MWRC Holdings Limited
Annual Report 2025

MWRC Holdings Ltd
30 June 2025

30 September 2025

Directors Report

MWRC Holdings Ltd
For the year ended 30 June 2025

Chair's Report

This commentary outlines MWRC Holdings Limited's (the Company) performance for the year ended 30 June 2025.

The Company achieved a net profit before tax of $2.955 million, exceeding the Statement of Intent (SOI) target of $2.456 million. This result was driven by higher-than-expected dividend income from CentrePort and favourable investment property revaluations. Rental income was in line with budget, while operating costs rose due to higher insurance premiums and professional fees. These increases were more than offset by revenue gains, resulting in an overall positive financial performance.

As at 30 June 2025, shareholder funds totaled $79.3 million and total assets were $99.2 million, resulting in an equity ratio of 80.0 percent, up from 76.0 percent in 2024. Valuation gains were recorded for properties at 40 Bowen Street and 17 Victoria Avenue, with the rest of the portfolio holding steady. All properties remained fully tenanted, supporting a stable income stream.

CentrePort, the company's largest investment, has been revalued at $66.7 million, which is the top end of KPMG's indicative range of $54.0 million to $66.7 million. This represents an increase of $3.7 million from last year's carrying value of $63.0 million and reflects stronger revenue, higher underlying profitability, and increased dividends, achieved despite challenging operating conditions. Key resilience and infrastructure projects have been completed or are underway, enhancing long-term value. In addition, market conditions, including continued strength in the rural export sector and easing interest rates, support a positive outlook. These factors support the carrying value at the top of the indicative range.

As part of the 2024-34 Long Term-Plan, Horizons Regional Council (Council) sought community feedback on the future of its CentrePort shareholding, alongside Greater Wellington Regional Council's consideration of sole ownership of the port. Feedback supported further exploration of options for Horizons' investment, which will be investigated further in the upcoming financial year. Any decision to sell would require additional public consultation.

Council has confirmed its intention to vacate the Regional House Building at 11–15 Victoria Avenue within five years due to its earthquake risk. It has also decided to construct a new purpose-built facility to centrally accommodate staff in Palmerston North. The Company is working closely with Council to facilitate this transition, recognising the importance of aligning property decisions with Council's future accommodation and service delivery needs. As the new Council building is planned on land currently owned by MWRC Holdings, the Company is a key partner in enabling this development, which is expected to progress at an increased pace in the upcoming financial year.

The Company remains focused on delivering its strategic objectives, including pursuing new investment opportunities aligned with Council's Long-Term Plan, maintaining a strong and diverse portfolio, and advising on Council's commercial investments. The company balances financial returns with broader regional benefits in line with Council policy.

I would like to thank everyone who contributed to the Company's work over the past year. Despite ongoing challenges, the Company has achieved a strong financial result and remains committed to supporting Council's long-term vision and goals.

Financial Statements

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

R J Keedwell

A L Benbow

Date: 30 September 2025

Registered Office

C/- 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 - Partner
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. 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 QBE Insurance (International) Limited and IAG NZ Limited to indemnify 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 been otherwise avaliable 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 the financial reporting.

In the Board of Directors' opinion, these financial statements fairly reflect the financial position and operations of MWRC Holdings Limited for the financial year ended 30 June 2025.

Signed on behalf of the Board of Directors:

R J Keedwell

A L Benbow

Date: 30 September 2025

Statement of Comprehensive Revenue and Expenses

MWRC Holdings Ltd
For the year ended 30 June 2025

	NOTES	2025	SOI	2024
Revenue				
Rent		2,399,156	2,337,000	2,282,752
Interest	1	18,770	5,000	28,443
Dividends		2,423,077	1,616,000	1,615,385
Gain on Investment Property Revaluation		450,000	331,000	-
Total Revenue		**5,291,003**	**4,289,000**	**3,926,580**
Expenses				
Administration	2	458,514	286,000	342,949
Finance Costs	1	877,734	786,000	799,315
Rental Expenses	3	999,022	761,000	955,029
Loss on Investment Property Revaluation		-	-	2,190,914
Other Expenses		604	-	1,919
Total Expenses		**2,335,874**	**1,833,000**	**4,290,125**
Surplus/(deficit) before tax		**2,955,129**	**2,456,000**	**(363,545)**
Income Tax Expense				
Income Tax Expense	4	(226,166)	113,000	(133,350)
Surplus/(deficit) after tax		**3,181,295**	**2,343,000**	**(230,195)**
Surplus/(deficit) attributable to MWRC Holdings Ltd		**3,181,295**	**2,343,000**	**(230,195)**
Surplus/(deficit) after distributions		**3,181,295**	**2,343,000**	**(230,195)**
Other comprehensive revenue and expense				
Revaluation of Financial Assets to fair value	7	3,700,000	-	-
Total comprehensive revenue and expense		**6,881,295**	**2,343,000**	**(230,195)**

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 2025

	NOTES	2025	SOI	2024
Assets				
Current Assets				
Cash and Cash Equivalents	5	846,258	700,000	2,343,531
Debtors and Accruals	6	263,705	224,000	452,442
Income Tax Receivable		34,189		37,382
Total Current Assets		**1,144,152**	**924,000**	**2,833,354**
Non-current Assets				
Other Financial Assets	7	66,700,000	63,000,000	63,000,000
Investment Properties	9	31,385,000	33,450,000	30,935,000
Total Non-current Assets		**98,085,000**	**96,450,000**	**93,935,000**
Total Assets		**99,229,151**	**97,374,000**	**96,768,354**
Liabilities				
Current Liabilities				
Borrowing and Other Financial Liabilities	11	1,000,000		
Creditors and Accrued Expenses	10	1,232,397	1,577,000	4,173,299
Goods and Services Tax	10	26,685	618,000	30,115
Total Current Liabilities		**2,259,082**	**2,195,000**	**4,203,414**
Non-current Liabilities				
Borrowing and Other Financial Liabilities	11	17,500,000	18,500,000	18,500,000
Deferred Tax (Asset)/Liability	4	145,116	618,000	371,282
Total Non-current Liabilities		**17,645,116**	**19,118,000**	**18,871,282**
Total Liabilities		**19,904,198**	**20,695,000**	**23,074,696**
Net Assets		**79,324,953**	**76,679,000**	**73,693,658**
Equity				
Contributed Capital	12	31,500,000	31,500,000	31,500,000
Accumulated Funds	12	6,506,952	7,561,000	4,575,657
Reserves	12	41,318,001	37,618,000	37,618,001
Total Equity		**79,324,953**	**76,679,000**	**73,693,658**

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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 2025

	2025	SOI	2024
Equity			
Balance as at 1 July	73,693,658	**75,837,000**	75,423,853
Total Comprehensive Revenue and Expense for the year			
Current Year Earnings	6,881,295	**2,342,000**	(230,195)
Total Total Comprehensive Revenue and Expense for the year	**6,881,295**	**2,342,000**	**(230,195)**
Dividends paid	(1,250,000)	(1,500,000)	(1,500,000)
Balance at 30 June	**79,324,953**	**76,679,000**	**73,693,658**

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 2025

	2025	SOI	2024
Cash Flow from Operating Activities			
Dividend Received	2,423,077	1,616,000	1,615,385
Interest Received	18,770	5,000	28,443
Other Income	2,402,681	2,366,000	2,302,924
Income Tax Received/(Paid)	3,192	-	(14,591)
Interest Paid	(955,646)	(786,000)	(658,675)
Payments to Suppliers	(1,146,560)	(994,000)	(1,438,721)
GST	7,212	-	59,129
Net Cash Flows from Operating Activities	**2,752,727**	**2,702,000**	**1,893,894**
Cash Flow from Financing Activities			
Dividends Paid	(4,250,000)	(1,750,000)	-
Net Cash Flows from Financing Activities	**(4,250,000)**	**(1,750,000)**	**-**
Cash Flow from Investing Activities			
Investment Property	-	-	(1,575,913)
Net Cash Flows from Investing Activities	**-**	**-**	**(1,575,913)**
Increase / (Decrease) in Cash	**(1,497,273)**	-	**317,981**
Cash Balances			
Cash and cash equivalents at beginning of period	2,343,531	243,000	2,025,550
Net change in cash for period	(1,497,273)	457,000	317,981
Cash and cash equivalents at end of period	846,258	700,000	2,343,531

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

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Statement of Accounting Policies

MWRC Holdings Ltd

For the year ended 30 June 2025

Statement of Accounting Policies

MWRC Holdings Ltd

For the year ended 30 June 2025

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 2025 , and were authorised for issue by the Board of Directors on 30 September 2025.

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 $33 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.

New or Amended Standards Adopted

Disclosure of Fees for Audit Firms' Services (Amendment to PBE IPSAS 1) has been adopted in the preparation of these financial statements. The amendment changes the required disclosure for fees for services provided by the audit or review provider, including a requirement to disaggregate the fees into specific categories. This new disclosure is included in Note 2.

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 9
- Estimating the fair value of the CentrePort Investment – Note 7

Critical judgements in applying accounting policies

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

- Fair value of the Investment Property – Note 9
- Fair value of the CentrePort Investment – Note 7
- CentrePort is not an associate due to its minority shareholding and has therefore been accounted for as fair value – Note 7

Notes to the Performance Report

MWRC Holdings Ltd

For the year ended 30 June 2025

	NOTES	2025	2024
1. Interest Revenue and Finance Costs			
Interest Revenue from Term Deposits, Call Accounts & Use of Money Interest		18,770	28,443
Finance Cost			
Interest on Borrowings from Parent (Horizons)		877,734	799,315
Total Finance Cost		**877,734**	**799,315**
Net Finance Costs		858,963	770,872

	NOTES	2025	2024
2. Administration Expenses			
Consulting and Accounting Fees		406,291	291,688
Audit Fees		51,213	47,536
Other administration		1,010	3,724
Total Administration Expenses		**458,514**	**342,949**

	NOTES	2025	2024
During the year, the following fees were incurred for services provided by our audit firm			
Audit Cost of the Financial Report		51,213	47,536
Total Audit Cost of the Financial Report		**51,213**	**47,536**

The audit fee disclosed for the financial report represents the fee for the annual statutory audit engagement carried out under the Auditor-General's auditing standards.

	NOTES	2025	2024
3. Rental Expenses			
Insurance		227,650	204,405
Ground Lease		226,571	132,000
Cleaning		70,876	69,074
Legal Expenses		1,480	9,233
Light, Power, Heating		62,418	69,537
Rates		163,679	126,622
Repairs and Maintenance		246,347	344,158
Total Rental Expenses		**999,022**	**955,029**

In MWRC Holdings Limited's 2024 Annual Report, rental expenses for 17 Victoria Avenue were reported separately under "Victoria Avenue Development (VAD)" to reflect the development phase. As the project is presently complete and operating as a rental property, the related expenditures have been consolidated into the company’s overall rental expenses.

	NOTES	2025	2024

4. Tax

Components of Tax Expense			
Current Tax		-	-
Deferred Tax		(226,166)	(133,350)
Total Components of Tax Expense		(226,166)	(133,350)
Relationship between Tax Expense and Accounting Surplus			
Net surplus/(deficit) before tax)		2,955,129	(363,545)
Tax and Tax Adjustments			
Tax at 28%		827,436	(101,792)
Non-deductible expenditure		-	426,959
Non-assessable income		(754,727)	(452,308)
Prior period adjustments		(298,875)	(6,209)
Tax expense for the year		(226,166)	(133,350)

The proposed subvention payment to Council is $Nil (2024 - $Nil).

Deferred Tax Liability

Deferred Tax Assets/(Liabilities)	Investment Property	Financial Instruments	Provisions	Tax Losses	Total
Balance at 1 July 2023	(910,748)	-	-	406,116	(504,632)
Charged to surplus or deficit	(255,826)	-	-	389,176	133,350
Charged to other comprehensive revenue and expense	-	-	-	-	-
Derecognition of tax asset	-	-	-	-	-
Balance at 30 June 2024	(1,166,574)	-	-	795,292	(371,282)
Charged to surplus or deficit	(44,075)	-	-	270,241	226,166
Derecognition of tax asset	-	-	-	-	-
Balance at 30 June 2025	(1,210,649)	-	-	1,065,533	(145,116)

5. Cash and cash equivalents

	NOTES	2025	2024
Cash and Cash Equivalents		846,258	2,343,531
Total Cash and cash equivalents		**846,258**	**2,343,531**

Although cash and cash equivalents at 30 June 2025 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated allowance is nil.

6. Receivables and Accruals

	NOTES	2025	2024
Income Tax Receivable		34,190	37,382
Debtors and Accruals			
Prepayments		74,999	71,518
Accrued Revenue		-	-
Accounts Receivable		188,706	380,924
Total Debtors and Accruals		**263,705**	**452,442**
Total Receivables and Accruals		**297,895**	**489,824**

MWRC holdings has not allowed for any expected credit loss on rent receivable. MWRC Holdings has ability under the deeds of lease to collect any overdue rent.

	NOTES	2025	2024
7. Other Financial Assets			
Unlisted shares in CentrePort Ltd (23.08% shareholding). Recognised at fair value.		66,700,000	63,000,000

	NOTES	2025	2024
Made up of			
Balance at 1 July		63,000,000	63,000,000
Less expected credit loss (ECL)		-	-
Plus (Less) Fair Value gain on revaluation		3,700,000	-
Balance at 30 June		66,700,000	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 2025.

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 Quarterly Reports (FY25 Q1, FY25 Q2, FY25 Q3)
- CentrePort FY26-28 three-year financial forecast
- CentrePort group 10 year forecast – August 2024
- Constitution of CentrePort
- CentrePort Group reports and discussions with CentrePort and Horizons management.
- CentrePort's audited Annual Reports for FY2022 to FY2024;
- CentrePort's interim financial statements for FY2025; and
- CentrePort's draft statement of corporate intent (SCI) for FY2026-28.

The indicative valuation range for Horizons' 23.08% shareholding in CentrePort is $54.0 million to $66.7 million as at 30 June 2025 (compared to $55.3 million to $67.5 million as at 30 June 2024), with a midpoint of $60.1 million (compared to $61.1 million as at 30 June 2024). This valuation reflects an implied multiple of 8.4x FY25 EBITDA and 7.6x FY26 EBITDA, positioning CentrePort between the lower-quartile and median of comparable companies.

The Directors updated the carrying value of the Council's shareholding in CentrePort to $66.7 million as of 30 June 2025, after reviewing independent valuation advice from KPMG and considering current economic conditions, including the impact of inflation and interest rates. This value is the top end of the valuation range provided by KPMG.

It was noted that a 23.08% share of CentrePort's forecasted net assets is valued at $117.3 million. Applying a higher minority discount rate of 32.5% results in a value of $79 million, which this year sits above the indicative valuation range provided. On that basis, 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 the value ultimately realised by shareholders. The latest valuation advice provided a range of $54.0 million to $66.7 million, with the Directors adopting a carrying value of $66.7 million. This represents the top end of the valuation range provided by KPMG.

Key uncertainties highlighted by KPMG include:

- CentrePort's operations continue to be affected by volatility in 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 (Single Use Ferry Terminal), uncertainty remains around the timing, scale, and return on investment of these capital projects.
- Some capital expenditure is expected to be non-revenue generating, particularly in relation to ground resilience and wharf renewal works, but is necessary to ensure the long-term operational sustainability of the port.
- Many elements of the capital programme, including the SUT project, remain subject to detailed business casing and shareholder approval.
- The valuation is based on financial forecasts covering the period 1 July 2025 to 30 June 2034, which rely on assumptions about future business performance and external conditions 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 2025 and assumes no material change in the financial performance or position.
- CentrePort's investment property valued at $96.7 million as of 30 June 2025
- A corporate tax rate of 28%, with tax being paid in the year incurred.
- The midpoint DCF valuation 8.4 x FY25 EBITDA and 7.6 x forecast FY26 EBITDA.
- Deferred tax liability adjustment reflects the present value of expected payments, with a nominal value of $22.7 million as of 30 June 2025.
- 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.
- WACC range of 7.3% to 8.4%, with a mid-point of 7.8%, reflecting an increase due to the higher risk-free rate in the current interest rate environment.
- Capital expenditure related to resilience work is not expected to generate a return above WACC.
- An under or over-spend in capital expenditure (CAPEX) of +/- 15% over the forecast period, with EBITDA assumed to remain unchanged.
- A change in revenue of +/- 10% over the forecast period, with the EBITDA margin assumed to remain unchanged.

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 decrease of $3.6 million, while a 1% increase in the WACC results in a valuation increase of $3.9 million.
- Exit Multiple: A 1.0x decrease in the exit multiple applied in the terminal period results in a valuation decrease of $3.9 million, while a 1.0x increase in the exit multiple results in a valuation increase of $3.9 million.
- Minority Discount: A 5% decrease in the minority discount applied results in a valuation decrease of $4.3 million, while a 5% increase in the minority discount results in a valuation increase 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 decrease of $5.6 million, while a 15% increase in capital expenditure results in a valuation increase of $5.6 million.
- Revenue: A 10% decrease in revenue over the forecast period, assuming the EBITDA margin remains unchanged, results in a valuation decrease of $7.3 million, while a 10% increase in revenue results in a valuation increase of $7.3 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.

	NOTES	2025	2024

8. Financial Instrument Categories

	NOTES	2025	2024
Financial Assets			
Amortised Cost			
Cash and Cash Equivalents	5	846,258	2,343,531
Receivables	6	**222,895**	380,924
Total at Amortised Cost		**1,069,153**	**2,724,455**
FV through other Comprehensive revenue and expenses			
CentrePort unlisted shares	7	66,700,000	63,000,000
Total FV through other Comprehensive revenue and expenses		**66,700,000**	**63,000,000**
Financial Liabilities			
Amortised Cost			
Payables	10	1,086,785	4,173,299
Borrowings from Horizons	11	18,500,000	18,500,000
Total Financial Liabilities at amortised cost		**19,586,785**	**22,673,299**
Total Financial Instrument Categories		**48,182,368**	**43,051,156**

	NOTES	2025	2024

9. Investment Property

	NOTES	2025	2024
28 North Street, Palmerston North			
Balance 1 July		3,275,000	3,450,000
Development Costs for the year		-	-
Renovations		-	-
Revaluation as at 30 June to reflect fair value		-	(175,000)
Total 28 North Street, Palmerston North		**3,275,000**	**3,275,000**
3 Victoria Avenue, 7 Victoria Avenue & 184 Grey Street			
Balance 1 July		3,410,000	1,900,000
Purchase Costs for the year		-	1,396,741
Renovations		-	-
Revaluation as at 30 June to reflect fair value		-	113,259
Total 3 Victoria Avenue, 7 Victoria Avenue & 184 Grey Street		**3,410,000**	**3,410,000**
17-23 Victoria Avenue, Palmerston North			
Balance 1 July		22,000,000	24,000,000
Development Costs for the year		-	-
Disposals		-	-
Revaluation as at 30 June to reflect fair value		300,000	(2,000,000)
Total 17-23 Victoria Avenue, Palmerston North		**22,300,000**	**22,000,000**

	NOTES	2025	2024
40 Bowen Street, Feilding			
Balance 1 July		2,250,000	2,200,000
Purchase Cost for the year			179,173
Renovations		-	-
Revaluation as at 30 June to reflect fair value		150,000	(129,173)
Total 40 Bowen Street, Feilding		**2,400,000**	**2,250,000**
Total Investment Property		**31,385,000**	**30,935,000**

The North Street property applies the fair value model for valuing the property and is valued at $3,275,000 as at 30 June 2025. In determining the fair value the valuers have utilised an income capitalisation and discounted cashflow 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 2025. 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 $22,300,000 as at 30 June 2025. In determining the fair value the valuers have utilised an income capitalisation and discounted cashflow 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 $2,400,000 as at 30 June 2025. In determining the fair value valuers have utilised an income capitalisation and discounted cashflow 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	2025	2024
Rental Information			
Rent Revenue		2,399,156	2,282,752
Direct Operating Expenses - Property Generates Rental Revenue		410,026	470,780

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	2025	2024
Operating leases			
Not later than one year		284,345	284,345
Later than one year and not later than five years		261,753	546,098
Later than five years		-	-
Total Operating leases		**546,098**	**830,443**

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 5 December 2024.

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 four years from 1 October 2023.

The future lease payments to be collected are as follows;

	NOTES	2025	2024
Operating Leases			
Not later than one year		1,906,299	1,732,954
Later than one year and not later than five years		4,588,354	5,283,232
Later than five years		-	99,152
Total Operating Leases		**6,494,653**	**7,115,338**

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	2025	2024
Operating leases			
Not later than one year		160,000	150,000
Later than one year and not later than five years		640,000	600,000
Later than five years		966,384	1,084,110
Total Operating leases		**1,796,384**	**1,834,110**

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 above.

	NOTES	2025	2024

10. Creditors and Accrued Expenses

GST		26,685	30,115
Accounts Payable		397,098	396,890
Accrued Retentions		-	-
Accrued Dividends		515,000	3,515,000
Income in Advance		172,297	164,585
Sundry Accruals		148,002	96,824
Total Creditors and Accrued Expenses		**1,259,082**	**4,203,414**

	NOTES	2025	2024

11. Borrowings and other financial liabilities

Current Portion		1,000,000	
Non-Current Portion		17,500,000	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	2025	2024

12. Equity

Accumulated Funds			
Balance at 1 July		4,575,657	6,305,852
Surplus/(deficit) for the Year		3,181,295	(230,195)
Less Dividends Paid		(1,250,000)	(1,500,000)
Balance as 30 June		**6,506,952**	**4,575,657**
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	37,618,001
Gain/(Loss) on revaluation	12	3,700,000	-
Balance at 30 June		41,318,001	37,618,001
Total Equity		79,324,953	73,693,658

	NOTES	2025	2024

Number of Shares Issued

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

13. Operating Lease as Lessee

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	2025	2024
Commitments to Lease Land			
Not later than one year		265,766	132,000
Later than one year and not later than five years		1,063,064	528,000
Later than five years		5,935,683	3,212,000
Total Commitments to Lease Land		**7,264,513**	**3,872,000**

14. Contingent Liabilities and Guarantees

There were no contingent liabilities and guarantees that would be considered material at year end. (2024 - Nil).

15. 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.

16. Explanations of major variances against budget

Explanations for major variations (+/- 10%) from MWRCH's SOI for 2024-25 are as follows:

Statement of Comprehensive Revenue and Expense

Revenue exceeded budget due to an unbudgeted dividend from CentrePort, gains on the revaluation of investment property, and increased interest income driven by higher interest rates and a stronger average cash position. Administration costs were above budget, primarily due to higher audit, accounting, and property management expenses. Rental expenses exceeded budget owing to increased ground lease charges, higher insurance premiums, and demolition costs being expensed. Finance costs also rose, reflecting increased interest rates on the loan from Horizons Regional Council.

Statement of Financial Position

Cash and cash equivalents were above budget at year-end, mainly due to the unbudgeted dividend income from CentrePort. Debtors and accruals also exceeded budget, driven primarily by higher rental income recognised as receivable as at 30 June 2025. Conversely, creditors and accrued expenses were below budget, reflecting a reduction in accrued dividends payable. Valuation gain on investment property was also short of budgeted expectation due to the prevailing market conditions outside of the company's control.

Statement of Cash Flows

Operating cash flow was significantly higher than budget, primarily due to additional dividend payments received from CentrePort. It was also impacted by higher-than-budgeted interest and supplier payments; however, these outflows were partially offset by the increased dividend inflows.

Financing cash flow was lower than budget due to higher dividend payments to Horizons Regional Council.

17. Subsequent Events After Balance Date

No significant events have occurred after reporting date.

18. Legislative Complaince

Section 67 of the Local Government Act requires the Company to complete its Annual Report within 3 months of balance date. This requirement was achieved for the year ended 30 June 2025.

Performance Targets

The targets are to:

1.Operate within agreed budgets

Revenue is above budget and expenses are higher than budget due to unbudgeted dividend income from CentrePort, gains on investment property revaluations, higher interest income, and increased administration, rental, and finance costs. Cash and receivables were above budget while creditors were below budget. For more details refer to note 16.

2. Maintain the following financial performance targets

	Actual 2025 $000	**SOI 2025 $000**	**Actual 2024 $000**
Net Profit Before Tax	2,955	2,455	(364)
Income Return on net Assets*	3.73%	3.00%	(0.49%)
Return on Investments excluding non-commercial properties**	10.6%	5.00%	(0.84%)***
Dividend (excluding subvention payments)	1,250	1,500	1,500
Debt Repayment	-	-	-

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

**Non-commercial investments include CentrePort shareholding, 3 Victoria avenue, 7 Victoria Avenue and 184 Grey Street.

***The calculation of this KPI has been updated to align with the Statement of Intent, reflecting return on investments excluding non-commercial properties. This comparative figure has been added for consistency with current year reporting.