MWRC
HOLDINGS LTD

Statement of Intent for three years: 2025-26, 2026-27 & 2027-28

Issued to Horizons Regional Council

1. Introduction

The Statement of Intent (SOI), under schedule 8 of the Local Government Act 2002 (LGA) is:

- A public declaration of the activities and intentions of MWRC Holdings Ltd (MWRCH) and the objectives to which those activities will contribute;
- An opportunity for the council shareholder to influence the direction of MWRCH; and
- A basis for the accountability of the directors to the shareholder for the performance of MWRCH.

This SOI was provided to the shareholder for feedback prior to 1 May 2025. The final SOI incorporating shareholder comments has been adopted by the board in June 2025 ahead of 30 June 2025 in compliance with clause 4 of Schedule 8 of the Local Government Act 2002.

2. Background

Horizons Regional Council (Council) has a number of investments that must be prudently managed for the benefit of ratepayers. Council's objectives for its investments focus largely on maximising the returns on a consistent basis while minimising risks.

However, Council is driven by a broad range of objectives (e.g. social, economic, cultural, and environmental) and these do not necessarily fit well with the more commercial objectives for its investments.

Council needs to manage its investments as effectively as possible in order to maximise and smooth its investment returns.

To help achieve these objectives, Council formed a Council Controlled Trading Organisation (CCTO) in December 2009 to own and manage its investments, under a limited liability company structure. This enables a broad mix of Council and professional directors with a clear focus on the investment objectives.

3. Objectives of MWRCH

The primary role of MWRCH is to prudently hold and manage the Council's existing trading investments to deliver returns on an ongoing basis while growing shareholder value.

Currently, these investments, valued as at 30 June 2024, include:
- 23.08% shareholding in CentrePort Ltd valued at $63.0 million
- 28 North Street Investment Property valued at $3.28 million
- 17-23 Victoria Avenue Investment Property valued at $22.0 million
- 3-7 Victoria Avenue & 184 Grey Street Investment Property valued at $3.41 million
- 40 Bowen Street Investment Property valued at $2.25 million.

In addition, MWRCH manages a Private Wealth Portfolio valued at $4 million, as at 30 June 2024, on behalf of the Council.

Other objectives include:

- **Exploring additional investment opportunities** that align with Council's current Long-Term Plan while enhancing the economic well-being of the region and delivering returns in line with shareholder expectations. This includes assessing potential investments for their financial viability and long-term benefits to the region.

- **Maintaining and strengthening MWRCH's financial position** by pursuing a well-balanced and diversified portfolio of commercial investments. This approach ensures sustainable growth and stability, with investment decisions guided by Council's Investment Policy and Liability Management Policy.

- **Providing strategic advice to Council on its trading investments**, including key considerations such as ownership structures, capital structures, and expected rates of return. This ensures that Council's investments remain aligned with its broader financial and strategic objectives.

- **Generating financial returns from investments in businesses that contribute to the region's social, environmental, economic, and cultural well-being.** Investment decisions take into account not only financial performance but also their wider impact on the Horizons region and its communities.

- **Keeping Council informed of any significant developments** affecting MWRCH's investments in a timely manner. This includes providing updates on market conditions, major investment risks, or any material changes that could influence Council's decision-making.

4. Governance

MWRCH will conduct itself in accordance with its Constitution, its annual Statement of Intent agreed with Council, the provisions of the Companies Act 1993 and the LGA.

MWRCH is governed by its directors. To ensure an effective linkage between the Council and MWRCH, at least one of the directors are sitting councillors. To maximise access to commercial expertise, at least one director with appropriate professional, commercial and investment skills will be appointed to the board. Their selection, appointment and remuneration will be in accordance with the Council's director's selection and remuneration policy.

The board composition will be a minimum of two directors with no maximum number as per the company constitution. The board typically meets six times a year and has an AGM which the shareholder attends. There is also regular contact with management outside of these meetings where needed to assist with the governance of MWRCH's activities.

MWRCH will report six monthly to Council detailing its performance against its objectives as per this SOI (see also Section 11 below).

Any key investment decisions relating to both divestment and acquisition of investments are also referred to Council for approval. The board will use its discretion in determining what is key, however as a general guide investment over $500k will be referred to Council.

Investments will be held and managed in accordance with Council's Investment Policy.

5. Nature and Scope of Activities

MWRCH's primary role is to manage investments on behalf of Council, ensuring financial sustainability and alignment with Council's strategic objectives. This includes:

- **Holding and managing the 23.08% shareholding in CentrePort Ltd**, overseeing its performance and providing updates to Council.

- **Managing commercial investment properties**, including **28 North Street, 17-23 Victoria Avenue, and 40 Bowen Street**, ensuring financial viability and alignment with Council's investment strategy.

- **Managing non-commercial investment properties**, including **7 Victoria Avenue, 3 Victoria Avenue, and 184 Grey Street**, which were acquired as strategic assets to provide Council with future options to support its long-term needs.

- **Managing the $4 million Forsyth Barr investment on behalf of Council**, focusing on generating returns rather than capital growth.

- **Identifying and evaluating investment opportunities** through a structured, non-political process that aligns with Council's financial and strategic goals.

- **Developing prudent investment strategies and policies** to ensure the sustainable management of trading and capital-intensive assets.

- **Researching and developing new investment opportunities** that enhance regional well-being, provide shareholder returns, and align with Council's risk appetite.

6. Proposed and Future Investments

Non-Commercial Investments
The properties situated at **7 Victoria Avenue, 3 Victoria Avenue, and 184 Grey Street** are now vacant sections of land. Council has approved the construction of a new office building on these sites to centralise and house the Palmerston North staff, however no financial impact has been included in this Statement of Intent as a final decision has not been made regarding requirements and final costs.

CentrePort Holdings
In conjunction with Greater Wellington Regional Council's consultation on its 2024-34 Long Term Plan, which asked the community whether it should become the 100% shareholder of CentrePort if the remaining shares were available for purchase, Council have engaged with the public through the Annual Plan consultation process.

Following consultation, Council will further investigate options for selling the shareholding held, however any potential sale will be a future consultation topic with the community.

No allowance has been made for the costs associated with the investigation into selling the CentrePort shareholding at this stage, due to the uncertainty regarding those costs and timing. Once this is known a revised SOI reflecting the financial impact may be provided.

7. Balance Sheet Ratios

The LGA requires the SOI to include the projected ratio of shareholder funds to total assets within the Forecast Statement of Financial Position.

	2025/26	2026/27	2027/28
Shareholder funds / total assets	78.01%	79.26%	80.54%
Net debt ($M)	20.1	19.2	18.1
Equity ($M)	74.2	75.5	77.0

Financial Forecasts and Debt Repayment Plan
The financial forecasts reflect expected returns from these investments, which are intended to support debt repayment and dividend distributions, with debt repayment set to commence in the 2025/26 financial year

8. Accounting Policies

Financial statements will be prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), the Financial Reporting Act 1993 and the NZ PBE's Tier 2)

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity (PBE) Standards. MWRCH is not publically accountable and expenditure is not higher than $30 million.

9. Distributions to Shareholder

The Board wish to note that under normal commercial practice distribution of income usually is set at 40% to 50% of Net Profit After Tax (NPAT) to allow for debt repayment and/or reinvestment in the Company. Previously the company was under financial pressure to maximise distributions to its shareholder however it is proposed that the dividend distribution to Council be reduced over the next two years back to with the 40% to 50% range to allow for debt repayment to commence in the 2025/26 financial year.

10. Performance Targets

The targets are to:

- operate within agreed budgets,
- maintain the following financial performance targets.

	2025/26 $000	2026/27 $000	2027/28 $000
Net Profit/(Loss) Before Tax	2,634	3,159	3,405
Income Return on Net Assets[1]	3.55%	4.19%	4.42%
Return on Investments excluding non-commercial investments[2]	2.51%	3.95%	3.59%
Dividend Payments (excludes subvention payments)	1,500	1,500	1,500
Debt Repayment and/or Additional Capital Investment	1,000	1,000	1,000

[1] Return on Net Assets is calculated as the net profit before tax divided by the net assets.

[2] Non-commercial investments include Centre Port shareholding, 3 Victoria Ave, 7 Victoria Ave and 184 Grey Street.

11. Information to be provided to the Shareholder

The company will deliver the following statements to Council:

- Within three months of the end of the financial year audited Financial Statements (complying with LGA, NZGAAP and PBE standards), Statement of Service Performance plus a summary of how the company has performed against its objectives.
- Within 2 months of the end of the half year (31st December each year), interim financial statements that comply with PBE IAS 34 “Interim Financial Reporting”. This will include a progress report on company activities and service performance against targets.

12. Procedures for the divestment or acquisition of Investments

Before MWRCH limited acquires or sells a significant investment it will seek approval of its shareholder. Typically a significant investment will be any over $500k.

13. Estimate of Commercial Value of the Shareholders’ Investment

The Directors’ estimate of the commercial value of the Shareholders’ investment in MWRCH is equal to the Shareholders’ equity in the Company. Reassessment of the value of this shareholding shall be undertaken in September each year, after the CentrePort results are known. This is conducted by an independent third party who assess the fair value of this shareholding and provide an indicative valuation range of the carrying value of the investment, after applying a discount to reflect the minority nature of the shareholding.

CentrePort shareholding valuation has been assumed to remain at the same level, given the uncertainty regarding any future valuation movements.

2024/25 $000 Outlook	MWRC Holdings Ltd Statement of Comprehensive Revenue and Expenses For the 12 Months to 30 June	Note	2025/26 $000 SOI	2026/27 $000 Indicative	2027/28 $000 Indicative
	Revenue				
1,962	Dividends		2,077	2,308	2,539
2,352	Rent Revenue		2,367	2,484	2,484
16	Interest		14	6	3
0	Gain on Revaluations		309	424	429
4,330	Total Revenue		4,767	5,221	5,455
	Expenditure				
406	Administration and Accountancy	1	271	273	279
202	Consulting and Technical		92	93	95
727	Finance Cost		744	660	620
240	Rental Expense		277	279	285
210	Repairs and Maintenance		250	253	258
227	Ground Lease		266	268	274
215	Insurance		233	236	240
0	Subvention payment		-	-	-
2,227	**Total Expenditure**		2,133	2,063	2,051
2,103	**Net profit before taxation**		2,634	3,159	3,405
0	Tax[1]		277	359	364
2,103	**Net profit after taxation**		2,357	2,799	3,041
1,750	Dividend to Shareholder		1,500	1,500	1,500
1,750	**Total Distribution to Shareholder**		1,500	1,500	1,500

[1] *While an income tax expense has been recognised, the Company has tax losses available to carry forward as at 30 June 2025. As a result, no income tax payments are required for the financial year ended 30 June 2025.*

MWRC Holdings Ltd

Statement of Financial Position

As at 30 June

2024/25 $000 Outlook		2025/26 $000 SOI	2026/27 $000 Indicative	2027/28 $000 Indicative
	Equity			
31,500	Contributed Capital	31,500	31,500	31,500
37,618	Reserves	37,618	37,618	37,618
4,179	Accumulated Funds	5,029	6,321	7,854
73,297	Total Equity	74,147	75,439	76,972
	Assets			
1,350	Cash and Cash Equivalents	584	288	256
-	Income Tax Receivable	-	-	-
446	Other Receivables	227	238	238
1,796	Total Current Assets	811	526	494
63,000	CentrePort	63,000	63,000	63,000
30,935	Investment Property	31,244	31,668	32,097
95,731	**Total Assets**	95,055	95,194	95,591
	Liabilities			
3,563	Payables and Accruals	2,972	2,452	1,945
371	Deferred Tax	429	789	1,152
18,500	Borrowings	17,500	16,500	15,500
22,434	**Total Liabilities**	20,901	19,741	18,597
73,297	**Net Assets**	74,154	75,453	76,994
	Financial Performance			
2.87%	Return on net assets	3.55%	4.19%	4.42%
-	Capital Growth on Investments	0.33%	0.45%	0.45%

MWRC Holdings Ltd Statement of Changes in Net Assets/Equity For the 12 Months to 30 June				
2024/25 $000 Outlook		**2025/26 $000 SOI**	**2026/27 $000 Indicative**	**2027/28 $000 Indicative**
72,944	Opening Equity	73,297	74,154	75,453
2,103	Net Surplus (Deficit) for the year	2,357	2,799	3,041
(1,750)	Dividends Paid	(1,500)	(1,500)	(1,500)
-	Asset Revaluation Adjustment	-	-	-
73,297	Closing Equity	74,154	75,453	76,994

2024/25 $000 Outlook	MWRC Holdings Ltd Statement of Cash Flows For the 12 Months to 30 June	2025/26 $000 SOI	2026/27 $000 Indicative	2027/28 $000 Indicative
	Cash flows from Operating Activities			
	Cash received from			
1,962	Dividends	2,077	2,308	2,539
2,441	Other Income	2,395	2,473	2,484
16	Interest	14	6	3
(52)	GST received/(paid)	-	-	-
	Cash applied to			
(880)	Interest Paid	(744)	(660)	(620)
(1,915)	Payments to suppliers & employees	(1,243)	(1,423)	(1,438)
-	Cash Flows from other operating activities	-	-	-
1,572	Net cash from Operating Activities	2,499	2,704	2,968
	Cash flows from Investing and Financing Activities			
	Cash received from			
-	Proceeds from Loan Borrowings	-	-	-
-	Investment By Shareholder	-	-	-
	Cash applied to			
-	Long Term Investments	-	-	-
-	Repayment of Loans	(1,000)	(1,000)	(1,000)
(1,000)	Dividends Paid	(2,265)	(2,000)	(2,000)
(1,000)	Net cash from Investing and Financing Activities	(3,265)	(3,000)	(3,000)
572	Net increase (decrease) in cash flow	(766)	(296)	(32)
778	Opening cash balance	1,350	584	288
1,350	Closing cash balance	584	288	256

Statement of Accounting Policies
MWRC Holdings Ltd

Statement of accounting policies

MWRC Holdings Limited (MWRCH) is a Council Controlled Trading Organisation (CCTO), owned 100% by the 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. These Interim Financial Statements are in compliance with PBE IAS 34.

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 our expenditure is not higher than $30 million. These financial statements comply with PBE standards.

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 rental, fees, charges, and other revenues are recognised on an accrual basis.

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 the 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

Trade and other receivables are initially stated at their face value, less any provision for impairment.

Other Financial Assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which MWRCH commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and MWRCH has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit;
- loans and receivables;
- held-to-maturity investments; and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired. MWRCH has the following assets:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above.

They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. MWRCH includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense.

Impairment of Financial Assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables

Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

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 a 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 “finance 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:

- Investment revaluation reserves;
- Accumulated funds
- Contributed capital.

Investment Revaluation 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 IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or recovered from, the Inland Revenue Department is recognised as an item in operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST

Notes to the Financial Statements

1. Administration and Accountancy

	2025/26 $000 SOI	**2026/27 $000 Indicative**	**2027/28 $000 Indicative**
Audit Fees	51	52	53
Accountancy Costs	82	83	85
Property Management	131	133	135
General Administration	6	6	6
	271	**273**	**279**