Transwaste Canterbury Limited

Annual Report

For the year ended 30 June 2022

The Board of Directors is pleased to present the Annual Report of Transwaste Canterbury Limited for the year ended 30 June 2022

For and on behalf of the board

W G Cox
Chairman

H E G Maehl
Director

25 November 2022

Contents

Directory

Company Number	951024
Registered Office and Address for Service	PricewaterhouseCoopers Level 4, 60 Cashel Street Christchurch 8013
Directors	Mr W G Cox (Chairperson) Mr G S James Mr I G Kennedy Mr T H Nickels Mr R A Pickworth Mr P S Mauger Mr G S Miller Mr H E G Maehl

Shareholders

	No of Shares (Ordinary)
Waste Management NZ Limited	10,000,000
Christchurch City Council	7,780,000
Waimakariri District Council	780,000
Selwyn District Council	600,000
Ashburton District Council	600,000
Hurunui District Council	240,000
	20,000,000

Company Secretary	PricewaterhouseCoopers Level 4, 60 Cashel Street Christchurch 8013	
Independent Chair of the Audit Committee	Brent McKenzie	
Auditors	Audit New Zealand on behalf of the Auditor-General	
Solicitors	Buddle Findlay 83 Victoria Street Christchurch 8013	Chapman Tripp Level 5, 60 Cashel Street Christchurch 8013
Bankers	Westpac Banking Corporation 83 Cashel Street Christchurch 8011	
Principal Activity	To own, operate and continue development of a non-hazardous regional landfill in Canterbury.	

Directors' Report to the Shareholders
For the year ended 30 June 2022

Your directors take pleasure in presenting their Annual Report including the financial statements of the company for the year ended 30 June 2022.

Principal Activities

The company was incorporated on 31 March 1999 with the principal purposes of selecting, consenting, developing, owning and operating a non-hazardous regional landfill in Canterbury.

The company had one 100% owned operating subsidiary, Burwood Resource Recovery Park Limited (BRRP) until 31 May 2022, at which point it was amalgamated into the company. BRRP was set up to operate a Christchurch Earthquake demolition waste material management and recovery facility and to operate a landfill for disposal of residual demolition waste.

The company holds a further six wholly owned name protection subsidiaries, all of which are inactive and have no assets and liabilities.

State of Affairs

The nature of the company's business activities remained unchanged during the accounting period.

The results of operations during the period, financial position and state of affairs of the company are as detailed in the accompanying financial statements. Group results are also disclosed for the 2021 comparative period to reflect the combined operations existent at the previous reporting date of 30 June 2021.

Directors' Remuneration

	Directors Fees $	Other Remuneration $
Mr W G Cox	78,222	-
Mr T H Nickels	39,111*	-
Mr G S James	45,111*	-
Mr I G Kennedy	39,111*	-
Mr P S Mauger	39,111	-
Mr R A Pickworth	45,112	5,654
Mr G S Miller	39,111	-
Mr H E G Maehl	39,111*	-

*The directors fees for these directors are paid to the companies they represent.

No other remuneration or benefits have been paid to directors, with the exception of Mr RA Pickworth who has received $5,654 in consulting fees. The fees and remuneration have been entered in the interests register.

The company is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests register for the company is available for inspection by shareholders at the registered office.

Directors' Report to the Shareholders
For the year ended 30 June 2022

Directors' Interests

The directors have disclosed an interest in the following entities pursuant to section 140 of the Companies Act 1993:

MR W G COX

	Position Held
Elastomer Products Limited	Director
Independent Fisheries Limited	Director
Barlow Brothers NZ Limited	Director
Anderson Lloyd	Board Member
MOTUS Health Limited	Director
Hurunui Biodiversity Trust	Trustee
Waimakariri Irrigation Limited and subsidiary	Director
Venues Otautahi Limited (commenced 1 September 2021)	Director
Te Kaha Project Delivery Limited (commenced 9 September 2021)	Director
Committee for Canterbury	Trustee
Project Crimson	Trustee
Foodco New Zealand Limited (commenced 5 July 2022)	Director

MR I G KENNEDY

	Position Held
Waste Management NZ Limited	Employee

MR T H NICKELS

	Position Held
KT Advisory Limited	Director

MR G S JAMES

	Position Held
Canterbury Material Recovery Facilities Limited	Director
Waste Management NZ Limited	Contractor

MR R A PICKWORTH

	Position Held
Westpower Limited, plus various wholly owned subsidiaries	Director
Westroads Limited	Director
Ashburton Contracting Limited	Director
Whitestone Contracting Limited (finished 31 December 2021)	Director
Pipeline Group Limited, plus various wholly owned subsidiaries	Director
McLenaghan Contracting Limited	Director
Industrial Controls South Canterbury Limited (commenced 17 February 2022)	Director
S & L General Partners Limited (commenced 1 February 2022)	Director

MR G S MILLER

	Position Held
Selwyn District Council	Councillor
Canterbury Regional Landfill Joint Committee	Committee Member
Central Plains Water Limited	Director
Porahui Farms Limited	Shareholder

Directors' Report to the Shareholders
For the year ended 30 June 2022

MR H E G MAEHL

	Position Held
Beijing Capital Group NZ Investment Holding Limited	Director
Waste Management NZ Limited, plus various wholly owned subsidiaries	Director
Waste Management NZ Limited	Employee
Midwest Disposals Limited	Director
Waste Disposal Services	Executive Committee Member

MR P S MAUGER

	Position Held
Christchurch City Council	Councillor
Coastal-Burwood Community Ward	Board Member
Canterbury Regional Landfill Joint Committee	Committee Member
Otautahi Community Housing Trust	Trustee
Civic Building Limited	Director
M&M Aggregates Limited	Shareholder and Director
Harewood Holdings Limited	Shareholder and Director
25 KBR Limited	Shareholder and Director
Maugers Garage Limited	Shareholder and Director
Rookwood Holdings Limited	Director
Rowwdy Limited (finished 9 February 2022)	Shareholder
NZ Transport Engineering Limited	Shareholder
Maugers Contracting Limited	Shareholder and Director

All transactions the company has entered into with parties in which directors hold directorships have been entered into in the ordinary course of business.

Directors' Remuneration and Other Benefits
Details of the directors' remuneration are provided above.

Information used by Directors
No member of the board of Transwaste Canterbury Limited issued a notice requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Indemnification and Insurance of Officers and Directors
The company indemnifies all directors named in this report against all liabilities (other than to the company) that arise out of the performance of their normal duties as director, unless the liability relates to conduct involving lack of good faith. An indemnity is also provided to the independent chair of the audit committee. To manage this risk, the company has indemnity insurance. The annual cost of this insurance is $31,610 (2021: $27,815).

Directors' Report to the Shareholders
For the year ended 30 June 2022

Dividend

The general policy for the company is to declare dividends calculated at 100% of the net profit after tax after allowing for working capital requirements, as set out in the company's Statement of Intent. Dividends of $16,400,000 were paid during the year, including project dividends of $1,300,000 relating to the Burwood Recovery Park project.

A final dividend in relation to the 2022 year of $8,000,000, and an interim dividend in relation to the 2023 year of $10,300,000 which were declared after balance date, are disclosed in note 7.

Donations

The company made donations of $88,792 to the Kate Valley Landfill Community Trust (2021: $86,304) during the year.

Auditor's Remuneration

The auditor of the company is Audit New Zealand, acting on behalf of the Auditor-General.

The annual remuneration for auditing services for the company provided by Audit New Zealand was $46,152 (2021: $45,069). No other services were provided by the auditor.

Chairman's Review
For the year ended 30 June 2022

REVIEW BY THE CHAIR

Year Ended 30 June 2022

YEAR NUMBER 17!

On 5 June 2022 the Kate Valley Landfill had been in uninterrupted operation for 17 years. The key word in this sentence is "uninterrupted" – an essential performance criterion in respect of the operation of any piece of critical infrastructure in our community.

During that 17 years the Landfill has endured: the vagaries of commencing the operation of a new piece of infrastructure from scratch; storms involving rain, wind, and snow; a global and local financial crisis; a period of significant earthquakes; a pandemic; the increasing impact of climate change; and now a period of almost unprecedented economic and political uncertainty. The locusts are yet to come!

Through all of this the Landfill has not only continued to provide the essential services of managing and disposing of solid waste - but has also emerged as a leader in solid waste management both in NZ and internationally – particularly as regards the extraction of further value from residual waste. This currently involves the capture and using of landfill gas to produce electricity. Currently Transwaste has the capacity to generate sufficient electricity to power 4000 homes – with the opportunity to more than double this as the Landfill increases in size and gas creation.

Investigating, and if viable, developing other uses for landfill gas as an energy source is a major strategic focus for the company.

It is for these reasons that the descriptor now used for the Kate Valley Landfill has been extended to "Kate Valley Landfill and Energy Park".

Health, Safety and Wellbeing

Landfills, and the handling of the community's solid waste are inherently dangerous activities.

Transwaste takes its health, safety and wellbeing responsibilities extremely seriously, evidenced among other things by this issue being accorded the primary space on the board meeting agendas. Transwaste, while not employing any personnel directly, provides the strongest possible support to the robust, risk-based approach used by Waste Management New Zealand Limited – 50% owner and principal operations contractor of the Landfill.

It is both important, and pleasing to record, in respect of the year ended 30 June 2022, across all of the company's operations, that there were no lost time injuries, and no medical treatment injuries. The focus is very strongly on all "incidents" related to critical risk areas – disappointingly one minor incident involving a waste trailer occurred during the year – although no one was injured the incident provided a salutary lesson for all - that safety in operations requires constant vigilance.

The health and wellbeing of all those involved in Transwaste's operations is equally important as (and in fact closely related to) their safety at work. Transwaste again strongly supports Waste Management in its efforts and initiatives in these difficult areas. This has been particularly important during the extended period of the pandemic and the gradual recovery to a more normal operating environment.

Operations

The 2021/22 year has seen record volumes of waste disposal at the Landfill – with volumes of waste being some 10% above that provided for in the budget.

Chairman's Review
For the year ended 30 June 2022

This record level of waste was in respect of both general domestic and commercial waste, and special waste requiring special handling while being disposed of at the Landfill.

The analysis of waste volumes over the past three years is as follows-

	General Waste	Special Waste	Total
Waste *(tonnes)*			
2019/20	255,116	77,095	332,211
2020/21	283,065	67,904	350,969
2021/22	288,712	75,727	364,439

As commented in prior years these waste volumes show a close correlation with the general level of economic activity in the region that is served by the Kate Valley Landfill.

Once again it is also pleasing to note that the robust design and operating protocols and practices in place at the Landfill have resulted in no breaches of environmental consent conditions during the past 12 months.

A disappointing area of operations during the year ended 30 June 2022 has been electricity generation – not because of operational deficiencies by Transwaste – but rather due to the constraints faced by the company in the amount of electricity it has been able to export to the national grid via the 11kv transmission line operated by MainPower NZ Limited. These constraints on transmission have seen the company only able to transmit a little more than half of its practical generating capacity - a source of ongoing frustration for Transwaste. Unfortunately, despite continual efforts to resolve this issue, this sub-optimal performance will continue until the completion by MainPower of a new 66kv line build to service their planned Mt Cass Windfarm development adjacent to the Landfill.

With the rapidly increasing cost of carbon units to be surrendered the identification, monitoring and independent certification of the carbon emissions produced from Landfill is now a critical part of operations. Transwaste has committed considerable resources in the past year, focusing on the identification of carbon emitting activities the monitoring of these, and the introduction of initiatives to reduce these emissions. Latterly, the Company has initiated an independent review and certification of its carbon emissions, commissioning Toitū Envirocare to undertake this work and report to the Board.

Financial

To get a more appropriate comparison of Landfill performance in financial terms it is necessary to remove the impact of the dividends received during the year from the subsidiary company – Burwood Resource Recovery Park Limited. This company, which ceased operations in December 2019, was amalgamated into Transwaste Canterbury Limited in May 2022.

Adjusting for this item results in a profit before tax for Transwaste of $20.4m for the year ended 30 June 2022, compared to a profit before tax of $19.5m for the year ended 30 June 2021.

Significant items contributing to this increase in profit before tax between 2021 and 2022 were: an increase in turnover (excluding the Waste Levy) of $2.3m; an increase in Landfill operating costs of $1.5m; and the write off of an uncollectable debtor $0.5m.

The principal movements in the company's balance sheet over its position at the end of the previous financial year are an increase in cash balance of $6.3m and a reduction in the carrying value of property, plant and equipment of $4.9m due to amortization/depreciation and revaluation of Deferred Site Restoration Costs.

Chairman's Review
For the year ended 30 June 2022

The company's equity has improved by $5.2m over the course of the year – due almost entirely to the amalgamation of assets of Burwood Resource Recovery Park Limited. The dividends paid to shareholders during the year of $16.4m equated almost exactly to the total comprehensive income of the company for the year.

[In respect of distributions from the company it is interesting to note that since its inception the company has declared and paid dividends to shareholders totalling $181.1m (including dividends declared by Burwood Resource Recovery Park Limited and passed on to Transwaste shareholders); and has also made grants to the Kate Valley community trust totalling $1.4m.]

The equity:total assets ratio of the company was 46.9% at 30 June 2021 and is 54.4% at 30 June 2022. This demonstrates the very strong financial position of the company – particularly when it is noted the strength of the revenue generating base of the company.

Cash flow remains strong with a net cash flow from operations in the past year (after adjusting for dividends received) exceeding $22m.

During the past year, to enable the company to pay out all of its earnings as dividends, but still have the financial capacity to progress its capital expenditure programme, the company has secured a funding line of $15m through its banker – Westpac New Zealand.

Hidden within the financial performance reporting of the company is the liability that rests with the Company in respect of carbon emissions. Transwaste is currently progressing through independent certification of its carbon emissions and hence liability. At present the company must surrender approximately 35,000 carbon units per annum to meet its liabilities in that respect. The cost of these units is recovered in the landfill disposal charge to those who bring waste to the Landfill. Current prices of carbon, and projections of where these are likely to track in the future indicate that this element of the landfill disposal charge will increase significantly in years ahead.

Future Development

The following is a high-level summary of the significant development / capital expenditure projects that Transwaste is progressing in the year ahead.

Further development of the Landfill cells and supporting infrastructure will continue so as to maintain at least 12 months of projected air space requirements ahead of current operations at all times. Part of this is to ensure the extent and effectiveness of landfill gas capture. This ensures Landfill safety; minimizes carbon emissions; and (subject to earlier comments) produces significant net revenue for the company.

Landfills produce two products that are environmentally challenging- landfill gas, which has a significant methane content, and leachate.

With regards to the management and capture of landfill gas the Kate Valley Landfill is an industry leader with sophisticated, best practice processes in place. Further investment in gas treatment and utilization will continue, involving-

- Investigation and development of opportunities for further electricity generation or use of the gas as a direct energy source
- Construction and commissioning of additional gas flaring capacity to ensure that at all times the Landfill has sufficient flaring capacity to deal with 100% of the gas produced by the Landfill
- Investigation, and if viable, the production of hydrogen as a fuel for the company's line-haul trucks and landfill operating equipment thus significantly reducing the amount of carbon produced in landfill operations

Chairman's Review
For the year ended 30 June 2022

- Introduction of a leachate management / removal system using "evaporisation" of leachate through burning the leachate using the heat produced by the flares when burning landfill gas. This system has been successfully installed and operated in a Waste Management landfill in Auckland during the past two years. It is anticipated that a resource consent application will shortly be made to Environment Canterbury with respect to this process, followed by the placement of an order for equipment, and installation later in the 2023 calendar year.

In addition to these investments planned for the forthcoming year, Transwaste is also seeking to move ahead with its share of the upgrade in transmission capacity to allow more of the electricity generation capacity to be sold into the general electricity market.

These initiatives, together with some capital works of lesser scale, result in a budget for capital expenditure in 2022/23 of $17m. Such a high level of capital expenditure, while manageable, is challenging in the current climate – due to long lead times for ordering, manufacturing, and delivery of specialized items from overseas suppliers.

Conservation

Development of the wonderful regional conservation/restoration asset, Tiromoana Bush, continues. During 2021/22 the emphasis has been on both planting and pest control of plants and animals. The 410ha QE2 covenanted area is now evidencing the years of nurturing and investment that has occurred. Evidence of this is startling in terms of the regeneration of existing stands of indigenous trees and bush, and the marked increase in both transient and resident birdlife (including waterfowl in some amazing wetland areas).

It is also rewarding to see the number of visitors to the Bush and its lowland and coastal tracks increasing.

A major challenge continues to be the control of unwanted animals – primarily pigs and deer. It is the former that are currently of greatest concern as they access the Bush from neighbouring properties and do not find the deer fencing a barrier. Constant culling, while expensive, is currently proving reasonably effective at controlling pig numbers. To date more than 1,600 predators of all types have been trapped/culled within Tiromoana Bush.

Kate Valley Landfill and Energy Park continues to be regarded as an exemplar in landfill design and management, being frequently visited by others involved in the solid waste disposal sector as an aspirational benchmark. To retain that position and reputation is a strategic goal for the company.

Such a goal is only a dream without the commitment, the skill, and the attitude of the people involved. Those who work at, and provide services of all types to Transwaste exemplify this. The success of the Kate Valley Landfill and Energy Park is testament to all those who work across all aspects of Transwaste's operations. On the completion of another great year – thank you!

This thank you also extends, of course, to the directors of Transwaste who have again in 2021/22 been selfless in giving their time and their expertise in governing, directing, and monitoring the performance of the company.

Gill Cox

Chair

25 November 2022

Directors' Responsibility Statement
For the year ended 30 June 2022

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the company as at 30 June 2022 and its financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Companies Act 1993.

The directors consider they have taken adequate steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the statement of objectives and performance, and the financial statements, set out on pages 13 to 60 of Transwaste Canterbury Limited for the year ended 30 June 2022.

The board of directors of Transwaste Canterbury Limited authorised these financial statements for issue on 25 November 2022.

For and on behalf of the board

W G Cox
Chairman

H E G Maehl
Director

25 November 2022

Statement of Objectives and Performance
For the year ended 30 June 2022

Targets were set under the Statement of Intent for the three years ending 30 June 2024. A comparison of achievement against those targets is as follows:

Objective
Environment: To ensure that Transwaste, as a minimum, meets present and future environmental standards in a manner which is consistent with the preservation of the natural environment and the careful and sustainable management of its natural resources.

Desired Outcomes		Performance Measures and Target	Achievement
(a)	No proven breaches of Resource Management Act consents.	Nil established consent breaches notified during the year or advised by ECan.	Achieved. There are no known breaches and no notifications received from Environment Canterbury.
(b)	Review and update the strategic plan for Tiromoana Bush.	Strategic plan reviewed, updated with Board signoff and actioned.	The current year plan has been completed in accordance with the adopted 5 year plan to 2022.

Objective
Environment: Support New Zealand's "Predator Free by 2050" goal, maintain and/or reduce net Green House Emissions and to use the gas captured in a socially and economically sustainable way.

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Maintain large mammal pests (pigs and deer) to low levels in Tiromoana Bush.	No adverse impacts on restoration plantings from deer and pig rooting - evident in <5% of vegetation monitoring plots.	On track to achieve – deer and pig activity is very low. Most recent cull included 2 pigs on 8 June 2022 – annual totals were 5 deer and 23 pigs.
(b)	Small mammal pests (mustelids, rodents, possums, cats, hedgehogs) reduced to levels that have minimal impact on native biodiversity in Tiromoana Bush.	The abundance of bird life (as indicated by remeasuring of the bird monitoring transects) is greater than the 2005-2009 baseline for bellbird and grey warbler.	On track to achieve – ongoing monthly trapping and monitoring being undertaken.
(c)	Maximise capture and destruction of landfill gas from Kate Valley landfill.	Ensure the capture and destruction of in excess of 90% of landfill gas produced by Kate Valley landfill (measured in accordance with the regulations to the	Achieved for the year ended 31 December 2021. The next measurement date is 31 December 2022.

Desired Outcomes		Performance Measures and Target	Achievement
		Climate Change Response Act 2002).	
(d)	To ensure the beneficial use of landfill gas to obtain the best economic value.	To increase the MWh of electricity exported from Kate Valley landfill by 50% over the three year SoI period 2022 to 2024.	In progress. Remains dependent on transmission line improvements, which is under discussion with MainPower NZ Limited.
(e)	Measure the company's carbon footprint.	Carbon footprint is measured and independently certified.	Project with Toitu Envirocare to measure and certify carbon footprint completed and audited.
(f)	Reduce GHG emissions from Controlled Waste haulage	Maintain or improve average Euro emission rate of CWS fleet.	Achieved, based on reduced emission standard of replacement trucks (2 more new trucks this year).
(g)	Provide ongoing planting and growth of native trees and bush in the Tiromoana Bush area.	Number of ETS units received under ETS schemes available.	Project commenced to measure and register planting in ETS.

Objective

Corporate Citizenship/Community Relations: To be a responsible Corporate Citizen by acting fairly and honestly and to be sensitive to local issues.

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Finance the Kate Valley Landfill Community Trust (from the Disposal Charge) for the purpose of benefiting the local community immediately affected by the landfill operation.	Annual payment to Kate Valley Landfill Community Trust, to be determined on an annual basis.	Achieved. The company has made contributions to the trust for the 2021/22 year totalling $88,792.
(b)	Develop and maintain education material with regard to waste management and the environment.	Material used by schools.	Achieved. Programme has continued with Core Education. Successful completion of 2021 workplan with further interaction to take place in Q4 of 2022.
(c)	Plan for sites aftercare and closure – financially and revenue streams.	Adequate provisioning, which stands up to audit scrutiny, in financial statements for aftercare and closure costs.	Achieved. Methodologies comply with the applicable reporting standards.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2022

Objective

Service Quality: Meet the present and future needs of the people of Canterbury with high standards of value, quality and service and establish effective relations with customers.

Desired Outcomes	Performance Measures and Target	Achievement
(a) Timely, high quality and reliable waste transport services.	No transfer station is unable to receive waste during its normal operating hours due to Transwaste's failure to supply containers.	No impacts – achieved.
(b) Reliability of access to the Kate Valley landfill.	Landfill is available to waste transporters for more than 99% of normal annual transport access hours.	Achieved - no disruption to receipt of waste occurred, despite the landfill being closed due to high wind on 4 days for 20 hours in total.

Objective

Health and Safety: Strive for zero injury accidents in all operations the Company and its main contractor, Waste Management NZ Ltd (through its Canterbury Waste Services division - CWS), will be responsible for, whilst maintaining a high level of service and production.

Desired Outcomes	Performance Measures and Target	Achievement
(a) Ensuring that in all activities the Company and its contractors have Health and Safety Management Plans in place.	Maintain or improve current total recordable injury frequency rate (TRIFR) for the last 12 months.	Achieved – nil LTIs in all operations. Actual TRIFR for the 12 months ended 30 June 2022 is zero.
(b) Maintain Kate Valley public walkways to an acceptable standard, (track maintenance, signage).	Annual operational plans objectives met, with no serious avoidable injuries.	Achieved. Good patronage on both walkways.
(c) No traffic incidents where CWS drivers at fault.	No at-fault incidents.	Not achieved – one incident where a CWS trailer caused minor damage to a third-party vehicle.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2022

Objective

Good Employer: Be a Good Employer, through either direct employment or by way of management contracts with CWS.

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Ensure CWS has objectives and policies that detail the relationship with employees, their remuneration, safety and other issues such as equal opportunity in employment.	No more than 15% annually of CWS landfill and transport staff annual FTE turnover.	Not achieved. Turnover of permanent employees at Kate Valley was 6 at landfill and 3 in transport out of 45 FTEs, resulting in 20% annual turnover.
(b)	Ensuring that its employees have secure and rewarding employment which provides the means for personal development.	10 hours per FTE annually for CWS staff training.	Achieved. Kate Valley staff have undertaken 10.0 hours per FTE.

Objective

Consultation/Communication: Establish and maintain good relations with the local host community of the Kate Valley landfill and consult with those groups and other interest groups (including Tangata Whenua) on issues that are likely to affect them.

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Consult with the host community concerning landfill operations by way of direct communication and via the Community Liaison Group.	At least two Kate Valley Community Liaison group meetings held per year.	Achieved. Four Community Liaison Group meetings held in the period.
(b)	Engage with other interest groups including Tangata Whenua and discuss all issues likely to affect them.	Three interactions with interest groups per year.	Achieved. More than three interactions with Kate Valley neighbours and community.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2022

Objective
Legislative/Regulatory Compliance: To be a good Corporate Citizen by acting lawfully

Desired Outcomes	Performance Measures and Target	Achievement
(a) To ensure compliance with all relevant legislation and statutory requirements.	Annual reporting to Board on areas of compliance and non-compliance.	Achieved. Monthly reporting is undertaken. Compliance reporting up to date at Kate Valley. No non-compliances noted.
	Nil known legislative and regulatory non-compliance.	Achieved. No notices of non-compliance received.

Objective
Shareholder Interests: To operate a successful business, providing a fair rate of return to its shareholders.

Desired Outcomes	Performance Measures and Target	Achievement
(a) To effectively operate the consented regional landfill at Kate Valley to achieve specific commercial performance targets.	Total Revenue (inclusive of waste levy) of $54,553,000	$58,493,000. Overall tonnes of waste to landfill was 10% above budget.
	EBIT of $18,685,000	$1,947,000 above budget at $20,632,000 (before $1,300,000 dividends received from its subsidiary, BRRP), as a result of the increased tonnes of waste to landfill compared to budget.
	Dividends relating to Kate Valley of $13,700,000	Dividends totalling $15,100,000 were paid during the year for the Kate Valley operations, plus project dividends relating to BRRP activities of $1,300,000.

Statement of Comprehensive Income
For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000	Group 2021 $'000
Revenue				
Sales excluding waste levy		51,139	48,807	50,709
Waste levy		7,289	3,511	3,511
Sales including waste levy	3	58,428	52,318	54,220
Rental		65	60	60
Interest		-	-	45
Dividends		1,300	10,000	-
Changes in fair value of forestry	9	(29)	581	581
Total revenue		**59,764**	**62,959**	**54,906**
Expenses				
Audit fees	4	46	45	63
Depreciation and amortisation	4,8	5,421	5,661	5,725
Impairment of receivables	4	511	-	-
Employee benefits costs	4	364	343	343
Landfill and facilities operating costs		21,851	20,290	22,561
Loss on sale of property, plant and equipment		-	-	24
Waste levy	3	7,289	3,511	3,511
Other expenses		2,350	3,403	3,389
Total expenses		**37,832**	**33,253**	**35,616**
Profit before finance costs and tax		**21,932**	**29,706**	**19,290**
Finance costs	5	257	248	68
Profit before tax		**21,675**	**29,458**	**19,222**
Income tax expense	6	5,601	5,514	5,449
Profit for the year		**16,074**	**23,944**	**13,773**
Other comprehensive income	14	385	(112)	(112)
Total comprehensive income for the year		**16,459**	**23,832**	**13,661**

The accompanying notes form part of these financial statements

Statement of Changes in Equity
For the year ended 30 June 2022

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance 1 July 2020		16,000	481	14,129	30,610
Profit for the year		-	-	23,944	23,944
Other comprehensive income	14	-	(112)	-	(112)
Total comprehensive income for the year ended 30 June 2021		-	369	23,944	24,056
Dividends	7	-	-	(22,100)	(22,100)
Balance 30 June 2021		**16,000**	**369**	**15,973**	**32,342**
Balance 1 July 2021		16,000	369	15,973	32,342
Profit for the year		-	-	16,074	16,074
Other comprehensive income	14	-	385	-	385
Balances on amalgamation	26	-	-	5,162	5,162
Total comprehensive income for the year ended 30 June 2022		-	385	21,236	21,621
Dividends	7	-	-	(16,400)	(16,400)
Balance 30 June 2022		**16,000**	**754**	**20,809**	**37,563**
Group					
Balance 1 July 2020		16,000	481	30,695	47,176
Profit for the year		-	-	13,773	13,773
Other comprehensive income	14	-	(112)	-	(112)
Total comprehensive income for the year ended 30 June 2021		-	369	13,773	13,661
Dividends	7	-	-	(22,100)	(22,100)
Balance 30 June 2021		**16,000**	**369**	**22,368**	**38,737**

The accompanying notes form part of these financial statements

Balance Sheet
As at 30 June 2022

	Notes	2022 $'000	2021 $'000	Group 2021 $'000
Assets				
Non-current assets				
Property, plant & equipment	8	51,073	55,904	56,028
Forestry	9	2,556	2,585	2,585
Emission Units	10	2,134	3,328	3,328
Derivative financial instruments	24	228	-	-
Total non-current assets		**55,991**	**61,817**	**61,941**
Current assets				
Cash and cash equivalents	11	7,072	736	3,257
Trade and other receivables	12	5,924	6,429	7,289
Total current assets		**12,996**	**7,165**	**10,546**
Total assets		**68,987**	**68,982**	**72,487**
Equity				
Contributed equity	13	16,000	16,000	16,000
Reserves	14	754	369	369
Retained earnings	15	20,809	15,973	22,368
Total equity		**37,563**	**32,342**	**38,737**
Liabilities				
Non-current liabilities				
Interest-bearing borrowings	16	1,500	-	-
Provisions	17	18,414	21,630	21,630
Derivative financial instruments	24	-	-	-
Deferred income tax liability	6	2,878	2,810	2,684
Total non-current liabilities		**22,792**	**24,440**	**24,314**
Current liabilities				
Trade and other payables	19	6,546	5,397	5,593
Interest-bearing borrowings	16	-	3,275	-
Derivative financial instruments	24	49	357	357
Income tax payable	6	1,250	1,575	1.539
Provisions	17	764	1,577	1.928
Employee benefits	18	23	19	19
Total current liabilities		**8,632**	**12,200**	**9,436**
Total liabilities		**31,424**	**36,640**	**33,750**
Total equity and liabilities		**68,987**	**68,982**	**72,487**

For and on behalf of the board

W G Cox
Chairman 25 November 2022

H E G Maehl
Director 25 November 2022

Cash Flow Statement
For the year ended 30 June 2022

The accompanying notes form part of these financial statements

	Notes	2022 $'000	2021 $'000	Group 2021 $'000
Cash flows from operating activities				
Receipts from customers (excluding waste levy)		51,787	47,380	48,454
Waste levy received		7,289	3,511	3,511
Interest received		-	-	45
Dividends received		1,300	10,000	-
Other revenue		65	60	60
Payments to suppliers and employees		(24,230)	(21,433)	(23,816)
Interest paid		(169)	(181)	(1)
Waste levy paid		(6,403)	(3,362)	(3,362)
Income tax paid	6	(5,900)	(5,990)	(6,118)
Goods and services tax (net)		(359)	193	179
Net cash from operating activities	20	23,380	30,178	18,952
Cash flows from investing activities				
Purchase of property, plant & equipment		(3,781)	(3,929)	(3,929)
Sale of property, plant & equipment		-	-	18
Monies withdrawn from term deposits		-	-	4,029
Cash on amalgamation		37	-	-
(Purchase)/sale of emission units		-	(2,855)	(2,855)
Net cash from investing activities		(3,744)	(6,784)	(2,737)
Cash flows from financing activities				
Bank funding		1,500	-	-
Advances from/(to) subsidiaries		1,600	(1,700)	-
Dividends paid		(16,400)	(22,100)	(22,100)
Net cash from financing activities		(13,300)	(23,800)	(22,100)
Net increase/(decrease) in cash and cash equivalents		**6,336**	**(407)**	**(5,885)**
Cash and cash equivalents at the beginning of the year		736	1,143	9,142
Cash and cash equivalents at the end of the year	11	**7,072**	**736**	**3,257**

The accompanying notes form part of these financial statements

Notes to the Financial Statements
For the year ended 30 June 2022

1. General Information

Reporting Entity

Transwaste Canterbury Limited is a company registered under the Companies Act 1993 and is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The company represents a joint venture between Waste Management NZ Limited and five local authorities in Canterbury.

The primary objective of the company is to own, operate and continue development of a non-hazardous landfill for the Canterbury region. From 2011, the wholly owned subsidiary Burwood Resource Recovery Park Limited (BRRP) operated a Christchurch Earthquake demolition waste material management and recovery facility and a landfill for disposal of residual demolition waste until its closure in 2020. BRRP was amalgamated with the company on 31 May 2022.

Group comparative information is included in the financial statements in addition to the company comparatives, as a group comprising the company (parent) and BRRP (100% subsidiary) existed at the prior reporting date of 30 June 2021.

The company continues to hold six wholly owned non-trading subsidiaries, which are held for name protection purposes and have no assets and liabilities. All companies are incorporated and domiciled in New Zealand.

The financial statements of Transwaste Canterbury Limited are for the year ended 30 June 2022. The financial statements were authorised for issue by the Board on 25 November 2022.

The entity's owners do not have the power to amend these financial statements once issued.

Notes to the Financial Statements

For the year ended 30 June 2022

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the company have been prepared on a going concern basis in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to for-profit entities.

The company is designated as a for-profit entity for financial reporting purposes. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Local Government Act 2002.

For the purposes of complying with NZ GAAP, the company is required to apply Tier 1 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards). In complying with NZ IFRS the company also complies with International Financial Reporting Standards.

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of financial instruments (including derivative instruments) and forestry.

The financial statements are presented in New Zealand dollars (NZD) and all values are rounded to the nearest thousand dollars ($'000). The functional currency of Transwaste Canterbury Limited is New Zealand dollars.

There have been no changes in accounting policies, which have been consistently applied during the financial year.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

Notes to the Financial Statements
For the year ended 30 June 2022

a) *Sales of goods*

Sales of goods are recognised at a point in time when the company has delivered products to the customer and the customer has accepted the products, fulfilling the company's performance obligations.

b) *Sales of services*

Sales of services are recognised at a point in time in the accounting period in which the services are rendered, by reference to completion of the specific transaction.

c) *Government grants*

Government grants relating to the purchase of plant and equipment are recorded as a reduction in the cost of the plant and equipment.

d) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.3 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, other than borrowing costs directly attributable to the construction of any qualifying assets, including the initial construction of the landfill, which are capitalised as part of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time (typically a minimum of twelve months) to get ready for its intended use or sale.

Notes to the Financial Statements
For the year ended 30 June 2022

2.4 Income tax

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

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. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

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

Notes to the Financial Statements
For the year ended 30 June 2022

2.5 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement basis

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the company’s incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.6 Cash, cash equivalents and bank overdrafts

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet where the bank has no right of setoff.

Notes to the Financial Statements
For the year ended 30 June 2022

2.7 Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss component of the statement of comprehensive income.

The company applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and days past due.

2.8 Financial assets

Classification

The company classifies its financial assets as being measured at amortised cost.

Financial assets measured at amortised cost 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 end of the reporting period. These are classified as non-current assets. The company's financial assets measured at amortised cost comprise 'trade and other receivables', 'cash and cash equivalents', 'term deposits' and 'owing from related party' in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade date - the date on which the company commits to purchase or sell the asset. All financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. The financial assets are subsequently carried at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Notes to the Financial Statements
For the year ended 30 June 2022

Impairment of financial assets

Assets carried at amortised cost

The company assesses at the end of each reporting period the estimated 12-month expected loss allowance for credit losses.

Credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract; and the cash flows that the entity expects to receive.

The company will measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If the asset's carrying amount is reduced, the amount of the loss is recognised in the profit and loss component of the statement of comprehensive income.

If, in a subsequent period, the amount of the expected credit loss decreases and the decrease can be related objectively to an event occurring after the loss was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised loss is recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

2.9 Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit or loss.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Notes to the Financial Statements
For the year ended 30 June 2022

2.10 Property, plant and equipment

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable the future economic benefits or service potential associated with the item will flow to Transwaste Canterbury Limited and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the profit or loss.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Transwaste Canterbury Limited and the cost of the item can be measured reliably.

Borrowing costs incurred for the construction of any qualifying assets, including the initial construction of the landfill, are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time (typically a minimum of twelve months) to get ready for its intended use or sale.

Notes to the Financial Statements
For the year ended 30 June 2022

2.11 Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, landfill development costs and future landfill site restoration and aftercare costs, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Life
Landfill development	Expected physical life
Deferred site restoration and aftercare costs	Pattern of benefits from the landfill
Buildings and site improvements	15 – 25 years, or length of resource consent if shorter
Plant and machinery	5 – 15 years, or length of resource consent if shorter
Motor vehicles and related equipment	3 – 15 years
Office equipment, furniture and fittings	3 – 5 years

Assets under construction are not depreciated until commissioned.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

The depreciation of the total landfill development costs is based upon the total anticipated waste volume of the landfill over its economic life (being the physical capacity of the landfill). The annual depreciation amount is calculated based on the waste volumes consumed for the financial year as compared to the anticipated waste volume over the economic life of the landfill.

Future landfill site restoration and aftercare costs capitalised in the balance sheet are depreciated at rates that match the pattern of benefits expected to be derived from the landfill, including power generation using landfill gas.

Notes to the Financial Statements
For the year ended 30 June 2022

2.12 Forestry assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs using appropriate valuation methods and techniques, depending on the age and species of the trees.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in profit or loss.

The costs to maintain the forestry assets are recognised as an expense as incurred.

2.13 Emission units and emissions obligations

Emission units that have been allocated by the Government under the forestry scheme are recorded at nominal value (nil value). Purchased emission units are recorded at cost (purchase price). Emission units, whether allocated or purchased, are recorded as intangible assets. Emission units are not revalued subsequent to initial recognition.

Emission obligations are recognised as a current liability as the emission obligation is incurred. Up to the level of units held, the liability is recorded at the carrying value of those units. When emission obligations exceed the units held the liability is calculated either at contract prices under forward purchase agreements for the number of units contracted where these exist, or at fair value.

Forward contracts for the purchase of emission units are recognised when the contracts are settled on an accruals basis.

2.14 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

If an asset’s carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the profit or loss. For assets other than goodwill, the reversal of an impairment loss is recognised in the profit or loss.

Notes to the Financial Statements
For the year ended 30 June 2022

2.15 Employee benefits

Short-term benefits

Employee benefits that are expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date and retiring and long service leave entitlements expected to be settled within 12 months.

A liability for sick leave is recognised when the leave is taken and measured at the rates paid or payable.

Long-term benefits

Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and

- the present value of the estimated future cash flows. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Transwaste Canterbury Limited has no employees other than directors and currently has no sick, annual, long service or retirement leave obligations.

2.16 Provisions - General

Transwaste Canterbury Limited recognises a provision 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 expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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 described in the profit or loss as a time value adjustment.

Notes to the Financial Statements
For the year ended 30 June 2022

2.17 Closure and Post-Closure Costs

A provision for future landfill site restoration and aftercare costs is recognised when the activities giving rise to the need for site restoration and aftercare have commenced. The provision is stated at the present value of the future cash outflows expected to be incurred, which increases each period due to the passage of time. Any increase in the provision due to the change in present value is recognised in profit or loss as a time value adjustment in interest expense.

Future landfill site restoration and aftercare costs provided for are initially capitalised in the balance sheet. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs (through discount rate or cost estimate updates) is also recognised in non current assets in the balance sheet.

2.18 Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

2.19 Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue (IR) is included as part of receivables or payables in the balance sheet.

2.20 Derivatives: Hedges Receivable and Payable

Transwaste Canterbury Limited enters into derivative financial instruments including power supply agreements to manage its exposure to price fluctuation risks. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The fair value of forward power supply agreements is their quoted market price at the Statement of Financial Position date, being the present value of the quoted forward price. The effective portion of the gain or loss on the hedging instrument is recognised in the Statement of Comprehensive Income as other comprehensive income, while any ineffective portion is recognised immediately in the Statement of Comprehensive Income as selling and administration expenses.

Notes to the Financial Statements

For the year ended 30 June 2022

2.21 Derivatives: Hedges Receivable and Payable (continued)

Initial recognition and measurement

Derivatives are classified, at initial recognition, as financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All derivatives are recognised initially at fair value.

2.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.23 Critical accounting estimates and assumptions

Landfill closure and post-closure provisions

In preparing these financial statements Transwaste Canterbury Limited has made estimates and assumptions 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 key area in which 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 applied is detailed in Note 17 - landfill closure and post-closure provisions.

3. Revenue

	2022 $'000	2021 $'000	Group 2021 $'000
Waste disposal (excluding waste levy)	41,613	39,569	41,458
Waste levy on-charged to customers	7,289	3,511	3,511
Waste disposal sales including waste levy	48,902	43,080	44,969
Waste transport	7,155	7,385	7,385
Recovered materials	-	-	13
Electricity generation	2,371	1,853	1,853
Sales	**58,428**	**52,318**	**54,220**

Notes to the Financial Statements
For the year ended 30 June 2022

Waste levy cost

The Ministry for the Environment introduced a waste levy in 2009. The waste levy payable in respect of the year to 30 June 2022 was $20 per tonne of waste to landfill (2021: $10 per tonne). The waste levy is on-charged to customers and the on-charge is included in sales revenue. The waste levy cost is included in expenses.

Nature of revenue

The company contracts with its customers to lawfully dispose of waste at the Kate Valley landfill. For shareholders, the Company contracts to deliver empty waste containers to refuse stations, and collect full containers and deliver them to the landfill.

Contractual payment terms are typically within one month after the month the contents are lawfully disposed into landfill.

The company has a contract to sell electricity generated at its Kate Valley landfill into the national grid.

The company, as lessor, has entered into contracts to lease land for farming activities, and has entered into a contract with a third party to harvest and sell forestry assets as required.

Consideration is fixed and there is no significant financing component in the contracts.

4. Expenses

Profit before tax includes the following specific expenses:

Employee benefits costs

	2022 $'000	2021 $'000	Group 2021 $'000
Directors' fees	**364**	**343**	**343**

All employee benefit costs relate to fees paid to directors.

Depreciation and impairment

	2022 $'000	2021 $'000	Group 2021 $'000
Depreciation:			
Landfill development	4,093	3,699	3,699
Deferred closure costs	650	961	961
Buildings	9	10	10
Plant and machinery	669	991	1,000
Motor vehicles	-	-	55
	5,421	**5,661**	**5,725**
Impairment:			
Impairment of receivables (Note 12)	511	**-**	**-**
	511	**-**	**-**

Notes to the Financial Statements
For the year ended 30 June 2022

Audit fees

	2022 $'000	2021 $'000	Group 2021 $'000
Audit services			
Audit New Zealand			
- Audit fees for financial statements audit	46	45	63
Total remuneration for audit services	**46**	**45**	**63**

5. Finance costs

	2022 $'000	2021 $'000	Group 2021 $'000
Interest - bank	48	-	-
Interest - intra-group advances	121	180	-
Provisions - Time value adjustment (Note 17)	88	68	68
Total finance costs	**257**	**248**	**68**

6. Tax

Components of tax expense

	2022 $'000	2021 $'000	Group 2021 $'000
Current tax expense	5,683	5,724	5,678
Deferred tax expense	(82)	(210)	(229)
Income tax expense	**5,601**	**5,514**	**5,449**

Relationship between tax expense and accounting profit

	2022 $'000	2021 $'000	Group 2021 $'000
Profit/(loss) before tax	21,675	29,458	19,222
Tax at 28% (2021: 28%)	6,069	8,249	5,382
Non-taxable income	(468)	(2,800)	-
Non-deductible expenses	-	65	67
Tax expense	**5,601**	**5,514**	**5,449**

Notes to the Financial Statements
For the year ended 30 June 2022

Deferred tax assets/ (liabilities)	Property, plant and equipment $'000	Cash flow hedges $'000	Other $'000	Total $'000
Balance at 1 July 2020	(3,945)	-	881	(3,064)
Credited/(charged) to profit or loss	350	-	(140)	210
Charged to equity	-	-	44	44
Balance at 30 June 2021	**(3,595)**	**-**	**785**	**(2,810)**
Credited/(charged) to profit or loss	(2)	-	84	82
Charged to equity	-	-	(150)	(150)
Balance at 30 June 2022	**(3,597)**	**-**	**719**	**(2,878)**

Group

Deferred tax assets/ (liabilities)	Property, plant and equipment $'000	Cash flow hedges $'000	Other $'000	Total $'000
Balance at 1 July 2020	(3,871)	-	915	(2,956)
Credited/(charged) to profit or loss	228	-	-	228
Charged to equity	-	-	44	44
Balance at 30 June 2021	**(3,643)**	**-**	**959**	**(2,684)**

Income tax receivable/(payable)

	2022 $'000	2021 $'000	Group 2021 $'000
Opening tax receivable/(payable)	(1,575)	(2,017)	(1,979)
Current tax expense	(5,683)	(5,724)	(5,678)
Income tax paid	5,900	5,990	6,118
Income tax transferred	108	129	-
Loss offset	-	47	-
Closing tax receivable/(payable)	**(1,250)**	**(1,575)**	**(1,539)**

Notes to the Financial Statements
For the year ended 30 June 2022

Additional disclosures - Imputation Credit Account

	2022 $'000	2021 $'000	Group 2021 $'000
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2021: 28%)	**12,508**	**10,704**	**13,338**

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

a) Imputation credits that will arise from the payment of the amount of the provision for income tax
b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

7. Dividends

	2022 $'000	2021 $'000	Group 2021 $'000
Dividends paid during the year			
Interim dividends[1]	6,700	5,000	5,000
Final dividends[2]	8,400	7,100	7,100
Project dividends[3]	1,300	10,000	10,000
	16,400	**22,100**	**22,100**

[1] Fully imputed interim dividends of $6,700,000 declared and paid on 25 February 2022 (2021: $5,000,000 fully imputed on 26 February 2021).
[2] Fully imputed final dividend for 2021 of $8,400,000 declared and paid on 27 August 2021 (2021: $7,100,000 fully imputed on 28 August 2020).
[3] A fully imputed project dividend of $1,300,000 was declared and paid on 25 February 2022 (2021: Fully imputed project dividends of $5,000,000 each, being dividends arising from the Burwood Resource Recovery Park project, were declared and paid on 26 March and 30 June 2021).

A fully imputed final dividend of $8,000,000 in respect of 2022 was declared and paid on 26 August 2022. Additionally, a fully imputed interim dividend of $10,300,000 in respect of 2023 was declared and paid on 30 September 2022.

Notes to the Financial Statements
For the year ended 30 June 2022

8. Property, plant and equipment 2022

	Cost 1 July 2021	Accumulated depreciation and impairment charges 1 July 2021	Carrying amount 1 July 2021	Current year additions/ transfers & reassessments	Current year disposals/ reassessments	Current year depreciation	Cost 30 June 22	Accumulated depreciation and impairment charges 30 June 22	Carrying amount 30 June 22
Property, plant & equipment									
Landfill development	81,740	(47,926)	33,814	1,400	-	(4,093)	83,140	(52,019)	31,121
Land	3,190	-	3,190	-	-	-	3,190	-	3,190
Buildings	376	(239)	137	-	-	(9)	376	(248)	128
Assets under construction	1,278	-	1,278	2,381	-	-	3,659	-	3,659
Deferred site restoration costs (Note 17)	18,579	(5,290)	13,289	(3,191)	-	(650)	15,388	(5,940)	9,448
Plant and equipment	10,164	(5,968)	4,196	-	-	(669)	10,164	(6,637)	3,527
Total property, plant & equipment	**115,327**	**(59,423)**	**55,904**	**590**	**-**	**(5,421)**	**115,917**	**(64,844)**	**51,073**

Approximately 1,050 hectares of the land held by the company is designated as relating to its current landfill activities. The area directly utilised for landfill-related activities is approximately 140 ha, with the balance comprising 500 ha of farming and forestry land and 410 ha of the Tiromoana Bush conservation area.

Westpac holds a Registered First Debenture dated 7 July 2000 over assets, undertakings and uncalled capital of the company and a Registered First Mortgage dated 11 August 2000 and 21 October 2003 over the property located at Kate Valley, North Canterbury.

Notes to the Financial Statements
For the year ended 30 June 2022

8. Property, plant and equipment (continued) 2021

	Cost 1 July 2020	Accumulated depreciation and impairment charges 1 July 2020	Carrying amount 1 July 2020	Current year additions/ transfers & reassessments	Current year disposals/ reassessments	Current year depreciation	Cost 30 June 21	Accumulated depreciation and impairment charges 30 June 21	Carrying amount 30 June 21
Parent property, plant & equipment									
Landfill development	78,194	(44,227)	33,967	3,546	-	(3,699)	81,740	(47,926)	33,814
Land	3,190	-	3,190	-	-	-	3,190	-	3,190
Buildings	376	(229)	147	-	-	(10)	376	(239)	137
Assets under construction	1,046	-	1,046	232	-	-	1,278	-	1,278
Deferred site restoration costs (Note 17)	25,702	(4,329)	21,373	(7,123)	-	(961)	18,579	(5,290)	13,289
Plant and equipment	10,130	(4,977)	5,153	34	-	(991)	10,164	(5,968)	4,196
Total parent property, plant & equipment	**118,638**	**(53,762)**	**64,876**	**(3,311)**	**-**	**(5,661)**	**115,327**	**(59,423)**	**55,904**
Subsidiaries property, plant & equipment									
Landfill development	2,672	(2,672)	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-
Buildings	172	(172)	-	-	-	-	-	-	-
Deferred site restoration costs	3,844	(3,844)	-	-	-	-	-	-	-
Motor vehicles	716	(511)	205	-	(18)	(54)	624	(503)	121
Plant and equipment	121	(96)	25	-	-	(9)	24	(21)	3
Total subsidiaries property, plant and equipment	**7,525**	**(7,295)**	**230**	**-**	**(18)**	**(63)**	**648**	**(524**	**124**
Group property, plant & equipment	**126,163**	**(61,057)**	**65,106**	**(3,311)**	**(18)**	**(5,725)**	**115,975**	**(59,947)**	**56,028**

Notes to the Financial Statements
For the year ended 30 June 2022

9. Forestry assets

	2022 $'000	2021 $'000	Group 2021 $'000
Balance at 1 July	2,585	2,004	2,004
Gains/(losses) arising from changes in fair value less estimated point of sale costs	(29)	581	581
Balance at 30 June	**2,556**	**2,585**	**2,585**

Transwaste Canterbury Limited owns 336 hectares of commercial standing trees, predominantly pinus radiata, which are at varying stages of maturity ranging from 9 to 41 years.

Independent registered valuer Kirsten Stuart of Laurie Forestry Limited has valued forestry assets as at 30 June 2022 using, depending on the age and species of the trees, the Net Harvest Value method, a blended Cost Compounded and NPV method or Nominal Value method.

The Net Harvest Value method is applied to mature standing trees. Net (stumpage) values are derived by deducting average current day marketing, harvesting and transportation costs from three year weighted average point of sale export log prices PPI adjusted to current prices using Statistics NZ AA21 – Forestry and Logging. Point of sale can include "at mill door" or "at wharf gate". Three year weighted average log prices are used to eliminate the significant short term fluctuations of log export prices.

In the absence of reliable transaction evidence of recent forest sales, a blending of the Cost Compounded and Net Present Value (NPV) methods has been used for pinus radiata that is not mature.

For the Cost Compounded Method values are calculated as the sum of costs compounded from the time of occurrence to the present day. A compound rate of 5.5% (2021:5.5%) has been used in the valuation.

The NPV method calculates the Crop Expectation Value, which is the value of the tree crop calculated by discounting a net cash flow at a specified discount rate. A pre-tax discount rate of 8.0% (2021: 8.0%) has been used in discounting the present value of expected pre-tax cash flows.

Notes to the Financial Statements
For the year ended 30 June 2022

The Nominal Value Method, reflecting the direct costs of inputs to date, is used to value species where there is difficulty in applying standard growth modelling and crop performance assumptions.

Fair value hierarchy

Fair value for the forestry assets is based on valuation techniques with significant non-observable inputs (level 3), where one or more significant inputs are not observable.

Financial risk management strategies

Transwaste Canterbury Limited is exposed to financial risks arising from changes in timber prices. Transwaste Canterbury Limited is a long-term forestry investor and does not expect timber prices to decline significantly in the longer term and, therefore, has not taken any measures to manage the risks of a decline in timber prices. Transwaste Canterbury Limited reviews its outlook for timber prices regularly in considering the need for active financial risk management.

10. Emissions units

The New Zealand Emissions Trading Scheme (ETS) became law on 28 September 2008 with the passing of the Climate Change Response (Emissions Trading) Amendment Act 2009 (the Act).

Transwaste Canterbury Limited is a participant in the ETS as follows:

- As a landfill operator, the company is liable to surrender carbon credits for tonnes of waste to landfill.
- Through its holdings of 336 hectares of forestry, the company is a participant in the forestry scheme, with the effect that
    - NZ Carbon Credit allocations are granted for pre-1990 forest to compensate for lost value and, if harvested trees are not replanted within 4 years the company is liable to surrender carbon credits. Approximately 24.2 hectares of the forestry held at balance date is pre-1990 forest
    - For post-1989 forest, carbon credits accrue as the trees grow and credits must be surrendered on deforestation.

Notes to the Financial Statements
For the year ended 30 June 2022

	2022 Units	2022 $000
Balance at the beginning of the year	189,900	3,328
Purchased units	-	-
Surrendered to the Crown	(42,445)	(1,194)
Balance at the end of the year	**147,455**	**2,134**

	2021 Units	2021 $000
Balance at the beginning of the year	149,900	1,609
Purchased units	80,407	2,855
Surrendered to the Crown	(40,407)	(1,136)
Balance at the end of the year	**189,900**	**3,328**

	Group 2021 Units	Group 2021 $000
Balance at the beginning of the year	149,900	1,609
Purchased units	80,407	2,855
Surrendered to the Crown	(40,407)	(1,136)
Balance at the end of the year	**189,900**	**3,328**

The NZUs on hand comprise:

	2022 Units	2021 Units	Group 2021 Units
Purchased units (landfill)	75,904	118,349	118,349
Allocated units (forestry)	71,551	71,551	71,551
Total units on hand	**147,455**	**189,900**	**189,900**

All units held are recorded at cost, which is nil for forestry units. The market value of all units held as at 30 June 2022 is approximately $11,207,000 (cost $2,134,000).

Landfill

The company has adopted policies to manage the pricing and risk issues arising from the commencement of ETS obligations from 1 January 2013 for the Kate Valley landfilling operations.

Notes to the Financial Statements
For the year ended 30 June 2022

There were no units purchased and paid for during the year, however the company has entered into forward purchase agreements totalling $1,596,000 to acquire emissions units to be used to meet its ETS obligations. The costs of the acquisitions under these contracts are recognised when the units are acquired.

Forestry

Transwaste Canterbury Limited is registered for both the pre-1990 forest and post-1989 forest.

With regard to pre-1990 forestry:

- Under the NZ Government's Allocation Plan, the company has received its allocation of 4,260 emissions units. The units are recorded at cost (nil).
- Additionally, under the ETS the company will have an obligation to account for any emission released as a consequence of deforestation of pre-1990 land by surrendering credits equal to the extent of that emission. There is no liability for deforestation as at 30 June 2022.

With regard to post-1989 forestry, the company has received its allocation entitlements to 31 December 2017 of 67,291 emissions units. The assessment of further forestry entitlements from 1 January 2018 will be completed by 31 December 2022.

11. Cash and cash equivalents

	2022 $'000	2021 $'000	Group 2021 $'000
Cash at bank - current account/short term deposits	7,072	736	3,257
Total cash and cash equivalents	**7,072**	**736**	**3,257**

12. Trade and other receivables

	2022 $'000	2021 $'000	Group 2021 $'000
Trade receivables	2,447	3,181	4,146
Related party receivables (Note 23)	3,477	3,248	3,143
Gross trade and other receivables	**5,924**	**6,429**	**7,289**
Less provision for impairment	-	-	-
Total trade and other receivables	**5,924**	**6,429**	**7,289**

The carrying value of trade and other receivables approximates their fair value.

Notes to the Financial Statements
For the year ended 30 June 2022

The ageing profile of receivables at year end is detailed below:

	2022 Gross $'000	2022 Impairment $'000	2022 Net $'000	2021 Gross $'000	2021 Impairment $'000	2021 Net $'000
Not past due	5,922	-	5,922	6,184	-	6,184
Past due 1-60	2	-	2	245	-	245
Past due >90	-	-	-	-	-	-
Total	**5,924**	**-**	**5,924**	**6,429**	**-**	**6,429**

	Group 2021 Gross $'000	Group 2021 Impairment $'000	Group 2021 Net $'000
Not past due	6,137	-	6,137
Past due 1-60	245	-	245
Past due >90	907	-	907
Total	**7,289**	**-**	**7,289**

All receivables greater than 30 days in age are considered to be past due.

The company applies the NZ IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

	2022 $'000	2021 $'000	Group 2021 $'000
Individual impairment	-	-	-
Collective impairment	-	-	-
Total provision for impairment	**-**	**-**	**-**

Movements in the provision for impairment of receivables are as follows:

	2022 $'000	2021 $'000	Group 2021 $'000
At 1 July	-	-	-
Additional provisions made during the year	511	-	-
Provisions reversed during the year	-	-	-
Receivables written off during the year	(511)	-	-
At 30 June	**-**	**-**	**-**

Notes to the Financial Statements

For the year ended 30 June 2022

13. Contributed equity

	2022 $'000	2021 $'000	Group 2021 $'000
Issued and paid in capital			
20,000,000 ordinary shares	20,000	20,000	20,000
Less: Uncalled capital	(4,000)	(4,000)	(4,000)
Total paid in capital 30 June	**16,000**	**16,000**	**16,000**

None of the above shares are held by the company. All ordinary shares on issue have been paid to the proportion held by each shareholder.

Uncalled capital is payable at such times as the board may from time to time determine.

All ordinary shares rank equally with one vote attached to each share. Ordinary shares do not have a par value.

14. Reserves

Capital reserve

	2022 $'000	2021 $'000	Group 2021 $'000
Balance at the beginning of the year	625	625	625
Balance at end of year	**625**	**625**	**625**

Capital reserves comprise capital gains realised on sales to third party purchasers of land and buildings.

Hedging reserve

	2022 $'000	2021 $'000	Group 2021 $'000
Balance at the beginning of the year	(256)	(144)	(144)
Total recognised comprehensive income	385	(112)	(112)
Transfer to Retained Earnings	-	-	-
Total retained surplus	**129**	**(256)**	**(256)**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet impacted on Statement of Profit or Loss.

Notes to the Financial Statements
For the year ended 30 June 2022

15. Retained earnings

	2022 $'000	2021 $'000	Group 2021 $'000
As at 1 July	15,973	14,129	30,695
Profit for the year	16,074	23,944	13,773
Retained earnings arising on amalgamation	5,162	-	-
Dividends paid	(16,400)	(22,100)	(22,100)
As at 30 June	**20,809**	**15,973**	**22,368**

16. Borrowings

	2022 $'000	2021 $'000	Group 2021 $'000
Current borrowings – loans from related parties			
Unsecured loan – Burwood Resource Recovery Park Ltd	**-**	**3,275**	**-**
Non-current borrowings – Bank loans			
Westpac multi-option credit facility	**1,500**	**-**	**-**

Loans from related parties

The advance from the subsidiary, Burwood Resource Recovery Park Limited, to the company was repayable on demand, with interest payable monthly in arrears at the estimated applicable group floating interest rate with Westpac. The balance was extinguished on amalgamation of the subsidiary with the company on 31 May 2022. During the year to the date of amalgamation $121,000 (2021: $180,000) interest was charged at a weighted average rate of 2.95% (2021: 2.95%). At balance date there was no outstanding interest (2021: nil).

Bank loans

The company has entered into a multi option credit facility with Westpac totalling $15,000,000 for ongoing funding of the Kate Valley landfill construction and operations. The facility is secured by way of a registered first general security agreement over all owned assets, undertakings and uncalled capital of the parent company and first ranking mortgage over the property owned by the company.

During the financial year, $1,500,000 of drawdowns have occurred on the facility.

Fair value of non-current borrowings

Bank loans, where applicable, have been valued at fair value.
The carrying amounts of other non-current borrowings approximate their fair values.
The carrying amounts of borrowings repayable within one year approximate their fair value.

Notes to the Financial Statements
For the year ended 30 June 2022

17. Provisions

Provisions are represented by:

Closure and post-closure provisions

	2022 $'000	2021 $'000	Group 2021 $'000
Opening balance	23,207	30,437	30,893
Assessment of current value of landfill costs:			
- Cost assessment	1,328	2,369	3,269
- Discount rate update	(4,519)	(9,492)	(9,492)
Effect of time value adjustment	88	67	67
Amounts used during the period	(926)	(174)	(1,179)
Closing balance	**19,178**	**23,207**	**23,558**
Comprising:			
Current	764	1,577	1,928
Non-current	18,414	21,630	21,630
Total closure and post-closure provisions	**19,178**	**23,207**	**23,558**

Provision is made for the future costs of closing the company's landfill at the end of its economic life and for the associated post-closure costs, being the aftercare of the landfill for the prescribed periods. Estimated costs, adjusted for inflation, are built up on an item by item basis. The provision held, at each balance date, represents the net present value of the estimated future costs. A detailed reassessment of these costs and the anticipated remaining life of the landfill is performed on a regular basis, usually three yearly. On an annual basis a high-level review of costs is performed, together with a reassessment of anticipated inflation and the discount rate applicable. The discount rates used are the Treasury's central table of risk-free discount rates as at 30 June 2022 as applicable to each forecast period (2021: Treasury's central table of risk-free discount rates).

The impact of changes to the provision arising from the reassessment of the life of the landfill and estimated future costs are capitalised to deferred closure and post-closure costs within property, plant and equipment in the balance sheet. The annual change in the net present value of the provision due to the passage of time is recorded as the time value adjustment of provisions in the profit or loss. The financial reporting standards require this to be disclosed as an interest cost in the profit or loss (see Note 5).

Notes to the Financial Statements
For the year ended 30 June 2022

Kate Valley Landfill

The remaining economic life of the Kate Valley landfill is estimated to be 23 years.

The cash outflows for landfill post-closure are expected to occur in twenty three to fifty three years time (or between 2045 and 2075). The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred and as a result changes in estimates occur over time. The provision has been estimated taking into account existing technology and using discount rates applicable to the timing of estimated cash outflows, which range from 3.34% to 4.47% (2021: 0.38% to 4.30%). An average inflation rate of 1.93% (2021: 1.94%) has been applied. The combination of applying a multi-rate discount rate, the inflation rate, cost reassessments and the long term nature of the expected cash outflows has resulted in a decrease to the provision and the closure and post closure asset of $3,191,000, which will be reflected in increased time value adjustments to the provision and decreased amortisation of the asset in future years.

18. Employee benefit liabilities

	2022 $'000	2021 $'000	Group 2021 $'000
Accrued pay (including directors fees)	23	19	19
Total employee benefit liabilities	**23**	**19**	**19**
Comprising:			
Current	23	19	19
Non-current	-	-	-
Total employee benefit liabilities	**23**	**19**	**19**

19. Trade and other payables

	2022 $'000	2021 $'000	Group 2021 $'000
Trade payables	1,273	1,307	1,307
Accrued expenses	2,320	1,419	1,454
Related party payables (Note 23)	2,953	2,670	2,832
Total trade and other payables	**6,546**	**5,396**	**5,593**

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

Notes to the Financial Statements
For the year ended 30 June 2022

20. Cash flow information

Reconciliation of profit for the period to net cash flow from operating activities

	2022 $'000	2021 $'000	Group 2021 $'000
Total comprehensive income for the year	**16,459**	**23,832**	**13,661**
Add/(less) non-cash items:			
Depreciation, amortisation and impairment	5,421	5,661	5,725
Loss/(gain) on changes in fair value of forestry	29	(581)	(581)
Cash flow hedges	(385)	112	112
Time value adjustment (Note 5)	88	68	68
ETS surrendered (Note 10)	1,194	1,136	1,136
Loss/(gain) on sale of property, plant and equipment			24
Deferred tax	(82)	(210)	(228)
Income tax balance on amalgamation	108	-	-
	6,373	6,186	6,256
Add/(less) movements in working capital items:			
Receivables	647	(1,427)	(2,270)
Income tax	(325)	(266)	(440)
Trade payables - working capital	1,152	1,910	1,907
	1,474	217	(803)
Less items classified as investing activities:			
Trade payables – property, plant & equipment	-	118	118
Closure and post-closure provisions utilised	(926)	(174)	(279)
	(926)	(57)	(162)
Net cash inflow/(outflow) from operating activities	**23,380**	**30,178**	**18,952**

Non-cash investing and financing activities

There were no non-cash investing and financing transactions during the period (2021: nil), other than the extinguishment of the related party loan from the subsidiary on amalgamation of $4,875,000.

Notes to the Financial Statements
For the year ended 30 June 2022

Changes in liabilities arising from financing activities

	Non-current loans and borrowings $'000 (Note 16)	Current loans and borrowings $'000 (Note 16)	Total $'000
Balance at 1 July 2020	-	4,800	4,800
Cash flows	-	(1,525)	(1,525)
Balance at 30 June 2021	-	3,275	3,275
Cash flows	1,500	1,600	3,100
Loan extinguished on amalgamation	-	(4,875)	(4,875)
Balance at 30 June 2022	**1,500**	**-**	**1,500**

21. Capital commitments and operating leases as lessor

	2022 $'000	2021 $'000	Group 2021 $'000
Capital commitments contracted for at balance date but not yet incurred for property, plant and equipment	**327**	**2**	**2**

The company has entered into forward contracts totalling $1,596,000 (2021: $nil) for the purchase of emissions units.

There are no capital commitments in relation to forestry.

Operating leases as lessor

The company leases land not immediately required for its operations under operating leases. The leases are with one external party and have non-cancellable terms of 5 years from June 2018.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2022 $'000	2021 $'000	Group 2021 $'000
Not later than one year	55	55	55
Later than one year and not later than five years	-	55	55
Later than five years	-	-	-
Total non-cancellable operating leases	**55**	**110**	**-**

No contingent rents have been recognised during the period.

Notes to the Financial Statements
For the year ended 30 June 2022

22. Contingent assets and liabilities

Contingent assets

Under the New Zealand Emissions Trading Scheme (ETS) the company is eligible for carbon credits on sequestration of carbon in the company's post-1989 forests. Credits have been received for periods up to 31 December 2017.

The company will have an obligation to account for any emission released as a consequence of deforestation of pre-1990 land by surrendering credits equal to the extent of that emission. The company has no liability for deforestation as at 30 June 2022.

Contingent liabilities

	2022 $'000	2021 $'000	Group 2021 $'000
Bonds	**15,912**	**15,912**	**15,912**

Bonds of $15,912,500 (2021: $15,912,500) have been arranged with the company's bankers in terms of resource consents granted to the company. It is anticipated no material liabilities will arise.

23. Related party transactions

The company's shareholders are considered to be related parties of the company. This includes the five territorial local authorities with shareholdings in the company and Waste Management NZ Limited.

The company has negotiated arms-length waste disposal and transport contracts with the related parties. The company also contracts with Waste Management NZ Limited for costs relating to the on-going landfill construction, landfill disposal and transport services.

The following transactions were carried out with related parties:

(a) Sales of services	2022 $'000	2021 $'000	Group 2021 $'000
Entities with joint control or significant influence over the entity (landfilling and transport)	17,156	16,861	16,963
Entities with joint control or significant influence over the entity (rental)	5	5	5
Other related parties (landfilling and transport)	18,802	17,747	17,747
Subsidiaries (reimbursement of costs)	12	88	-
	35,975	34,701	34,715

Notes to the Financial Statements
For the year ended 30 June 2022

(b) Purchases of services	**2022 $'000**	**2021 $'000**	**Group 2021 $'000**
Entities with joint control or significant influence over the entity (waste disposal, transport and construction)	25,127	25,625	27,972
Entities with joint control or significant influence over the entity (rates)	15	15	15
	25,142	25,640	27,987

(c) Year end balances arising from sales/purchases of services

Receivables from related parties (Note 12)			
Entities with joint control or significant influence over the entity	1,763	1,483	1,483
Other related parties	1,714	1,660	1,660
Subsidiaries	-	105	-
	3,477	3,248	3,143
Payables to related parties (Note 19)			
Entities with joint control or significant influence over the entity	2,953	2,670	2,832
	2,953	2,670	2,832

(d) Advances from related parties (Note 16)

Advances from subsidiary			
Beginning of year	3,275	4,800	-
Advances/(repayments)	1,600	(1,525)	-
Interest expense	121	181	-
Interest paid/assumed on amalgamation	(121)	(181)	-
Balance extinguished on amalgamation	(4,875)	-	-
End of year	-	3,275	-

Key management personnel

Directors' fees and other short term employee benefits	364	343	343

Directors' remuneration is detailed in the Directors' Report to Shareholders on page 4.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables from related parties (2021: Nil).

Notes to the Financial Statements
For the year ended 30 June 2022

24. Financial instruments

24A. Financial instrument categories
The accounting policies for financial instruments have been applied to the line items below:

	2022 $'000	2021 $'000	Group 2021 $'000
FINANCIAL ASSETS			
Financial assets at amortised cost			
Cash and cash equivalents	7,072	736	3,257
Debtors and other receivables	5,924	6,429	7,289
Other financial assets:			
-Term deposits	-	-	-
Total loans and receivables	12,996	7,165	10,546
Financial assets at fair value			
Hedges receivable – current	-	-	-
Hedges receivable – non-current	228	-	-
	228	-	-
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost			
Creditors and other payables	6,546	5,397	5,593
Borrowings:			
- Secured loans	1,500	-	-
- Loans from related parties	-	3,275	-
Total financial liabilities at amortised cost	8,046	8,672	5,593
Financial liabilities at fair value			
Hedges payable – current	49	357	357
Hedges payable – non-current	-	-	-
	49	357	357

24B Fair value hierarchy disclosures

For those instruments recognised at fair value in the balance sheet, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Notes to the Financial Statements
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- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

In the normal course of business, Transwaste Canterbury Limited is exposed to risk from debtors. There are no significant concentrations of credit risk other than the Joint Venture parties. The business does not require any collateral or security to support its financial instruments. The business is not exposed to any material foreign exchange or interest rate risk. At balance date, the carrying cost and estimated fair value of the business's financial assets and liabilities were not materially different.

Derivative financial instruments are used by Transwaste Canterbury Limited in the normal course of business in order to hedge exposure to fluctuation in the movements in electricity prices and interest rates.

24C. Financial instrument risks

Transwaste Canterbury Limited has a series of policies to manage the risks associated with financial instruments. Transwaste Canterbury Limited is risk averse and seeks to minimise exposure from its treasury activities. The Treasury policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Transwaste Canterbury Limited manages its price risk on electricity prices under its policies by entering into contracts for difference agreements to hedge exposure to price fluctuations.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Transwaste Canterbury Limited is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest rate risk

The interest rates on Transwaste Canterbury Limited’s borrowings are disclosed in Note 16.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings issued at fixed interest rates expose Transwaste Canterbury Limited to fair value interest rate risk. Transwaste Canterbury Limited’s Treasury policy outlines the level of borrowing that is to be secured using fixed interest rate instruments. Fixed to floating interest rate swaps may be entered into to hedge the fair value interest rate risk arising where Transwaste Canterbury Limited has borrowed at fixed rates. In addition, investments at fixed interest rates expose Transwaste Canterbury Limited to fair value interest rate risk.

Notes to the Financial Statements
For the year ended 30 June 2022

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Transwaste Canterbury Limited to cash flow interest rate risk.

Transwaste Canterbury Limited manages its cash flow interest rate risk on borrowings under the terms of its Treasury policy by, where appropriate, using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swaps them into fixed rates that are generally lower than those available if Transwaste Canterbury Limited borrowed at fixed rates directly. Under the interest rate swaps, Transwaste Canterbury Limited agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Transwaste Canterbury Limited, causing Transwaste Canterbury Limited to incur a loss. The company has five to ten significant customers, which are actively managed to minimise credit risk.

Transwaste Canterbury Limited invests funds in deposits with registered banks. Accordingly, the company does not require any collateral or security to support these financial instruments.

Transwaste Canterbury Limited has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

Transwaste Canterbury Limited's maximum credit exposure for each class of financial instrument is as follows:

	2022 $'000	2021 $'000	Group 2021 $'000
Cash and cash equivalents (Note 11)	7,072	736	3,257
Debtors and other receivables (Note 12)	5,924	6,429	7,289
Total credit risk	**12,996**	**7,165**	**10,546**

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to S & P Global Ratings' credit ratings (if available) or to historical information about counterparty default rates:

Notes to the Financial Statements
For the year ended 30 June 2022

	2022 $'000	2021 $'000	Group 2021 $'000
Counterparties with credit ratings			
Cash and cash equivalents			
AA-	7,072	736	3,257
Counterparties without credit ratings			
Related party loans:			
Existing counterparty with no defaults in the past	-	-	-

Debtors and other receivables mainly arise from ongoing transactions with five to ten significant customers with no significant concentration of credit risk. There are procedures in place to monitor and report the credit quality of debtors and other receivables on a monthly basis, to minimise credit risk.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that Transwaste Canterbury Limited will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Transwaste Canterbury Limited aims to maintain flexibility in funding by keeping committed credit lines available.

Transwaste Canterbury Limited manages its borrowings in accordance with its Treasury Policy.

The maturity profiles of Transwaste Canterbury Limited's interest bearing borrowings are disclosed in Note 16.

Contractual maturity analysis of financial liabilities

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount $'000	Contract-ual cash flows $'000	Less than 1 year $'000	1 – 2 years $'000	2 – 5 years $'000
2022					
Creditors and other payables	6,546	6,546	6,546	-	-
Bank loans	1,500	1,500	1,500	-	-
Total	8,046	8,046	8,046	-	-

Notes to the Financial Statements
For the year ended 30 June 2022

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 – 2 years $'000	2 – 5 years $'000
2021					
Creditors and other payables	5,397	5,397	5,397	-	-
Related party loans	3,275	3,275	3,275	-	-
Total	8,672	8,672	8,672	-	-
Group					
2021					
Creditors and other payables	5,593	5,593	5,593	-	-
Related party loans	-	-	-	-	-
Total	5,593	5,593	5,593	-	-

Contractual maturity analysis of financial assets

The table below analyses the company's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
2022						
Cash and cash equivalents	7,072	7,072	7,072	-	-	-
Trade and other receivables	5,924	5,924	5,924	-	-	-
Total	**12,996**	**12,996**	**12,996**	**-**	**-**	**-**
2021						
Cash and cash equivalents	736	736	736	-	-	-
Trade and other receivables	6,429	6,429	6,429	-	-	-
Total	**7,165**	**7,165**	**7,165**	**-**	**-**	**-**
Group						
2021						
Cash and cash equivalents	3,257	3,257	3,257	-	-	-
Trade and other receivables	7,289	7,289	7,289	-	-	-
Total	**10,546**	**10,546**	**10,546**	**-**	**-**	**-**

Notes to the Financial Statements
For the year ended 30 June 2022

25. Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company monitors capital on the basis of the equity ratio. This ratio is calculated as total equity divided by total assets. The company's strategy, as set out in the Statement of Intent for the 2022 year, is to endeavour to operate with a consolidated shareholders' funds to total assets of 47.3% during the 2021/2022 financial year.

The equity ratio achieved at 30 June 2022 is 54.4% (2021: 53.4%). As disclosed in Note 17 (Provisions), the closure and post-closure provision is reassessed periodically and, due to the long-term nature of the liability relating to the Kate Valley landfill, movements in estimated costs and discount rates can have a significant impact from year to year on the reported value.

In particular, the discount rate applied as at 30 June 2022 has increased from the then-current rate and costs applied when forecasting the 2022 year. The reassessment applicable to the 2022 year compared to forecast has resulted in a decrease in the provision and the related asset value, which was not anticipated when the gearing ratio was calculated for the Statement of Intent. The effect on the gearing ratio from the reassessment is an increase of 5.2%.

The increase in profit for the year due to increased tonnes of waste received (which had not yet been distributed at balance date) increased the ratio by a further 1.9%.

26. Amalgamation

On 31 May 2022, Burwood Resource Recovery Park Limited (BRRP), a 100% owned subsidiary, was amalgamated into Transwaste Canterbury Limited. The ownership of BRRP and Transwaste Canterbury Limited were identical prior to this transaction occurring and therefore the net assets added were treated as a contribution from owners and recorded directly within Equity.

The balance sheet position of BRRP as at 31 May 2022 was made up as follows:

Notes to the Financial Statements
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	31 May 2022
Assets	**$'000**
Current assets	
Cash and cash equivalents	37
Trade and other receivables	21
Accrued income on related party loan	121
Loans to related parties	4,875
Income tax receivable	108
Total current assets	**5,162**
Total assets	**5,162**
Equity	
Reserves	-
Retained earnings	5,162
Total equity	**5,162**
Liabilities	**-**
Total liabilities	**-**
Total equity and liabilities	**5,162**

27. Events after balance date

There have been no significant events after the reporting date that are not otherwise disclosed in these financial statements.

Independent Auditor's Report

To the shareholders of Transwaste Canterbury Limited's financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Transwaste Canterbury Limited (the Company). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Company, on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 18 to 60, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 13 to 16.

In our opinion:

- the financial statements of the Company on pages 18 to 60:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2022; and
        - its financial performance and cash flows for the year then ended.
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards; and
- the performance information of the Company on pages 13 to 16 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 2022.

Our audit was completed on 25 November 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

The Board 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 is also responsible for preparing the performance information for the Company.

The Board is responsible for such internal control as it determines 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 is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board's 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 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 shareholders, taken on the basis of these financial statements and the performance information.

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, error, or 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.

- 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 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Company, to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Board 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 in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 3 to 12 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 the fact. We have nothing to report in this regard.

Independence

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

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

Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand