payments to purchase investment property	(1,575,913)	-	-
Total Cash Flows from Investing Activities	**(1,575,913)**	**25,000**	-
Net Increase/ (Decrease) in Cash	**317,981**	**317,981**	**(18,196)**
Cash Balances			
Cash and cash equivalents at beginning of period	2,025,550	2,262,000	2,043,746
Cash and cash equivalents at end of period	2,343,531	2,287,000	2,025,550
Net change in cash for period	317,981	25,000	(18,196)

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated.

Explanations of major variances against budget are provided in the notes.

Statement of Accounting Policies

MWRC Holdings Ltd
For the year ended 30 June 2024

MWRC Holdings Limited (MWRCH) is a Council Controlled Trading Organisation (CCTO),owned 100% by Horizons Regional Council (HRC). MWRCH was incorporated on 14 December 2009 and commenced trading on 15 December 2009. MWRCH was primarily incorporated for the purposes of managing the investments of HRC and has designated itself a Public Benefit Entity (PBE) for Financial Reporting purposes, in keeping with the designation of the shareholder.

The financial statements are those of MWRCH, for the year ended 30 June 2024 , and were authorised for issue by the Board of Directors on 25 October 2024.

Basis of Preparation

The Financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of MWRCH have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 2 entity. MWRCH is not publicly accountable and expenditure is not higher than $30 million. These financial statements comply with PBE standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Specific accounting policies for major categories of revenue are outlined below:

Other Revenue

Other forms of revenue including fees, charges, and other revenues are recognised on a percentage of completion of the transactions as at the reporting date.

Dividends received are recognised when the right to the payment is established.

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the term of the lease.

Expenditure

Expenditure is recognised on an accrual basis when the service was provided, or the goods received.

Income Tax

Income tax expense may comprise both current and deferred tax and is calculated using tax rates that were enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which MWRCH expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all 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 an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination or transactions recognised in other comprehensive revenue and expense, or directly in equity.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, on demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities, in the Statement of Financial Position.

Trade and Other Receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

MWRC applies the simplified model of recognising lifetime ECL for short term receivables.

Short term receivables are made up of rent and tenant oncharges (opex) receivable.

They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rent and tenant receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Other Financial Assets

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless the it has been designated at FVTSD, in which case it is recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council and group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Initial recognition of concessionary loans
Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

Subsequent measurement of financial assets at amortised cost
Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

Subsequent measurement of financial assets at FVTOCRE
Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit. Debt instruments in this category pertain to MWRC Holdings' listed bonds. Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. MWRC Holding designates into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

Subsequent measurement of financial assets at FVTSD
Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.
Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Other than for derivatives, MWRC Holdings does not have instruments in this category.

Expected credit loss allowance (ECL)
MWRC recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to MWRC in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.
ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).
When determining whether the credit risk of a financial asset has increased significantly since initial recognition, MWRC Holdings' considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on MWRC Holdings' historical experience and informed credit assessment and including forward-looking information.
MWRC Holdings' consider a financial asset to be in default when the financial asset is more than 90 days past due. MWRC Holdings' may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.
MWRC Holdings' measures ECLs on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

Investment Property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value at each reporting date. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Payables

Short term creditors and other payables are recorded at their face value.

Borrowings

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

Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "financial costs".

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- reserves;
- accumulated funds; and
- contributed capital.

Reserves

These reserves relate to the revaluation of MWRCH's investment in CentrePort Limited. This reserve comprises the cumulative net change in the fair value through other comprehensive revenue and expense.

Goods and Services Tax (GST)

These financial statements are presented net of GST, except for receivables and payables which are inclusive of GST. Where GST paid is not recoverable, due to it relating to exempt items, the GST inclusive amount is recognised as part of the related asset or expense including the GST relating to investing and financing activities.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or recovered from, the IRD is recognised as an item in operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumption have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of the Investment Property – Note 11
- Estimating the fair value of the CentrePort Investment – Note 9

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

- Fair value of the Investment Property – Note 11
- Fair value of the CentrePort Investment – Note 9
- CentrePort is not an associate due to its minority shareholding and has therefore been accounted for as fair value – Note 9

Notes to the Performance Report

MWRC Holdings Ltd
For the year ended 30 June 2024

	NOTES	2024	2023
1. Interest Revenue and Finance Costs			
Interest revenue from term deposits, call accounts and use of money interest		28,443	69,065
Finance Costs			
Interest on borrowings from parent (Horizons Regional Council)		799,315	613,876
Total Finance Costs		**799,315**	**613,876**
Net Finance Costs		770,872	544,810

	NOTES	2024	2023
2. Administration Expenses			
Consulting and accounting fees		291,688	355,075
Audit Fees		47,536	44,104
Other administration		3,724	5,148
Total Administration Expenses		**342,949**	**404,327**

	NOTES	2024	2023
3. Rental Expenses			
Cleaning		69,074	59,046
Legal expenses		9,233	14,618
Light, Power, Heating		69,537	47,219
Rates		126,622	113,704
Repairs and Maintenance		344,158	214,240
Total Rental Expenses		**618,623**	**448,826**

	NOTES	2024	2023
4. Victoria Avenue Development			
Ground Lease		132,000	132,000
Insurance		204,405	157,600
Total Victoria Avenue Development		**336,405**	**289,600**

	NOTES	2024	2023

5. Tax

	2024	2023
Components of tax expense		
Current Tax	-	-
Deferred Tax	(133,350)	(95,019)
Total Components of tax expense	**(133,350)**	**(95,019)**
Relationship between tax expense and accounting surplus		
Net surplus/(deficit) before tax)	(363,545)	1,065,186
Tax and Tax Adjustments		
Tax at 28%	(101,792)	298,252
Non-deductible expenditure	426,959	-
Non-assessable income	(452,308)	(393,271)
Prior period adjustments	(6,209)	-
Tax expense for the year	**(133,350)**	**(95,019)**

The proposed subvention payment to Council is $Nil (2023 - $Nil).

Deferred Tax Liability

Deferred tax assets/(liabilities	**Investment** Property	Financial Instruments	Provisions	Tax Losses	Total
Balance at 1 July 2022	(813,754)	-	-	214,103	(599,651)
Charged to surplus or deficit	(96,994)	-	-	192,013	95,019
Charged to other comprehensive revenue and expense	-	-	-	-	-
Derecognition of tax asset	-	-	-	-	-
Balance at 30 June 2023	(910,748)	-	-	406,116	(504,632)
Charged to surplus or deficit	(255,826)	-	-	389,176	133,350
Derecognition of tax asset	-	-	-	-	-
Balance at 30 June 2024	(1,166,574)	-	-	795,292	(371,282)

	NOTES	2024	2023
6. Cash and cash equivalents			
Cash at bank and on hand		2,343,531	2,025,550
Total Cash and cash equivalents		**2,343,531**	**2,025,550**

Although cash and cash equivalents at 30 June 2024 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated allowance is nil.

	NOTES	2024	2023
7. Receivables and Accruals			
GST Receivable		-	21,516
Income Tax Receivable		37,382	22,791
Debtors and Accruals			
Prepayments		71,518	55,234
Accrued Revenue		-	33,111
Accounts Receivable		380,924	210,834
Total Debtors and Accruals		**452,442**	**299,179**
Total Receivables and Accruals		**489,824**	**343,486**

MWRC has not allowed for any Expected Credit Loss on Rents Receivable. MWRC has ability under the Deeds of Lease to collect any overdue rent.

	NOTES	2024	2023
8. Other Current Assets			
Retentions Held in Trust		-	199,096
Total Other Current Assets		**-**	**199,096**

Retentions held are in a bank account managed by Council. Retentions are expected to be paid at the end of the 12 month defect liability period.

	NOTES	2024	2023
9. Other financial assets			
Unlisted shares in CentrePort Ltd (23.08% shareholding). Recognised at fair value.		63,000,000	63,000,000

	NOTES	2024	2023
Made up of			
Balance at 1 July		63,000,000	70,000,000
Less expected credit loss (ECL)		-	-
Plus (Less) Fair Value gain on revaluation		-	(7,000,000)
Balance at 30 June		63,000,000	63,000,000

Summary

Horizons Regional Council owns 23.08% of the issued shares of CentrePort Limited through its wholly owned subsidiary, MWRCH Holdings Limited (MWRCH). The balance of the shares is owned by Greater Wellington Regional Council (GWRC). Each year, MWRCH engages an independent third party to assess the fair value of this shareholding and provide an indicative valuation range of the carrying value of the investment.

KPMG was engaged to assess the fair value of this shareholding and provide an indicative valuation range for the investment's carrying value for FY 2024.

KPMG has adopted a discounted cash flow (DCF) method as the primary valuation methodology for valuing 100% of CentrePort, supported by sensitivity analysis and cross-referencing with market multiples for capitalisation of earnings. KPMG also applies a minority discount for the lack of control, reflecting the nature of Horizons' minority shareholding.

The valuation relies on the following information provided by CentrePort management:

- CentrePort's 10-year financial forecasts from 1 July 2024 to 30 June 2034;
- CentrePort's unaudited interim financial statements for FY2024;
- CentrePort's statement of corporate intent (SCI) for FY2025-27;
- CentrePort's audited Annual Reports for FY2021 to FY2023;
- Constitution of CentrePort
- CentrePort's quarterly reports (FY2022 Q4, FY2023 Q4 and FY2024 Q3 and Q4)
- CentrePort's investment property valuation from Colliers International as at 30 June 2024;
- CentrePort's public website; and
- Conversations with CentrePort and Horizons management.

The indicative valuation range for Horizons' 23.08% shareholding in CentrePort is $55.3 million to $67.5 million as at 30 June 2024 (compared to $52.0 Million to $64.0 Million as at 30 June 2023), with a midpoint of $61.1 million. This valuation reflects an implied multiple of 7.9x FY24 EBITDA and 8.7x FY25 EBITDA, positioning CentrePort between the lower-quartile and median of comparable companies.

The Directors agreed the carrying value of the Council's shareholding in CentrePort would remain at $63 million as of 30 June 2024, after reviewing independent valuation advice from KPMG and considering current economic conditions, including the impact of inflation and interest rates. This value is slightly above the midpoint of the valuation range provided by KPMG.

Based on KPMG's assessment, applying a higher minority discount rate of 32.5% results in a value of $55.3 million for CentrePort, while applying a lower minority discount rate of 27.5% results in a value of $67.5 million. As the carrying value of $63 million falls within this range, no allowance for Expected Credit Loss has been made.

KPMG applied a minority discount of 27.5% to 32.5% due to the lack of control over the operations of CentrePort by Horizons, given that the majority shareholder (GWRC) has a controlling interest. This discount reflects the reduced influence Horizons has over key strategic decisions, dividend policies, and operational management.

Impact of the 2016 Kaikoura Earthquake on Investment

As reported in previous annual reports, the November 2016 Kaikoura earthquake resulted in significant damage to CentrePort's assets and business. The rebuild still involves some uncertainty about future business operations and the capital expenditure required to restore or develop the port. However, the Company's plans have advanced.

CentrePort is actively working on a comprehensive "Regeneration Plan" and has initiated discussions with its shareholders and public consultations regarding these plans. A key focus of the Regeneration Plan is enhancing the port's operational resilience. This includes upgrading infrastructure to better withstand future seismic events, integrating more robust supply chain systems, and improving overall operational efficiency. The plan also features investments in electrification and renewable energy to ensure long-term sustainability and resilience.

The green credit facility from New Zealand Green Investment Finance (NZGIF) supports these resilience efforts by funding low-carbon projects such as the introduction of electric vehicles and on-site renewable energy generation. These initiatives not only

reduce the port's carbon footprint but also contribute to a more resilient and efficient operational framework.

Despite the ongoing development of the Regeneration Plan, capital expenditure forecasts remain somewhat uncertain until the process is fully completed.

Uncertainties in the valuation advice

The Directors note that there remains a high degree of uncertainty in CentrePort's future capital expenditure and financial performance, which may impact returns to shareholders. Key uncertainties highlighted by KPMG include:

- CentrePort's operations continue to be affected by volatility in the financial markets, inflationary pressures, and broader macroeconomic trends.
- The significant capital expenditure required for rebuilding and redevelopment adds substantial uncertainty to the valuation.
- While CentrePort has made progress in planning for the SUT (Strategic Urban Freight Terminal), uncertainty remains around the timing, scale, and ROI of these capital investments.
- Some of the capital expenditure is likely to be non-revenue generating, particularly related to ground resilience and wharf renewal work, but is necessary to enhance the long-term operational resilience of the port.
- Many aspects of the capital expenditure plan, including the SUT project, remain subject to detailed business casing and shareholder approval.
- The valuation is primarily based on financial forecasts provided by CentrePort's management for the period 1 July 2024 to 30 June 2034 which are dependent on assumptions about future business performance and external factors that may not materialise as expected.

Assumptions

KPMG's valuation advice is based on the following key assumptions:

- The valuation is as of 30 June 2024 and assumes no material change in the financial performance or position.
- CentrePort's investment property valued at $96.7 million as of 30 June 2024.
- A corporate tax rate of 28%, with tax being paid in the year incurred.
- The midpoint DCF valuation 7.9 x FY24 EBITDA and 8.7 x forecast FY25 EBITDA.
- Deferred tax liability adjustment reflects the present value of expected payments, with a nominal value of $22.3m as of 30 June 2024.
- Deferred tax liability is assumed to unwind over 20 years and is treated as an operating liability with an adjustment made to Enterprise Value (EV).
- Debt to Enterprise Value Range assumed to be 20% to 30%, based on observed gearing levels in comparable companies and CentrePort's long-term borrowing intentions for growth.
- Capital expenditure related to resilience work is not expected to generate a return above WACC.

A minority discount of 27.5% to 32.5% has been applied to reflect Horizons' minority shareholding. This discount acknowledges Horizons' limited control over CentrePort's strategic direction and dividend policy, as well as GWRC's majority shareholding.

Sensitivity Analysis

KPMG conducted a sensitivity analysis to assess the impact of changes in key valuation drivers. The analysis explored the effects of changes to the following inputs:

- Weighted Average Cost of Capital (WACC): A 1% decrease in the WACC results in a valuation increase of $4.1 million, while a 1% increase in the WACC results in a valuation decrease of $3.7 million.
- WACC range of 7.3% to 8.3%, with a mid-point of 7.8%, reflecting an increase due to the higher risk-free rate in the current interest rate environment.
- Exit Multiple: A 1.0x decrease in the exit multiple applied in the terminal period results in a valuation decrease of $3.8 million, while a 1.0x increase in the exit multiple results in a valuation increase of $3.8 million.
- Minority Discount: A 5% decrease in the minority discount applied results in a valuation increase of $4.3 million, while a 5% increase in the minority discount results in a valuation decrease of $4.3 million.
- Capital Expenditure (Capex): A 15% decrease in capital expenditure over the forecast period, assuming no change in EBITDA, results in a valuation increase of $6.2 million, while a 15% increase in capital expenditure results in a valuation decrease of $6.2 million.
- Revenue: A 10% decrease in revenue over the forecast period, assuming the EBITDA margin remains unchanged, results in a valuation decrease of $8.4 million, while a 10% increase in revenue results in a valuation increase of $8.4 million.

The valuation advice including calculating the discount rate has been carried out by an independent third party (KPMG) with experience in valuing investments of this type.

10. Financial Instrument Categories

	NOTES	2024	2023
Financial Assets			
Amortised Cost			
Cash and Cash Equivalents	6	2,343,531	2,025,550
Receivables	7	380,924	210,834
Total Amortised Cost		**2,724,445**	**2,236,384**
FV through Comprehensive revenue and expenses			
CentrePort unlisted shares	9	63,000,000	63,000,000
Total FV through Comprehensive revenue and expenses		**63,000,000**	**63,000,000**
Financial Liabilities			
Payables		4,173,299	2,528,052
Borrowings from Horizons	13	18,500,000	18,500,000
Total Financial Liabilities		**22,673,299**	**21,028,052**
Total Financial Instrument Categories		**43,051,156**	**44,208,332**

	NOTES	2024	2023

11. Investment Property

28 North Street, Palmerston North			
Balance 1 July		3,450,000	3,670,000
Development Costs for the year		-	-
Renovations		-	-
Revaluation as at 30 June to reflect fair value		(175,000)	(220,000)
Total 28 North Street, Palmerston North		**3,275,000**	**3,450,000**
3 Victoria Avenue, 7 Victoria Avenue & 184 Grey Street, Palmerston North			
Balance as at 1 July		1,900,000	1,900,000
Purchase Costs for the year		1,396,741	(59,478)
Renovations		-	-
Revaluation as at 30 June to reflect fair value		113,259	59,478
Total 3 Victoria Avenue, 7 Victoria Avenue & 184 Grey Street, Palmerston North		**3,410,000**	**1,900,000**
17-23 Victoria Avenue, Palmerston North			
Balance 1 July		24,000,000	25,000,000
Development Costs for the year		-	11,373
Disposals		-	-
Revaluation as at 30 June to reflect fair value		(2,000,000)	(1,011,373)
Total 17-23 Victoria Avenue, Palmerston North		**22,000,000**	**24,000,000**
40 Bowen Street, Feilding			
Balance at 1 July		2,200,000	2,000,000
Purchase Cost for the year		179,173	-
Renovations		-	-
Revaluation as at 30 June to reflect fair value		(129,173)	200,000
Total 40 Bowen Street, Feilding		**2,250,000**	**2,200,000**
Total Investment Property		**30,935,000**	**31,550,000**

The North Street property applies the fair value model for valuing the property and is valued at $3,275,000 as at 30 June 2024. In determining the fair value the valuers have utilised an income capitalisation approach referred to the lease of the property. Yields are derived from analysis of comparable sales in the market. The property was valued by an independent registered valuer CBRE who has the relevant professional qualifications and recent experience. There are no known restrictions to the realisability of the investment property.

The property at 3 Victoria Avenue, 7 Victoria Avenue and 184 Grey Street applies the fair value model for valuing the property and is valued at $3,410,000 as at 30 June 2024. In determining the fair value valuers have utilised a market valuation approach by benchmarking it with comparable properties for which price information is available. Yields are derived from analysis of comparable sales in the market. The property was valued by an independent registered valuer CBRE who has the relevant professional qualifications and recent experience. There are no known restrictions to the realisability of the investment property.

The property at 17-23 Victoria Avenue applies the fair value model for valuing the property and is valued at $22,000,000 as at 30 June 2024. In determining the fair value the valuers have utilised an income capitalisation approach referred to the lease of the property. Yields are derived from analysis of comparable sales in the market. The property was valued by an independent registered valuer CBRE who has the relevant professional qualifications and recent experience. There are no known restrictions to the realisability of the investment property.

The property at 40 Bowen Street applies the fair value model for valuing the property and is valued at $2,250,000 as at 30 June 2024. In determining the fair value valuers have utilised an income capitalisation approach referred to the lease of the property. Yields are derived from analysis of comparable sales in the market. The property was valued by an independent registered valuer CBRE who has the relevant professional qualifications and recent experience. There are no known restrictions to the realisability of the investment property.

	NOTES	2024	2023
Rental Information			
Rental Revenue		2,282,752	2,340,030
Direct Operating Expenses - property generates rental revenue		470,780	327,945

Operating leases as lessor

The North Street property is leased under an operating lease. It is for a non-cancellable term of three years from 1 June 2024. The future lease payments to be collected are as follows:

	NOTES	2024	2023
Operating leases			
Not later than one year		284,345	232,427
Later than one year and not later than five years		546,098	-
Later than five years		-	-
Total Operating leases		**830,443**	**232,427**

The property at 17-23 Victoria Avenue is leased under an operating lease. The following tenants have the following non-cancellable terms in place;

Objective Corporation Solutions NZ Limited for a term of seven years from 1 May 2020.

Horizons Regional Council for a term of five years from 6 December 2019.

Inland Revenue for a term of eight years 78 days from 3 November 2020.

Palmerston North City Council for a term of ten years from 6 December 2019.

Amayjen Restaurant for a term of six years from 28 December 2020.

Sonova / Triton Hearing for a term of six years from 1 October 2023.

The future lease payments to be collected are as follows;

	NOTES	2024	2023
Operating Leases			
Not later than one year		1,732,954	1,758,145
Later than one year and not later than five years		5,283,232	5,885,201
Later than five years		99,152	895,642
Total Operating Leases		**7,115,338**	**8,538,988**

The property at 7 Victoria Avenue was demolished and is currently bare land. The tenant Triton leased the premise under an operating lease with a non-cancellable term of four years starting from 3 October 2023, including one right to renewal for two years. The tenants moved into the new Te Ao Nui retail space at 17 Victoria Avenue on 1 June 2023. The future lease payments to be collected are included in the 17-23 Victoria Avenue payments above.

	NOTES	2024	2023
Operating Leases			
Not later than one year		-	508
Later than one year and not later than five years		-	-
Later than five years		-	-
Total Operating Leases		**-**	**508**

The property at 40 Bowen Street is leased under an operating lease. It is a non-cancellable term of fifteen years from 22 September 2021 with two rights to renewal of five years. The future lease payments are to be collected as follows;

	NOTES	2024	2023
Operating leases			
Not later than one year		150,000	150,000
Later than one year and not later than five years		600,000	600,000
Later than five years		1,084,110	1,234,521
Total Operating leases		**1,834,110**	**1,984,521**

	NOTES	2024	2023
12. Creditors and Accrued Expenses			
GST Payable		30,115	-
Accounts Payable		396,890	67,842
Accrued Retentions		-	199,096
Accrued Dividends		3,515,000	2,015,000
Income in Advance		164,585	161,594
Sundry Accruals		96,824	246,114
Total Creditors and Accrued Expenses		**4,203,414**	**2,689,646**

	NOTES	2024	2023
13. Borrowings and other financial liabilities			
Term Portion		18,500,000	18,500,000
Total Borrowings and other financial liabilities		**18,500,000**	**18,500,000**

The loan is from Horizons. Interest is being charged to MWRCH at the same rate as what Horizons pays for its own long term borrowing, plus a margin of 0.25%.

	NOTES	2024	2023

14. Equity

	NOTES	2024	2023
Accumulated Funds			
Balance at 1 July		6,305,852	7,160,647
Surplus/(deficit) for the year		(230,195)	1,160,205
Less Dividend paid		(1,500,000)	(2,015,000)
Balance at 30 June		**4,575,657**	**6,305,852**
Authorised Capital (56,100,000 shares issued and fully paid)			
Balance at 1 July		31,500,000	31,500,000
Movement - Issued Capital		-	-
Balance at 30 June		**31,500,000**	**31,500,000**
Reserves			
CentrePort Shares			
Balance at 1 July		37,618,001	44,618,001
Gain/(Loss) on revaluation	9	-	(7,000,000)
Balance at 30 June		**37,618,001**	**37,618,001**
Total Equity		**73,693,658**	**75,423,853**

Number of Shares Issued

	NOTES	2024	2023
Opening Number of Shares Issued		56,100,000	56,100,000
Additional Shares Issued		-	-
Closing Number of Shares Issued		**56,100,000**	**56,100,000**

15. Operating Lease Commitments

The land situated at 17-23 Victoria Avenue, is leased by MWRC Holdings Ltd under an operating lease. The lease was signed 17 October 2017 and is for a non-cancellable term of 35 years. The future lease payments to be made are as follows:

	NOTES	2024	2023
Commitments to lease land			
Not later than one year		132,000	132,000
Later than one year and not later than five years		528,000	528,000
Later than five years		3,080,000	3,212,000
Total Commitments to lease land		**3,740,000**	**3,872,000**

	NOTES	2024	2023
16. Retentions			
Opening Retentions		199,096	199,096
Retentions Recognised		-	-
Retentions Released		199,096	-
Closing Retentions		-	**199,096**

A separate bank account has been set up in the Council for the recording and recognition of the retentions. Retentions are expected to be paid at the end of the 12 month defect liability period.

17. Contingent Liabilities and Guarantees

There were no contingent liabilities and guarantees that would be considered material at year end. (2023 - Nil)

18. Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Council and Group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Group (such as dividends paid and received), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such Group transactions.

Key management personnel

There are no employees employed by MWRCH. All functions are performed by Horizons staff with their costs invoiced to MWRCH. Similarly Rachel Keedwell and Allan Benbow are not paid salaries by MWRCH with their Horizon salaries deemed to cover their responsibilities as directors of MWRCH.

19. Explanations of major variances against budget

Explanations for major variations (+/- 10%) from MWRCH's SOI for 2023-24 are as follows:

Statement of Comprehensive Revenue and Expense

- Revenue collected for rent was lower than forecast. This was due to a 50% rent relief for 6months for Amayjen from (January 2024 - June 2024).
- Interest revenue higher than budget due to increases in interest rates.
- Expenditure exceeded budget due to higher interest rates on the Horizons loan.
- There was a loss revaluation of investment properties.

Statement of Financial Position

- Debtors and accruals increased from $299K in FY 2023 to $452K in FY 2024, consisting of insurance prepayment of $71K, accrued rent revenue of $182K, and $199K of retention payment released to a supplier, which is recoverable from Horizons.

20. Subsequent Events After Balance Date

No significant events have occurred after reporting date.

21. Legislative Compliance

Section 67 of the Local Government Act requires MWRCH to complete its Annual Report within three months of the balance date. For the year ended 30 June 2024, this requirement was not met due to delays in obtaining external valuation reports and internal staff resourcing constraints.

Performance Targets

The targets are to:

1. Provide a minimum cash return on investment to Council of 65% NPAT

	Actual 2024 $000	SOI 2024 $000	Actual 2023 $000
Net Profit After Tax (NPAT)	(230)	2,274	1,160
Dividend/subvention payment	1,500	2,175	2,015
Dividend as percentage of NPAT	(651.62%)	95.64%	173.71%

2. Operate within agreed budgets

Revenue is below budget and expense is over budget due to unbudgeted loss on investment property revaluation. For more details refer to note 19.

3. Maintain the following financial performance targets

	Actual 2024 $000	**SOI** 2024 $000	**Actual** 2023 $000
Net Profit Before Tax	(364)	2,430	1,065
Income Return on net Assets*	(0.49%)	3.05%	1.41%
Income Return on net Assets (excluding CentrePort)	(3.40%)	6.56%	8.57%
Dividend (excluding subvention payments)	1,500	2,049	2,015
Debt Repayment	-	-	-

* Income return on net assets is calculated as the net profit before tax divided by net assets

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of MWRC Holdings Limited's financial statements and performance information for the year ended 30 June 2024

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

Opinion

We have audited:

- the financial statements of the company on pages 6 to 28, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in equity, statement of cash flows for the year ended on that date, and the statement of accounting policies and the notes to the financial statements that include other explanatory information; and
- the performance information of the company on page 28.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2024.

Our audit was completed on 25 October 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the uncertainties in the fair value of CentrePort Limited shares. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter - Uncertainties over the fair value of the shares in CentrePort Limited (CentrePort)

Without modifying our opinion, we draw your attention to Note 9 on pages 17 to 20, which outlines how the fair value of the shares in CentrePort as at 30 June 2024 has been determined. There are a number of uncertainties involved in estimating the fair value, as the key assumptions are sensitive to change. These uncertainties could have a material effect on the fair value of the shares.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

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

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

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

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

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

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

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

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

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

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

Other than the audit, we have no relationship with, or interests in, the company.

Andrew Clark

Andrew Clark
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand