

Audit and Risk Committee

AGENDA

Notice of Meeting:

A meeting of the Audit and Risk Committee will be held on:

Date: Wednesday 23 October 2024
Time: 1.00pm
Venue: Hine Paaka Council Chamber, Te Whare Whakaterere
2 Baring Square East, Ashburton

Membership

Chairperson	Russell Ellis
Deputy Chairperson	Leen Braam
Members	Carolyn Cameron Liz McMillan Richard Wilson Murray Harrington (external appointee) Mayor Neil Brown (ex-officio)

Audit & Risk Committee

Timetable

1.00pm Meeting commences

ORDER OF BUSINESS

- 1 Apologies
- 2 Extraordinary Business
- 3 Declarations of Interest

Minutes

- | | | |
|---|---|----|
| 4 | Confirmation of Minutes – 11/09/24 | 3 |
| 5 | Accounts Receivable – September 2024 | 5 |
| 6 | EA Networks Centre – income & expenditure (Aug-Sep) | 9 |
| 7 | Transwaste Canterbury Annual Report 2024 | 12 |

Business transacted with the public excluded

- | | | |
|---|------------------------|---|
| 8 | Minutes 11/09/24 | PE 1 |
| | • Health & Safety | Section 7(2)(a) Protection privacy of natural persons |
| 9 | Health & Safety Report | Section 7(2)(a) Protection privacy of natural persons |
| | | PE 2 |

4. *Audit & Risk Committee Minutes*

Minutes of the Audit & Risk Committee meeting held on Wednesday 11 September 2024, commencing at 1.00pm, in the Hine Paaka Council Chamber, Te Whare Whakatere, 2 Baring Square East, Ashburton.

Present

Mayor Neil Brown, Councillors Russell Ellis (Chair), Leen Braam, Carolyn Cameron, Liz McMillan, Richard Wilson and Murray Harrington (via MS Teams)

Also present:

Councillors Phill Hooper, Lynette Lovett, Rob Mackle and Tony Todd

In attendance

Leanne Macdonald (GM Business Support), Toni Durham (GM Democracy & Engagement), Neil McCann (GM Infrastructure & Open Spaces), Ian Hyde (GM Compliance and Development), Sarah Mosley (GM People & Facilities) and Carol McAtamney (Governance Support).

Staff present for the duration of their reports: Erin Register (Finance Manager), Lauretta Artz (Accountant), Tania Paddock (Legal Counsel), Michael Wong (Building Services Manager), Katie Perry (People & Capability Manager) and Andrew Malcolm (Safety & Wellness Lead).

1 Apologies

Nil.

2 Extraordinary Business

Nil.

3 Declarations of Interest

Nil.

4 Confirmation of Minutes

That the minutes of the Audit & Risk Committee meeting held on 31 July 2024 be taken as read and confirmed.

Cameron/Wilson

Carried

5 Bancorp Treasury Report

Recommendation to Council

That Council receives the Bancorp Treasury report for the June 2024 quarter.

McMillan/Braam

Carried

6 EA Networks Centre Income and Expenditure

That the Audit & Risk Committee receives the EA Networks Centre draft financial reports for the periods ending 30 June and 31 July 2024.

Braam/Wilson

Carried

Business transacted with the public excluded – 1.07pm

That the public be excluded from the following parts of the proceedings of this meeting, namely – the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No	General subject of each matter to be considered:	In accordance with Section 48(1) of the Act, the reason for passing this resolution in relation to each matter:	
7	Audit & Risk Committee minutes	Section 7(2)(a)	Protection of privacy of natural persons
8	Health and Safety Report	Section 7(2)(a)	Protection of privacy of natural persons
9	Building Claim	Section 7(2)(h)	Commercial activities
10	Corporate Risk Register	Section 7(2)(h)	Commercial activities

McMillan/Braam

Carried

The meeting concluded at 2.20pm.

5. *Management of Accounts Receivable*

Author	<i>Lauretta Smith; Accountant</i>
Activity Manager	<i>Erin Register; Finance Manager</i>
Executive Team Member	<i>Leanne Macdonald; Group Manager Business Support</i>

Summary

- The purpose of this report is to provide an update on our management of outstanding Receivables.

Recommendation

- That the Audit and Risk Committee receives the September 2024 accounts receivable report.

Background

The current situation

1. Ashburton District Council have receivables in the form of Rates and other Debtors. Outstanding debts are being actively managed. We engage an external debt management company called Debt Management Central (DMC). They currently manage outstanding debt for approximately 34 councils across New Zealand. They focus on only Local Government debt, in particular rating debt.
2. Council engages DMC to manage our outstanding Debtor invoices. As at the end of September we had 59 outstanding debtor accounts being managed.
3. Council also engages DMC to manage our outstanding rates. As at the end of September we had 43 outstanding rate debtors being managed.
4. See below summary of Rates Debtors outstanding as at 30 September 2024:

Outstanding as at:	Total	Instalments Paid in Advance	Total Due Current Year	Total Due June and Prior
30.9.2024	1,301,332	(2,160,797)	817,483	2,644,645
30.9.2023	1,200,652	(2,052,203)	686,316	2,566,540

5. See below summary of Other Debtors outstanding as at 30 September 2024:

	Three Months	Two Months	One Month	Current	Balance
Building and Resource Consents	61,968	18,647	110,172	390,750	581,536
Sundry Debtors	(110,970)	(11,888)	(15,653)	716,677	578,167
Resource Recovery Park Debtors	3,602	3,445	182,004	240,329	429,380
Rental Debtors	136,907	(14)	19,389	72,186	228,469
Water Billing	22,896	34,374	0	(172)	57,097
Animals	32,470	140	13,597	965	47,172
Licences	(737)	11,661	5,323	20,391	36,638
Infringements	3,227	2,625	16,196	212	22,260
EA Networks Centre	3,190	246	1,203	7,896	12,535
Halls and Reserve Boards	39.67	395	1,949	7,513	9,817
Certificates	(6,941)	964	1,228	9,828	5,079
Airport	100	486	50	169	805
Forestry Debtors	4	-	-	-	4
Trade Waste Debtors	(461)	0	-	-	(461)
	145,216	61,080	335,459	1,466,745	2,008,500

6. Other Debtors over \$10,000 outstanding greater than 90 days:

Debtor Type	\$10,000 - \$30,000	\$30,000 - \$50,000	\$50,000 - \$100,000	>\$100,000	Total
Rental	1	1	1		3
Sundry		1		1	2
Applications	7				7

Rental

The debtor in the \$50,000 - \$100,000 category is currently negotiating an acceptable payment plan. Property is working with the lawyers to sort the debt in the \$30,000 - \$50,000 category. The other property is following up on.

Sundry

The larger outstanding debt has an approved payment arrangement. The other relates to an internal allocation.

Applications

Of the 7 outstanding:

One of these have been sent to our external debt collection agency, two are on HOLD and the remaining are being actively followed up.

Legal/policy implications

Terms of Trade

7. We are currently looking into our debtor invoices and ensuring we have the correct disclosure statement to be legally able to charge collection fees and interest on sundry debt.
8. Rates collection is legislated by the Local Government (Rating) Act 2002, and we apply penalties in accordance with the Rating Act and these penalties are adopted annually as part of our annual plan process.

Financial implications

Requirement	Explanation
What is the cost?	Cashflow on the organisation
Is there budget available in LTP / AP?	N/A
Where is the funding coming from?	N/A
Are there any future budget implications?	No
Reviewed by Finance	Leanne Macdonald, Group Manager – Business Support

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	Yes
Level of significance	Low
Rationale for selecting level of significance	N/A
Level of engagement selected	Inform – one-way communication
Rationale for selecting level of engagement	To provide assurance the councils accounts receivable are being actively managed
Reviewed by Strategy & Policy	Toni Durham: GM Democracy & Engagement

6. EA Networks Centre income & expenditure

Activity Manager *Richard Wood; Sport & Recreation Manager*
GM responsible *Sarah Mosley; GM People & Capability*

Attachments

EA Networks Centre income and expenditure reports– August and September 2024

Recommendation

- 1. That** the EA Networks Centre income and expenditure reports for August and September 2024 be received.

Ashburton District Council
EA Networks Centre - Income & Expenditure Report
for period ending 31 August 2023

	Transfers	Default	Retail	Room Rental/Events				Aquatic				Fitness				Grand Total		Variance	Percentage of Budget
	Transfers	Default	Retail	Meeting Rooms	Stadium	Events	Total	Pool	Tinwald Pool	Learn to Swim	Total	Gymnasium	Aquasize	Group Fitness	Total	Total			
	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Budget Full Year		
Operating Income																			
Fees	191	0	0	0	35,008	6,790	41,797	70,900	0	85,170	156,071	59,479	3,607	24,617	87,703	285,762	2,265,199	1,979,436	13%
Grants	0	60,000	0	0	0	0	0	3,913	0	0	3,913	0	0	0	0	63,913	83,440	19,527	77%
Sales	0	0	15,351	0	0	0	0	0	0	0	0	0	0	0	0	15,351	75,000	59,649	20%
Treasury Internal Recoveries	0	11,212	0	0	0	0	0	0	0	0	0	0	0	0	0	11,212	0	(11,212)	0%
Rates	0	593,110	0	0	0	0	0	0	0	0	0	0	0	0	0	593,110	3,504,547	2,911,437	17%
Other Income	0	0	0	0	0	0	0	600	0	359	959	3,150	0	1,125	4,275	5,234	0	(5,234)	0%
	191	664,322	15,351	0	35,008	6,790	41,797	75,413	0	85,529	160,943	62,629	3,607	25,742	91,978	974,583	5,928,186	4,953,603	16%
Operating Expenses																			
Variable costs																			
Personnel Costs	0	0	0	0	1,885	0	1,885	0	0	60,587	60,587	0	0	22,619	22,619	85,091	28,052	(57,038)	303%
Financial / Professional Costs	6,435	5,044	0	0	0	0	0	0	0	0	0	0	0	0	0	11,479	32,333	20,854	36%
Promotional Costs	1,031	0	0	0	0	3,492	3,492	1,780	0	325	2,105	0	0	0	0	6,629	52,008	45,469	13%
General Costs	4,431	15	0	0	0	0	0	3,042	60	0	3,102	78	0	287	365	7,914	161,248	153,334	5%
Purchases	147	0	8,917	0	0	0	0	0	0	115	115	45	0	45	9,224	108,994	99,770	8%	
Property / Plant Costs	30,062	407	0	0	239	0	239	0	0	0	0	0	0	0	0	30,707	140,686	109,979	22%
Energy Costs	64,898	0	0	0	0	0	0	37	201	0	238	0	0	0	0	65,136	468,641	403,505	14%
Centre Maintenance	47,843	0	0	0	1,120	0	1,120	14,372	0	0	14,372	0	0	0	0	63,335	166,358	103,024	38%
	154,847	5,466	8,917	0	3,243	3,492	6,735	19,232	261	61,027	80,520	123	0	22,906	23,029	279,514	1,158,410	878,896	24%
Contribution Margin	(154,655)	658,856	6,434	0	31,765	3,297	35,062	56,182	(261)	24,502	80,423	62,506	3,607	2,836	68,949	695,069	4,769,776	4,074,707	15%
Fixed costs																			
Salaries	26,679	93,192	0	0	0	0	0	80,081	0	0	80,081	43,758	0	0	43,758	243,710	2,507,614	2,263,904	10%
Office Costs	2,308	1,494	0	0	615	0	615	0	0	0	0	0	0	3,457	3,457	7,874	136,113	128,238	6%
Registrations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,608	2,608	0%
Security	450	574	0	0	0	0	0	0	0	0	0	0	0	0	0	1,024	8,344	7,320	12%
Fire Protection	0	0	0	0	0	0	0	246	0	0	246	0	0	0	0	246	0	(246)	0%
Interest	0	1,700	0	0	0	0	0	0	0	0	0	0	0	69	69	1,769	6,622	4,853	27%
Internal Rental	0	0	1,791	2,925	140,376	0	143,301	101,261	0	0	101,261	13,234	0	7,604	20,837	267,191	1,603,144	1,335,953	17%
	29,436	96,961	1,791	2,925	140,991	0	143,916	181,588	0	0	181,588	56,992	0	11,130	68,121	521,813	4,264,445	3,742,631	12%
Surplus (Loss) before Council Overhead	(184,091)	561,895	4,643	(2,925)	(109,226)	3,297	(108,854)	(125,406)	(261)	24,502	(101,165)	5,514	3,607	(8,294)	828	173,256	505,332	332,076	34%
Council Overhead	0	184,459	0	0	0	0	0	0	0	0	0	0	0	0	0	184,459	1,246,917	1,062,458	15%
Operating Profit / (Loss)	(184,091)	377,436	4,643	(2,925)	(109,226)	3,297	(108,854)	(125,406)	(261)	24,502	(101,165)	5,514	3,607	(8,294)	828	(11,203)	(741,585)	(730,382)	2%
Depreciation Costs																			
Depreciation - Office Equipment	0	290	0	0	0	0	0	0	0	0	0	0	0	0	0	290	1,740	1,450	17%
Depreciation - Furniture & Fittings	0	2,915	0	0	0	0	0	0	0	0	0	0	0	0	0	2,915	17,489	14,574	17%
Depreciation - Computer Equipment	0	1,086	0	0	0	0	0	0	0	0	0	0	0	0	0	1,086	6,517	5,431	17%
Depreciation - Buildings	0	28,981	0	0	0	0	0	0	0	0	0	0	0	0	0	28,981	173,886	144,905	17%
Depreciation - Light Plant	0	28,136	0	0	0	0	0	0	0	0	0	0	0	0	0	28,136	168,815	140,679	17%
	0	61,408	0	0	0	0	0	0	0	0	0	0	0	0	0	61,408	368,446	307,038	17%
Capital Expenditure																			
Loan Principal Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,822	10,822	0%
Infrastructural Asset Additions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23,468	23,468	0%
Additions / Alterations	1,582	0	0	0	6,920	0	6,920	17,610	0	0	17,610	0	0	0	0	26,112	64,666	38,554	40%
Other Asset Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	24,719	24,719	0%
Computer Software Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,430	10,430	0%
Cyclic Renewals	0	0	0	0	0	0	0	0	0	0	0	15,780	0	0	15,780	15,780	193,476	177,696	8%
	1,582	0	0	0	6,920	0	6,920	17,610	0	0	17,610	15,780	0	0	15,780	41,892	327,581	285,689	13%

Ashburton District Council
EA Networks Centre - Income & Expenditure Report
for period ending 30 September 2024

	Facility Wide	Retail	Stadium & Meeting Rooms	Pool	Gymnasium & Group Fit	Learn to Swim	Satellite Assets	YTD Totals			Total		\$
	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Budget YTD	Variance	Budget Full Year	Variance	
Operating Income		4%	14%	22%	24%	36%	0%						
Fees	308	0	79,117	84,632	44,748	155,129	0	363,934	318,878	45,056	1,289,199	(925,266)	28%
Membership	0	0	17	41,353	92,734	0	0	134,104	185,498	(51,394)	741,991	(607,887)	18%
Grants & Subsidies	1,000	0	0	0	1,750	51,127	0	53,877	15,000	38,877	60,000	(6,123)	90%
Sales	0	20,191	0	0	0	0	0	20,191	18,958	1,232	90,000	(69,809)	22%
Sundry Income	0	0	0	0	0	0	0	0	15,000	(15,000)	60,000	(60,000)	0%
	<u>1,308</u>	<u>20,191</u>	<u>79,133</u>	<u>125,985</u>	<u>139,232</u>	<u>206,256</u>	<u>0</u>	<u>572,105</u>	<u>553,334</u>	<u>18,771</u>	<u>2,241,190</u>	<u>(1,669,085)</u>	<u>26%</u>
Operating Expenses		1%	20%	45%	16%	17%	0%						
Variable costs													
Financial / Professional Costs	10,644	0	0	0	0	0	0	10,644	4,500	6,144	18,000	7,356	59%
Promotional Costs	4,353	0	0	0	175	0	0	4,528	5,000	(472)	20,000	15,472	23%
General Costs	0	14	249	2,012	67	27	0	2,368	9,162	(6,794)	36,650	34,282	6%
Purchases	221	9,425	4,451	3,272	760	115	0	18,243	36,100	(17,857)	144,400	126,157	13%
Energy & Pool Costs	0	0	13,268	129,611	6,634	14,401	117	164,032	134,375	29,657	537,500	373,468	31%
Centre Maintenance	24,889	0	701	49,293	2,369	0	39	77,291	113,900	(36,609)	455,600	378,309	17%
Total Variable Cost	<u>40,107</u>	<u>9,439</u>	<u>18,669</u>	<u>184,188</u>	<u>10,004</u>	<u>14,543</u>	<u>156</u>	<u>277,107</u>	<u>303,037</u>	<u>(25,931)</u>	<u>1,212,150</u>	<u>935,043</u>	<u>23%</u>
Fixed costs													
Personnel Costs	197,957	0	12,684	186,611	137,391	137,444	0	672,088	686,038	(13,950)	2,538,261	1,866,173	26%
Insurance	0	0	0	0	0	0	0	0	5,018	(5,018)	20,073	20,073	0%
Office Costs	8,266	521	9,732	10,300	7,662	4,055	140	40,677	75,724	(35,048)	302,897	262,220	13%
Property Costs	4,985	0	0	221	0	0	0	5,206	9,000	(3,794)	36,000	30,794	14%
Interest	2,330	0	0	0	94	0	0	2,425	1,880	545	7,519	5,094	32%
Internal Rental	0	8,238	135,038	100,533	19,584	0	0	263,393	263,393	0	1,053,573	790,180	25%
Centre Overhead	(252,338)	311	73,229	91,291	32,238	55,270	0	(0)	0	(0)	0	(0)	
Total Fixed Cost	<u>(38,799)</u>	<u>9,070</u>	<u>230,684</u>	<u>388,956</u>	<u>196,970</u>	<u>196,769</u>	<u>140</u>	<u>983,789</u>	<u>1,041,053</u>	<u>(57,265)</u>	<u>3,958,323</u>	<u>(2,974,534)</u>	<u>25%</u>
	<u>1,308</u>	<u>18,508</u>	<u>249,353</u>	<u>573,143</u>	<u>206,974</u>	<u>211,313</u>	<u>296</u>	<u>1,260,896</u>	<u>1,344,091</u>	<u>(83,195)</u>	<u>5,170,473</u>	<u>(3,909,577)</u>	<u>24%</u>
Operating Profit (Loss)	<u>0</u>	<u>1,682</u>	<u>(170,220)</u>	<u>(447,159)</u>	<u>(67,742)</u>	<u>(5,056)</u>	<u>(296)</u>	<u>(688,791)</u>	<u>(790,757)</u>	<u>101,966</u>	<u>(2,929,282)</u>	<u>370,406</u>	<u>24%</u>
Non-Operating Income & Expenses													
Rates & Contributors	1,119,646	0	0	0	0	0	0	1,119,646	1,073,931	45,715	4,295,723	3,176,077	26%
	<u>1,119,646</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,119,646</u>	<u>1,073,931</u>	<u>45,715</u>	<u>4,295,723</u>	<u>3,176,077</u>	<u>26%</u>
Council Overhead Expense	230,022	0	0	0	0	0	0	230,022	238,035	(8,012)	952,139	722,116	24%
Depreciation	41,185	0	23,545	12,256	23,715	0	169	100,870	100,870	0	403,480	302,610	25%
	<u>271,207</u>	<u>0</u>	<u>23,545</u>	<u>12,256</u>	<u>23,715</u>	<u>0</u>	<u>169</u>	<u>330,892</u>	<u>338,905</u>	<u>(8,012)</u>	<u>1,355,619</u>	<u>1,024,726</u>	<u>24%</u>
Total Income	<u>1,120,954</u>	<u>20,191</u>	<u>79,133</u>	<u>125,985</u>	<u>139,232</u>	<u>206,256</u>	<u>0</u>	<u>1,691,751</u>	<u>1,627,265</u>	<u>64,486</u>	<u>6,536,913</u>	<u>1,506,992</u>	<u>26%</u>
Total Expenditure	<u>272,515</u>	<u>18,508</u>	<u>272,898</u>	<u>585,399</u>	<u>230,689</u>	<u>211,313</u>	<u>465</u>	<u>1,591,788</u>	<u>1,682,996</u>	<u>(91,207)</u>	<u>6,526,091</u>	<u>(2,884,851)</u>	<u>24%</u>
Overall Activity Profit / (Loss)	<u>848,439</u>	<u>1,682</u>	<u>(193,765)</u>	<u>(459,415)</u>	<u>(91,457)</u>	<u>(5,056)</u>	<u>(465)</u>	<u>99,963</u>	<u>(55,731)</u>	<u>155,694</u>	<u>10,822</u>	<u>2,521,756</u>	<u>924%</u>
Capital Expenditure and Loan Repayments													
Loan Principal Repayment	0	0	0	0	0	0	0	0	2,705	(2,705)	10,822	10,822	0%
Capital Expenditure	1,816	0	535	37,968	16,273	0	0	56,591	255,125	(198,534)	1,005,500	948,909	6%

7. *Transwaste Canterbury Limited Annual Report*

Author *Leanne Macdonald, Group Manager, Business Support*
Executive Team Member *Hamish Riach, Chief Executive*

Summary

- The purpose of this report is to present the Transwaste Canterbury Limited Annual Report for the year ending 30 June 2024 to Audit & Risk.
- Ernst & Young have carried out the annual statutory requirement to audit Transwaste Canterbury Ltd financial statements and statement of objectives and performance of the company, and on 30 September 2024, issued an unmodified audit opinion.
- Transwaste have supplied this as part of their obligations to Council as a shareholder.

Recommendation

1. That the Transwaste Canterbury Limited Annual Report for the year ended 30 June 2024 be received.

Attachment

Appendix 1 Transwaste Canterbury Limited 2023/24 Annual Report

Background

1. Council holds 600,000 shares in Transwaste Canterbury Ltd, which equates to 3% of the total shares (total shares being 20,000,000).
2. Transwaste Canterbury Ltd owns Tiromoana Station Ltd, which owns the land at Kate Valley and the landfill site, and the Burwood Resource Recovery Park (BRRP), which was set up to receive and process demolition material from the Christchurch earthquakes.

The current situation

3. Every year Transwaste prepares an Annual Report and shares this with their shareholders.
4. The 2023/24 Annual Report details Transwaste performance (including both financial and non-financial information) against the targets outlined in their three-year statement of intent. These targets were set for the three-year period ending 30 June 2026.
5. Pages 15 – 20 detail how Transwaste performed against their Statement of Objectives and Performance for the year ending 30 June 2024. This includes

Performance Measure	Number of Targets	Number Achieved	Page number
Environment	7	5	16
Corporate Citizenship/Community Relations	3	2	17
Service Quality	2	2	17
Health and Safety	3	2	18
Good Employer	2	1	18
Consultation/Communication:	2	2	19
Legislative/Regulatory Compliance	1	1	19
Shareholder Interests	3	3	20

6. Pages 21 to 23 details their Financial Statements, with a comparative to the prior year. Revenue and profit before finance costs and tax were slightly behind 2023. Excluding the waste levy, which is offset by the waste levy income, the primary increase was depreciation and amortisation.
7. Dividends were also down, \$12.050 million, compared to \$18,300 in 2022/23, of which \$5.2M relates to the 2022/23 financial year, but received in 2023/24 financial year. In total ADC received \$361.5k against a budget of \$300.

Legal/policy implications

There are no legal implications.

Strategic alignment

8. The recommendation relates to Council's community outcome of Economic, Social and Environment wellbeing. Council's investment has a financial benefit to the ratepayer (both commercial and residential) by reducing the reliance on rates to support the district's needs which in turn, supports Ashburton district in being an affordable place to connect, grow, live, work and play. In addition, Council's investment in this regional partnership has resulted in a well-managed cost efficient and sustainable landfill, which benefits the region.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	✓	Dividends reduce reliance of rates, supporting businesses to prosper in Ashburton district.
Environmental	✓	Cost efficient, sustainable landfill, that is well managed to protect the environment.
Cultural		
Social	✓	Dividends offset the cost of rates keeping it an affordable place to live for families.

Financial implications

Requirement	Explanation
What is the cost?	Not applicable
Is there budget available in LTP / AP?	Not required as the cost of preparing an annual report sits with Transwaste.
Where is the funding coming from?	Not applicable
Are there any future budget implications?	The Transwaste budgeted dividend for 2024-25 is \$500k, of which \$229.5k has been received in August 2024.
Finance review required	Leanne Macdonald, Group Manager – Business Support

Significance and engagement assessment

9. The report is for information only. There are no significance and engagement issues.

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low
Rationale for selecting level of significance	Inform –One-way communication
Rationale for selecting level of engagement	The report is information only.
Reviewed by Strategy & Policy	Toni Durham: GM Democracy & Engagement

Transwaste Canterbury Limited

Annual Report

For the year ended 30 June 2024



The Ika Pou Whenua above Kate Stream



The Board of Directors is pleased to present the Annual Report of Transwaste Canterbury Limited for the year ended 30 June 2024

For and on behalf of the board

A handwritten signature in black ink, appearing to read "W G Cox", with a horizontal line underneath.

W G Cox
Chairman

A handwritten signature in black ink, appearing to read "H. E. G. Maehl", with a horizontal line underneath.

H E G Maehl
Director

30 September 2024

Contents

	Page
Directory -----	3
Directors' Report to the Shareholders -----	4 – 7
Chairman's Review -----	8 - 13
Directors' Responsibility Statement -----	14
Statement of Objectives and Performance -----	15 - 20
<i>Financial Statements</i>	
Statement of Comprehensive Income -----	21
Statement of Changes in Equity -----	22
Statement of Financial Position -----	23
Cash Flow Statement -----	24
Notes to the Financial Statements -----	25 - 58
Audit Report -----	59 - 62

Directory

Company Number 951024

Registered Office and Address for Service
Buddle Findlay
83 Victoria Street
Christchurch 8013

Directors
Mr W G Cox (Chairperson)
Mr G S James (to 18 June 2024)
Mr I G Kennedy
Mr T H Nickels
Mr R A Pickworth
Mr G S Miller
Mr H E G Maehl
Mr J T Gough

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

Independent Chair of the Audit Committee Brent McKenzie

Auditors Ernst & Young 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 2024

Your directors take pleasure in presenting their Annual Report including the financial statements of the company for the year ended 30 June 2024.

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 holds 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.

Directors' Remuneration

	Directors Fees	Other Remuneration
	\$	\$
Mr W G Cox	82,182	-
Mr T H Nickels	41,091*	-
Mr G S James	47,395*	-
Mr I G Kennedy	41,091*	-
Mr R A Pickworth	47,395	5,200
Mr G S Miller	41,091	-
Mr H E G Maehl	41,091*	-
Mr J T Gough	41,091	-

*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 \$5,200 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 2024

Directors' Interests	The directors have disclosed an interest in the following entities pursuant to section 140 of the Companies Act 1993:	
	<i>MR W G COX</i>	
	Elastomer Products Limited	<i>Position Held</i> Director
	Independent Fisheries Limited (finished 1 November 2023)	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	Director
	Christchurch City Holdings Limited	Director
	Te Kaha Project Delivery Limited	Director
	Committee for Canterbury	Trustee
	Project Crimson	Trustee
	Foodco New Zealand Limited	Director
	<i>MR I G KENNEDY</i>	
	Waste Management NZ Limited	<i>Position Held</i> Employee
	<i>MR T H NICKELS</i>	
	KT Advisory Limited	<i>Position Held</i> Director
	OCS Australia & New Zealand	Advisory Board Member
	<i>MR G S JAMES (to 18 June 2024)</i>	
	Waste Management NZ Limited	<i>Position Held</i> Consultant
	<i>MR R A PICKWORTH</i>	
	Westpower Limited, plus various wholly owned Subsidiaries (finished 19 August 2023)	<i>Position Held</i> Director
	Westroads Limited	Director
	Ashburton Contracting Limited	Director
	Pipeline Group Limited, plus various wholly owned subsidiaries	Director
	McLenaghan Contracting Limited	Director
	Industrial Controls South Canterbury Limited	Director
	Waiotahi Contractors Limited (commenced 8 November 2023)	Director
	Network Tasman Limited (commenced 1 September 2023)	Director
	<i>MR G S MILLER</i>	
	Selwyn District Council	<i>Position Held</i> 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 2024

MR H E G MAEHL

	<i>Position Held</i>
WMNZ Holdings Limited and NZ parent companies	Director
Waste Management NZ Limited, plus various wholly owned subsidiaries	Director
Waste Management NZ Limited	Employee
Daniels Sharpsmart New Zealand Limited	Director
Midwest Disposals Limited	Director
Waste Disposal Services	Executive Committee Member

MR J T GOUGH

	<i>Position Held</i>
Christchurch City Council	Councillor
Canterbury Regional Landfill Joint Committee	Committee Member
Fendalton-Waimairi-Harewood Community Board	Board Member
Civic Building Limited	Director
Aether Pacific Pharmaceuticals Limited	Advisory Board Member
Gough Property Corporation Limited	Shareholder and Director
Gough Family Limited (commenced 24 November 2023)	Shareholder and Director
Gough Family Investments Limited (commenced 24 November 2023)	Shareholder and Director
Gough Corporation Holdings Limited various wholly owned subsidiaries	Shareholder and Director
Antony Gough Trust	Trustee
The Terrace Carpark Limited	Director
The Terrace Christchurch Limited	Director
The Terrace on Avon Limited	Director
Ferry Road Property Holdings Limited (finished 9 February 2024)	Director
West Mall Properties Limited (finished 27 October 2023)	Director
Peterborough Holdings Limited (finished 27 October 2023)	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.

Directors' Report to the Shareholders

For the year ended 30 June 2024

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 \$31,650 (2023: \$33,200).

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 \$12,050,000 were paid during the year.

A final dividend in relation to the 2024 year of \$7,650,000, which was declared after balance date, is disclosed in note 7.

Donations

The company made donations of \$91,681 to the Kate Valley Landfill Community Trust (2023: \$91,256) during the year.

Auditor's Remuneration

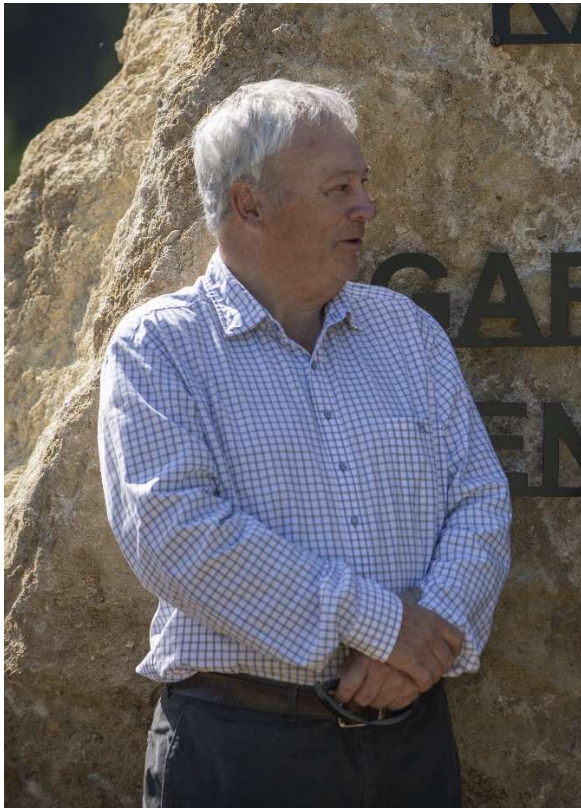
The auditor of the company is Ernst & Young, acting on behalf of the Auditor-General.

The annual remuneration for auditing services for the company provided by Ernst & Young was \$75,000 (2023: \$65,000). No other services were provided by the auditor.

Chairman's Review

For the year ended 30 June 2024

THE END OF AN ERA - THE CONTINUATION OF A LEGACY



Gareth at the naming of the Energy Park in Dec 2023

June 18th, 2024, saw the passing of Gareth James.

Gareth conceived, designed, led the consenting process, coordinated the building, and oversaw the operations of the Kate Valley Landfill. The period from 1998 – 2024 was indeed “an era”. A period that changed forever the way residual solid waste is managed in Canterbury.

Kate Valley Landfill, recognized internationally as being world class, was more than the brainchild of Gareth – it was his passion, and demonstration of his service and contribution to both Canterbury and New Zealand, and to the solid waste industry – so critical to the wellbeing of our communities.

As one who was fortunate to stand beside Gareth for much of the period, one could only watch in admiration of his expertise, his wisdom, his tenacity, and his relationship building skills as Kate Valley Landfill emerged and became the legacy for our community that it is today.

Waste, being waste, is an issue that few get excited about – and yet its management is so critical to the wellbeing of all.

Gareth's work, and the quality solid waste management sector that has been created in Canterbury through his leadership, is indeed a legacy that will continue for our community for many, many generations. Gareth also championed the development of energy recovery from waste. During this year the resulting facility was named the Gareth James Energy Park in recognition of his contribution.

Thank you Gareth, for all you have done and for what you have given to us. You are deeply missed, but will never be forgotten.

With those deep and sincere thoughts in our minds let me turn to a review of Transwaste's performance in the 2023/24 year, and some glimpses to the future.

OPERATIONS



Panorama of the Kate Valley operation with a plume of water vapor above the new landfill gas fueled leachate treatment plant. Tiromoana Bush and the Sea beyond

Despite the faltering economy, tonnages of waste to landfill have held up remarkably well. Total tonnes to landfill were 355,051 in the year compared to 359,810 in the previous year. The volume of High-Density Contaminated Soil waste (almost totally related to commercial building projects) was extremely volatile with almost a quarter arriving only in the six weeks of the year (the total being 29,408 tonnes versus 26,916 tonnes in 2022/23). Other special wastes including from building activity were reduced. This certainly can be attributed to weaker economic activity. General waste from commercial and domestic sources however, remained similar to the previous year – at 299,936 tonnes versus 301,093 tonnes.

The Waste Levy increased on 1 July 2023 to \$50 per tonne which inevitably had an impact on waste with many commercial activities further incentivized to sort waste into re-usables and recyclables which do not end up in the landfill. Transwaste fully supports such diversion of waste. Transwaste is however concerned that without the Levy being uniformly applied across all waste disposal facilities, the incentive exists for waste to be inappropriately disposed of into facilities operating to a lower environmental standard than Kate Valley, or similarly engineered and managed landfills.

While overall tonnages remained in line with the previous year, financial performance was not at the 2022/23 level. (EBIT for 2023/24 was \$21,098k compared to \$22,142k in 2022/23). This was due primarily to a reassessment of the amortization of the remaining whole of life costs for the landfill, and the depreciation rates used for certain assets. Together this had an adverse impact on EBITDA for the 2023/24 year of \$2.83 per tonne of waste disposed.

During the past year Transwaste has met or exceeded the key operational performance objectives set out in the company's Statement of Intent. This is particularly important with regard to environmental performance, including the management of Greenhouse Gas (GHG) Emissions.

In this regard it is noteworthy that during the 2023/24-year Toitu certified the previous year's Greenhouse Gas Emission results.

During that year Transwaste had captured and destroyed 96% of the landfill gas generated by using it for electricity production or by flaring of the surplus landfill gas.

Total potential GHG emissions (including those from fleet and plant operations) were 303,822 tonnes of CO2 equivalent. Of this, 287,382 tonnes were destroyed by flaring, electricity generation or otherwise oxidized. A further 6,804 tonnes were offset by carbon sequestration in the forests owned and managed by Transwaste which was greater than the company's total emissions from diesel.



Gareth James Energy Park & Tiromoana Bush beyond

This performance in terms of GHG emissions reflects the quality approach to landfill engineering and operations and the long-term environmental planning that is the hallmark of Kate Valley.

Emissions Category (as certified by Toitu)

Year to June 2023

LFG generated from waste delivered to landfill	299,398
LFG captured and destroyed by flare, generation or otherwise oxidised	<u>(287,382)</u>
Direct emissions (tCO2e)	12,016
Indirect emissions from products used by organisation - Diesel (tCO2e)	<u>4,424</u>
Total gross emissions (tCO2e)	16,440
Category 1 direct removals (tCO2e)	(6,804)
Purchased emission reductions (tCO2e) *	<u>0</u>
Total net emissions (tCO2e)	<u><u>9,636</u></u>

* Transwaste does not include any benefit derived from ETS units surrendered for landfill activities as a participant in the Emissions Trading Scheme in measuring its Greenhouse Gas inventory

The results to 30 June 2024 will be audited and made available during the latter part of 2024.

It is frustrating that a considerable volume of landfill gas has had to be treated by flaring, rather than used for generating electricity. This has been due to the continued inability to export electricity from the Gareth James Energy Park because of the limitations of the MainPower NZ Ltd line to the Transpower national grid. This frustration has led to Transwaste now investigating alternative arrangements for fully utilizing the electricity generation potential it has available. These include using electricity to manufacture hydrogen for powering transport and plant; the introduction of electricity powered line haul trucks; the use of either gas or electricity for commercial activities at or near Kate Valley; the export of landfill gas; etc. The alternative energy sector of the NZ economy is rapidly developing and there is a continual flow of new ideas for energy use being presented to, and evaluated by Transwaste.

This has led the Transwaste board to more actively position its operations as focusing on extracting the final amount of value from society's discards. This is in the form of landfill gas produced by anaerobic reaction in the landfill – of which approximately 50% is methane, an important and practical energy source.

HEALTH AND SAFETY

The health, safety and wellbeing of our people, and others with whom Transwaste interacts, is of prime importance.

The principal areas of critical safety risk for Transwaste are its transport, its waste handling at Kate Valley and the operations of the Gareth James Energy Park. The emphasis is on identifying critical risks, i.e. those activities where an incident can seriously harm or kill an individual. Once identified as a critical risk real effort is devoted to designing and implementing controls to avoid incidents. The effectiveness of these controls in preventing incidents is then actively monitored and tested. Any incidents that do occur are immediately and comprehensively investigated to determine the root cause of the incident, and learnings are immediately implemented.

All steps in this process are fully reported to the board members who actively participate in reviewing all aspects of health, safety, and wellbeing policies and systems.

It is pleasing to note that once again Transwaste, and its principal contractor, Waste Management NZ Ltd, have, in 2023/24, achieved a further year of no lost time injuries and no medical treatment injuries.

FINANCIAL PERFORMANCE

As noted earlier, a reassessment of the amortization of the estimated whole of life costs of the landfill, and the depreciation rates applied to certain assets resulted in higher charges in the 2023/24 year. Despite this Transwaste achieved an after-tax result \$883k above budget due to improved generation performance and reduced direct operating costs.

Judicious operating and capital expenditure management allowed the projected dividends planned in the 2023/24 year to be exceeded. This resulted in dividends of \$12,050k paid during year ended 30 June 2024.

The balance sheet of the company remains exceptionally strong with operating, capital expenditure, and dividend payments during the year being undertaken within the debt facilities in place.

The cash flow from operating activities underpins the financial management of the business. During 2023/24 the net cash flow from operations (including the tax related Environmental Restoration Account cashflows) was \$22.8m compared to \$22.5 in 2022/23.

Despite increasing pressure on input costs, and the need to set pricing up to 20 months in advance to meet the requirements of council customers, the board is confident that future performance will continue to be in line with forecasts provided in the company's Statement of Intent.

THE FUTURE

The foresight of Gareth James and the prudent and expert management of the waste transport and Kate Valley disposal facility, provide a very sound base for the management of solid waste in Canterbury for many years to come.

At times comments are made that Canterbury has limited disposal facilities for solid waste in future years. That is incorrect.

The Kate Valley Landfill has a consent to accept waste as a Class 1 landfill until 2039. Kate Valley has a capacity of near 12 million tonnes. In mid-September 2024 Kate Valley received its 6 millionth tonne of waste – halfway, with 16 years of consented life remaining for the 37 hectare landfill footprint.

That, however, is only part of the story.

The total size of the Kate Valley site owned by Transwaste is more than 1400 hectares – 410 hectares of which is in a QE2 covenanted conservation reserve. Within the balance of the site there are further locations with similar geological structure to the current landfill site. In aggregate these sites have the potential to provide disposal capacity past the end of this century for the solid waste of the Canterbury region. This future potential is one of the principal reasons that the Kate Valley location was selected for the Canterbury regional landfill. The current facility has been constructed with this future in mind.

While any landfilling at Kate Valley beyond 2039 will be subject to achieving a resource consent, the Transwaste board believes that by demonstrating its ability to operate the current landfill to a world class standard, there must be a strong argument to grant Transwaste a consent for an adjacent landfill. That would allow Canterbury to maintain a single world class landfill and avoid a return to the proliferation of lesser quality disposal facilities that existed prior to 2005.

This opportunity, together with the focus on extraction of further value from waste (in the form of energy) provides Transwaste with an exciting future – as well as assuring the safety and wellbeing of our community.

Another exciting continual development initiated by Transwaste has been the Tiromoana Bush conservation area. This continues to show remarkable development in line with the long-term vision originally developed. Growth of indigenous species has been very strong in the last year and the increase in birdlife and invertebrates is exceeding expectations. The use of this area for recreation is increasing each year – becoming a destination for locals and visitors alike.



Established restoration planting near the Kate Pond wetland in the Tiromoana Bush QE2 conservation reserve

Transwaste continues to support the local landfill community through its annual funding of the Kate Valley Community Trust. The board acknowledges the work of the trustees in distributing these funds to local community projects.

All Transwaste's activities can only happen through the efforts of people. In this respect Transwaste is indeed fortunate to be extremely well served in the areas of operations, management and governance. I would also like to thank both the Community Liaison Group and the Landfill Peer Review panel for their continued contribution to this facility in which we all take great pride.

It is the passion of our people - your commitment, your expertise, and your loyalty, that makes Transwaste such a great company. Thank you.

A handwritten signature in black ink, appearing to read 'Gill Cox', with a horizontal line underneath.

Gill Cox

Chair

30 September 2024

Directors' Responsibility Statement

For the year ended 30 June 2024

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 2024 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 15 to 58 of Transwaste Canterbury Limited for the year ended 30 June 2024.

The board of directors of Transwaste Canterbury Limited authorised these financial statements for issue on 30 September 2024.

For and on behalf of the board



W G Cox
Chairman



H E G Maehl
Director

30 September 2024

Statement of Objectives and Performance

For the year ended 30 June 2024

Targets were set under the Statement of Intent for the three years ending 30 June 2026. 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 by ECan.	There were no breaches notified by Ecan.

Objective

Environment: *Support New Zealand's "Predator Free by 2050" goal.*

Desired Outcomes	Performance Measures and Target	Achievement
(a) Limit large mammal pests (pigs and deer) to low levels in Tiromoana Bush.	No adverse impacts on restoration plantings from deer and pig rooting (such damage being evident in <5% of vegetation monitoring plots.	Achieved – maintained active pest control resulting in minimal damage.
(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.	Achieved – trapping continued at similar levels to prior years. Report received in the year indicated significant growth of both bellbird and grey warbler.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2024

Objective

Environment: Maintain and/or reduce Green House Gas Emission intensity, to use the gas captured in a socially and economically sustainable way and to generate carbon offsets via commercial and indigenous forestry.

Desired Outcomes	Performance Measures and Target	Achievement
(a) Measure Transwaste's carbon footprint.	Carbon footprint is measured and independently certified.	Achieved – 2023 certified; 2024 to be certified.
(b) Maximise capture and destruction of landfill gas from Kate Valley landfill.	Ensure the capture and destruction of in excess of 95% of landfill gas produced by Kate Valley landfill as measured by the methodology applicable for the ETS reporting period.	Achieved for the year ended 31 December 2023. The next measurement date is 31 December 2024.
(c) Reduce GHG emissions from Controlled Waste haulage	Maintain or improve average Euro emission rate of CWS fleet.	Achieved – average rose from 5.0 to 5.1
(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 Sol period 2024 to 2026.	Not yet achieved - sufficient generation capacity is available on site to support the target, however achieving the target remains dependent on transmission line improvements, which is under continuing investigation.
(e) Measure NZU credits on exotic forestry	Monitor and report the tonnage of carbon sequestered (measured by accrual of ETS units).	Achieved - registrations completed and related units allocated.
(f) Provide ongoing planting and growth of native trees and bush in the Tiromoana Bush area.	Monitor and report the tonnage of carbon sequestered (measured by accrual of ETS units).	On track - registrations and measurements completed to most recent Commitment Period of 31 December 2022.
(g) Report annually carbon emissions attributable to the waste received from each Territorial Local Authority area, both before and after carbon reduction initiatives.	Development and distribution of carbon emissions reporting to Territorial Local Authorities.	Not achieved - report developed, to be distributed in FY25.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2024

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.	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 2023/24 year totalling \$91,681.
(b) Develop, maintain and promote the use of education material with regard to waste management and the environment.	Material is being used by schools.	Not achieved – material available, but low level of engagement.
(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.

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.	Achieved - no impacts.
(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 – more than 99% availability for normal access hours despite the landfill being closed due to high wind on 2 days, with 8 hours closure in total.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2024

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 lost time injuries (LTIs) in all operations. Actual TRIFR for the period ended 30 June 2024 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.
(c) No traffic incidents where CWS drivers at fault.	No at-fault incidents.	Not achieved. One minor event where TCL (Waste Management) has accepted being at fault as a result of a minor collision. Fully investigated and appropriate action taken.

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 was 9 across the team out of 49 FTEs, resulting in 18% 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 14 hours per FTE.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2024

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, community and interest groups.

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.
	Nil known legislative and regulatory non-compliance.	Achieved.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2024

Objective

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

Desired Outcomes	Performance Measures and Target	Achievement
<p>(a) To effectively operate the consented regional landfill at Kate Valley to achieve specific commercial performance targets.</p>	<p>Total Revenue (inclusive of waste levy) of \$72,025,000</p> <p>EBIT of \$20,256,000</p> <p>Dividends paid (relating to Kate Valley) of \$11,650,000</p>	<p>Achieved. \$73,886,000. Overall tonnes of waste to landfill was 2.0% above budget.</p> <p>Achieved. \$842,000 (4%) above budget at \$21,098,000, through a combination of increased tonnes of waste to landfill compared to budget and cost savings.</p> <p>Achieved. Dividends totalling \$12,050,000 were paid during the year for the Kate Valley operations.</p>

Statement of Comprehensive Income

For the year ended 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Revenue			
Sales excluding waste levy		56,133	52,297
Waste levy		17,753	10,794
Sales including waste levy	3	73,886	63,091
Rental		63	64
Changes in fair value of forest	9	(368)	150
Total revenue		73,581	63,305
Expenses			
Audit fees	4	89	65
Depreciation and amortisation	4,8	6,721	5,635
Directors' fees	4	382	366
Landfill and facilities operating costs		24,998	21,840
Loss on sale of property, plant and equipment		17	112
Waste levy	3	17,753	10,794
Other expenses		2,523	2,351
Total expenses		52,483	41,163
Profit before finance costs and tax		21,098	22,142
Net finance costs	5	901	431
Profit before tax		20,197	21,711
Income tax expense	6	5,655	6,079
Profit for the year		14,542	15,632
Other comprehensive income			
Net change in fair value of cash flow hedging instrument	14	(206)	(129)
Total comprehensive income for the year		14,336	15,503

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2024

	Notes	Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance 1 July 2022		16,000	754	20,809	37,563
Profit for the year		-	-	15,632	15,632
Other comprehensive income	14	-	(129)	-	(129)
Total comprehensive income for the year ended 30 June 2023		16,000	625	36,441	53,066
Dividends	7	-	-	(18,300)	(18,300)
Balance 30 June 2023		16,000	625	18,141	34,766
Balance 1 July 2023		16,000	625	18,141	34,766
Profit for the year		-	-	14,542	14,542
Other comprehensive income	14	-	(206)	-	(206)
Total comprehensive income for the year ended 30 June 2024		16,000	419	32,683	49,102
Dividends	7	-	-	(12,050)	(12,050)
Balance 30 June 2024		16,000	419	20,633	37,052

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Assets			
Non-current assets			
Property, plant & equipment	8	55,149	53,883
Forestry	9	2,338	2,706
Emission units	10	456	1,593
Environmental restoration account	6	5,370	5,414
Derivative financial instruments	24	42	237
Total non-current assets		63,355	63,833
Current assets			
Cash and cash equivalents	11	5,658	614
Trade and other receivables	12	6,655	6,505
Emission units	10	1,137	1,059
Derivative financial instruments	24	69	-
Total current assets		13,519	8,178
Total assets		76,874	72,011
Equity			
Contributed equity	13	16,000	16,000
Reserves	14	419	625
Retained earnings	15	20,633	18,141
Total equity		37,052	34,766
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	16	-	-
Provisions	17	21,513	19,929
Deferred income tax liability	6	7,693	7,774
Total non-current liabilities		29,206	27,703
Current liabilities			
Trade and other payables	19	8,954	7,223
Derivative financial instruments	24	285	-
Income tax payable	6	1,107	1,712
Provisions	17	245	583
Directors' fees	18	25	24
Total current liabilities		10,616	9,542
Total liabilities		39,822	37,245
Total equity and liabilities		76,874	72,011

For and on behalf of the board

W G Cox
Chairman 30 September 2024

H E G Maehl
Director 30 September 2024

The accompanying notes form part of these financial statements

Cash Flow Statement

For the year ended 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers (including waste levy)		73,736	62,509
Interest received		342	254
Other revenue		63	64
Payments to suppliers and employees		(29,841)	(24,321)
Interest paid		(51)	(282)
Waste levy paid		(16,100)	(9,914)
Income tax paid	6	(6,262)	(671)
Goods and services tax (net)		846	266
Net cash from operating activities	20	<u>22,733</u>	<u>27,905</u>
Cash flows from investing activities			
Purchase of property, plant & equipment		(5,684)	(7,553)
Purchase of emission units		-	(1,596)
Environmental restoration account	6	45	(5,414)
Net cash used in investing activities		<u>(5,639)</u>	<u>(14,563)</u>
Cash flows from financing activities			
Bank funding	16	-	(1,500)
Dividends paid	7	(12,050)	(18,300)
Net cash used in financing activities		<u>(12,050)</u>	<u>(19,800)</u>
Net increase/(decrease) in cash and cash equivalents		5,044	(6,458)
Cash and cash equivalents at the beginning of the year		<u>614</u>	<u>7,072</u>
Cash and cash equivalents at the end of the year	11	<u>5,658</u>	<u>614</u>

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the year ended 30 June 2024

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. 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 2024. The financial statements were authorised for issue by the Board on 30 September 2024.

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

2. Summary of Material 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.

Notes to the Financial Statements

For the year ended 30 June 2024

Certain comparatives have been restated to conform with current year presentation.

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

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:

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.

Notes to the Financial Statements

For the year ended 30 June 2024

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.

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 2024

2.5 Environmental restoration account

The environmental restoration account is a scheme administered by Inland Revenue, intended to provide certainty on securing appropriate tax deductions for closure and post-closure costs incurred by landfill operators. Deposits into, and withdrawals from, the company's environmental restoration account are recorded at cost, with a corresponding entry to or from deferred tax liability.

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 Statement of Financial Position where the bank has no right of setoff.

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 Statement of Financial Position.

Notes to the Financial Statements

For the year ended 30 June 2024

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 Statement of Financial Position 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.

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.

Notes to the Financial Statements

For the year ended 30 June 2024

2.9 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 2024

2.10 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 landfill use
Buildings and site improvements	15 – 50 years, or length of resource consent if shorter
Plant and machinery	5 – 33 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 Statement of Financial Position 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 2024

2.11 Forestry assets

Forestry assets are 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.

2.12 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 at balance date.

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

2.13 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 2024

2.14 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.

2.15 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 Statement of Financial Position. 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 closure and post-closure cost estimate updates) is also recognised in non current assets in the Statement of Financial Position.

2.16 Borrowings

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

2.17 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 Statement of Financial Position.

Notes to the Financial Statements

For the year ended 30 June 2024

2.18 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.

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.

2.19 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.

2.20 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.

Notes to the Financial Statements

For the year ended 30 June 2024

3. Revenue

	2024 \$'000	2023 \$'000
Waste disposal (excluding waste levy)	44,136	42,242
Waste levy on-charged to customers	17,753	10,794
Waste disposal sales including waste levy	61,889	53,036
Waste transport	9,400	8,666
Electricity generation	2,597	1,389
	73,886	63,091

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 2024 was \$50 per tonne of waste to landfill (2023: \$30 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:

Directors' fees

	2024 \$'000	2023 \$'000
Directors' fees	382	366

Notes to the Financial Statements

For the year ended 30 June 2024

Depreciation and amortisation

	2024 \$'000	2023 \$'000
Landfill development	5,414	4,468
Deferred closure costs	529	472
Buildings	6	6
Plant and machinery	772	689
Total depreciation and amortisation	6,721	5,635

Audit fees

Audit services - Ernst & Young		
- Audit fees for current financial statements audit	75	65
- Audit fees additional for prior year financial statements audit	14	-
Total remuneration for audit services	89	65

5. Finance income and costs

	2024 \$'000	2023 \$'000
<i>Finance income</i>		
Interest received	342	491
Total finance income	342	491
<i>Finance costs</i>		
Interest paid	176	281
Provisions - Time value adjustment (Note 17)	1,067	641
Total finance costs	1,243	922
Net finance costs	901	431

6. Tax

Components of tax expense

	2024 \$'000	2023 \$'000
Current tax expense	5,657	1,133
Deferred tax expense	(2)	4,946
Income tax expense	5,655	6,079

Relationship between tax expense and accounting profit

	2024 \$'000	2023 \$'000
Profit before tax	20,197	21,711
Tax at 28%	5,655	6,079
Tax expense	5,655	6,079

Notes to the Financial Statements

For the year ended 30 June 2024

Deferred tax assets/ (liabilities)	Property, plant and equipment \$'000	Environmental Restoration \$'000	Other \$'000	Total \$'000
Balance at 1 July 2022	(3,597)	-	719	(2,878)
Credited/(charged) to profit or loss	362	(5,370)	62	(4,946)
Charged to equity	-	-	50	50
Balance at 30 June 2023	(3,235)	(5,370)	831	(7,774)
Credited/(charged) to profit or loss	(418)	-	419	1
Charged to equity	-	-	80	80
Balance at 30 June 2024	(3,653)	(5,370)	1,330	(7,693)

Income tax payable

	2024 \$'000	2023 \$'000
Opening tax payable	(1,712)	(1,250)
Current tax expense	(5,657)	(1,133)
Income tax paid	6,262	671
Closing tax payable	(1,107)	(1,712)

Environmental restoration account

The company utilises the environmental restoration scheme, administered by Inland Revenue. The scheme allows funds to be deposited with Inland Revenue up to an amount based on the closure and post-closure provision at year end, with a deduction against current tax payable. The corresponding amount to the deposit made is recognised in deferred tax. The deposit is only refundable in line with reductions in the closure and post-closure provision.

The environmental restoration account movements follow:

	2024 \$'000	2023 \$'000
Opening balance	5,414	-
Deposited into the account		5,370
Interest (paid out)/accrued	(44)	44
Closing balance	5,370	5,414

Notes to the Financial Statements

For the year ended 30 June 2024

Additional disclosures - Imputation Credit Account

	2024 \$'000	2023 \$'000
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2023: 28%)	<u>7,379</u>	<u>6,407</u>

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

	2024 \$'000	2023 \$'000
Dividends paid during the year		
Interim dividends for current year ¹	6,850	10,300
Final dividends for prior year ²	<u>5,200</u>	<u>8,000</u>
	<u>12,050</u>	<u>18,300</u>

¹ A fully imputed interim dividend of \$6,850,000 was declared and paid on 29 February 2024 (2023: \$10,300,000 fully imputed on 30 September 2022).

² A fully imputed final dividend for 2023 of \$5,200,000 was declared and paid on 24 August 2023 (2023: \$8,000,000 fully imputed on 26 August 2022).

A fully imputed final dividend of \$7,650,000 in respect of 2024 was declared and paid on 29 August 2024.

Notes to the Financial Statements

For the year ended 30 June 2024

8. Property, plant and equipment 2024

	Cost 1 July 2023	Accumulated depreciation and impairment charges 1 July 2023	Carrying amount 1 July 2023	Current year additions/ transfers & reassessments	Current year disposals/ reassessments	Current year depreciation	Cost 30 June 24	Accumulated depreciation and impairment charges 30 June 24	Carrying amount 30 June 24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant & equipment									
Landfill development	87,111	(56,487)	30,624	3,667	-	(5,414)	90,779	(61,902)	28,877
Land	3,190	-	3,190	-	-	-	3,190	-	3,190
Buildings	376	(254)	122	-	-	(6)	376	(260)	116
Assets under construction ¹	6,442	-	6,442	(31)	-	-	6,411	-	6,411
Deferred site restoration costs (Note 17)	16,392	(6,412)	9,980	2,320	-	(529)	18,712	(6,941)	11,771
Plant and equipment	10,045	(6,520)	3,525	2,048	(17)	(772)	11,932	(7,148)	4,784
Total property, plant & equipment	123,556	(69,673)	53,883	8,004	(17)	(6,721)	131,400	(76,251)	55,149

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.

¹ The net movement in Assets under construction comprises additions of \$5,429,000 and transfers to completed property plant and equipment of \$5,460,000

Notes to the Financial Statements

For the year ended 30 June 2024

8. Property, plant and equipment (continued) 2023

	Cost 1 July 2022	Accumulated depreciation and impairment charges 1 July 2022	Carrying amount 1 July 2022	Current year additions/ transfers & reassessments	Current year disposals/ reassessments	Current year depreciation	Cost 30 June 23	Accumulated depreciation and impairment charges 30 June 23	Carrying amount 30 June 23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant & equipment									
Landfill development	83,140	(52,019)	31,121	3,971	-	(4,468)	87,111	(56,487)	30,624
Land	3,190	-	3,190	-	-	-	3,190	-	3,190
Buildings	376	(248)	128	-	-	(6)	376	(254)	122
Assets under construction ²	3,659	-	3,659	2,783	-	-	6,442	-	6,442
Deferred site restoration costs (Note 17)	15,388	(5,940)	9,448	1,004	-	(472)	16,392	(6,412)	9,980
Plant and equipment	10,164	(6,637)	3,527	799	(112)	(689)	10,045	(6,520)	3,525
Total property, plant & equipment	115,917	(64,844)	51,073	8,557	(112)	(5,635)	123,556	(69,673)	53,883

² The net movement in Assets under construction comprises additions of \$7,552,000 and transfers to completed property plant and equipment of \$4,769,000

Notes to the Financial Statements

For the year ended 30 June 2024

9. Forestry assets

	2024 \$'000	2023 \$'000
Balance at 1 July	2,706	2,556
Gains/(losses) arising from changes in fair value less estimated point of sale costs	<u>(368)</u>	<u>150</u>
Balance at 30 June	<u>2,338</u>	<u>2,706</u>

Transwaste Canterbury Limited owns 312.8 hectares of standing trees, predominantly pinus radiata, which are at varying stages of maturity ranging from 11 to 43 years.

Registered valuer Kirsten Stuart of Laurie Forestry Limited has valued forestry assets as at 30 June 2024 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, infrastructure and transportation costs from one-year straight average point of sale log prices. Point of sale can include "at mill door" or "at wharf gate".

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 between the ages of 6 and 15 years.

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% (2023:5.5%) 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% (2023: 8.0%) has been used in discounting the present value of expected pre-tax cash flows.

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.

Notes to the Financial Statements

For the year ended 30 June 2024

Sensitivity analysis – impact of changes in key variables

The impact of changes in key assumptions on the forestry asset value are shown in the table below.

	Change in variable	2024 \$'000	2023 \$'000
Discount rate (and offsetting compound cost rate)	+1.0%	(140)	(185)
	-1.0%	159	210
Log prices	+5.0%	345	358
	-5.0%	(345)	(358)

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 greenhouse gas emissions resulting from tonnes of waste to landfill.
- Through its holdings of 312.8 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 22.8 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.

	2024 Units	2024 \$000	2023 Units	2023 \$000
Balance at the beginning of the year	199,056	2,652	147,455	2,134
Purchased units	-	-	40,000	1,596
Allocated units	-	-	45,097	-
Surrendered to the Crown (Note 20)	(32,923)	(1,059)	(33,496)	(1,078)
Balance at the end of the year	166,133	1,593	199,056	2,652

Notes to the Financial Statements

For the year ended 30 June 2024

Comprising:		
	2024	2023
	\$000	\$000
Current	1,137	1,059
Non-current	456	1,593
Total emission units on hand	<u>1,593</u>	<u>2,652</u>

The NZUs on hand comprise:

	2024	2023
	Units	Units
Purchased units (landfill)	49,485	82,408
Allocated units (forestry)	116,648	116,648
Total units on hand	<u>166,133</u>	<u>199,056</u>

All units held are recorded at cost, which is nil for forestry units. The market value of all units held as at 30 June 2024 is approximately \$8,393,000 (cost \$1,593,000).

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.

The company has entered into a forward agreement to purchase 35,000 units, totalling \$3,202,500, to acquire emissions units to be used to meet its ETS obligations. The cost of the acquisition under this agreement is 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 2024.

With regard to post-1989 forestry, the company has received its allocation entitlements to 31 December 2022 and there is no liability for deforestation at 30 June 2024.

Notes to the Financial Statements

For the year ended 30 June 2024

11. Cash and cash equivalents

	2024 \$'000	2023 \$'000
Cash at bank - current account/short term deposits	5,658	614
Total cash and cash equivalents	<u>5,658</u>	<u>614</u>

12. Trade and other receivables

	2024 \$'000	2023 \$'000
Trade receivables	2,582	2,485
Related party receivables (Note 23)	4,073	4,020
Gross trade and other receivables	<u>6,655</u>	<u>6,505</u>
Less provision for impairment	-	-
Total trade and other receivables	<u>6,655</u>	<u>6,505</u>

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

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

	Gross \$'000	2024 Impairment \$'000	Net \$'000	Gross \$'000	2023 Impairment \$'000	Net \$'000
Not past due	6,655	-	6,655	6,221	-	6,221
Past due 1-60	-	-	-	284	-	284
Past due >90	-	-	-	-	-	-
Total	<u>6,655</u>	<u>-</u>	<u>6,655</u>	<u>6,505</u>	<u>-</u>	<u>6,505</u>

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.

There were no individual or collective impairment provisions at 30 June 2024 (2023: nil), nor were there any movements in provisions.

Notes to the Financial Statements

For the year ended 30 June 2024

13. Contributed equity

	2024 \$'000	2023 \$'000
<i>Issued and paid in capital</i>		
20,000,000 ordinary shares	20,000	20,000
Less: Uncalled capital	<u>(4,000)</u>	<u>(4,000)</u>
Total paid in capital 30 June	<u>16,000</u>	<u>16,000</u>

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

	2024 \$'000	2023 \$'000
Balance at the beginning of the year	<u>625</u>	<u>625</u>
Balance at end of year	<u>625</u>	<u>625</u>

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

Hedging reserve

	2024 \$'000	2023 \$'000
Balance at the beginning of the year	-	129
Total recognised comprehensive income	(206)	-
Transfer to Retained Earnings	<u>-</u>	<u>(129)</u>
Total retained surplus	<u>(206)</u>	<u>-</u>

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 relating to electricity contracts for difference that have not yet impacted on the Statement of Profit or Loss.

Notes to the Financial Statements

For the year ended 30 June 2024

15. Retained earnings

	2024 \$'000	2023 \$'000
As at 1 July	18,141	20,809
Profit for the year	14,542	15,632
Dividends paid	(12,050)	(18,300)
As at 30 June	<u>20,633</u>	<u>18,141</u>

16. Borrowings

	2024 \$'000	2023 \$'000
Non-current borrowings – Bank loans		
Westpac multi-option credit facility	<u>-</u>	<u>-</u>

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, the facility has been utilised periodically as required, with no outstanding balance at balance date.

The weighted average effective interest rate on the facility for the year is 1.09% (2023: 2.47%).

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 2024

17. Provisions

Provisions are represented by:

Closure and post-closure provisions

	2024 \$'000	2023 \$'000
Opening balance	20,512	19,178
Assessment of current value of landfill costs:		
- Closure and post-closure - cost assessment	3,935	3,532
- Discount rate change	(1,615)	(2,528)
Effect of time value adjustment	1,067	641
Amounts incurred during the period	<u>(2,141)</u>	<u>(311)</u>
Closing balance	<u>21,758</u>	<u>20,512</u>
Comprising:		
Current	245	583
Non-current	<u>21,513</u>	<u>19,929</u>
Total closure and post-closure provisions	<u>21,758</u>	<u>20,512</u>

Provision is made for the future costs of closing the company's landfill during and 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, by the Waste Management NZ Ltd landfill advisory team, with the current reassessment due to be completed before the end of the 2024 calendar year. 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 2024 as applicable to each forecast period (2023: 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 Statement of Financial Position. 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 2024

Kate Valley Landfill

The remaining economic life of the Kate Valley landfill is estimated to be 19 years and an extension of the resource consent to operate the landfill is assumed to occur.

The cash outflows for landfill post-closure are expected to occur in 19 to 49 years time (or between 2042 and 2072). 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 4.3% to 5.3% (2023: 4.43% to 5.43%). An average inflation rate of 2.01% (2023: 2.01%) has been applied. The combination of applying a multi-rate discount rate, the inflation rate, closure and post-closure cost reassessments and the long term nature of the expected cash outflows has resulted in an increase to the provision and the closure and post closure asset of \$2,320,000 which will be reflected in increased time value adjustments to the provision and increased amortisation of the asset in future years.

18. Directors' fees

	2024 \$'000	2023 \$'000
Directors fees payable and accrued	25	24
Comprising:		
Current	25	24
Non-current	-	-
Total directors' fees	<u>25</u>	<u>24</u>

19. Trade and other payables

	2024 \$'000	2023 \$'000
Trade payables	5,998	1,457
Accrued expenses	1,968	2,611
Related party payables (Note 23)	988	3,155
Total trade and other payables	<u>8,954</u>	<u>7,223</u>

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 2024

20. Cash flow information

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

	2024 \$'000	2023 \$'000
Total comprehensive income for the year	14,336	15,503
Add/(less) non-cash items:		
Depreciation, amortisation and impairment	6,721	5,635
Loss/(gain) on changes in fair value of forestry	368	(150)
Cash flow hedges	331	(107)
Time value adjustment (Note 5)	1,067	641
ETS surrendered (Note 10)	1,059	1,078
Loss/(gain) on sale of property, plant and equipment	17	112
Deferred tax	(2)	4,946
	<u>9,561</u>	<u>12,155</u>
Add/(less) movements in working capital items:		
Receivables	(150)	(581)
Income tax	(605)	462
Trade payables - working capital	1,732	677
	<u>977</u>	<u>558</u>
Less items classified as investing activities:		
Trade payables – property, plant & equipment	-	-
Closure and post-closure provisions utilised	(2,141)	(311)
	<u>(2,141)</u>	<u>(311)</u>
Net cash inflow/(outflow) from operating activities	<u>22,733</u>	<u>27,905</u>

Non-cash investing and financing activities

There were no non-cash investing and financing transactions during the period (2023: nil)

Changes in liabilities arising from financing activities

	Non-current loans and borrowings \$'000 (Note 16)	Current loans and borrowings \$'000	Total \$'000
Balance at 1 July 2022	1,500	-	1,500
Cash flows	(1,500)	-	(1,500)
Balance at 30 June 2023	-	-	-
Cash flows	-	-	-
Balance at 30 June 2024	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 30 June 2024

21. Capital commitments and operating leases as lessor

	2024 \$'000	2023 \$'000
Capital commitments contracted for at balance date but not yet incurred for property, plant and equipment	<u>1,309</u>	<u>1,533</u>

The company has entered into forward contracts totalling \$3,202,500 (2023: \$3,202,500) 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 2023 with the exception of one area which is leased to the same party on a month-to-month basis.

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

	2024 \$'000	2023 \$'000
Not later than one year	55	55
Later than one year and not later than five years	144	192
Later than five years	-	-
Total non-cancellable operating leases	<u>199</u>	<u>247</u>

No contingent rents have been recognised during the period.

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 2022.

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 2024.

Contingent liabilities

	2024 \$'000	2023 \$'000
Bonds	<u>15,912</u>	<u>15,912</u>

Notes to the Financial Statements

For the year ended 30 June 2024

Bonds of \$15,912,500 (2023: \$15,912,500) have been arranged with the company's bankers in terms of resource consents granted to the company. The bond is renewed annually, with the current period expiring on 31 December 2024. The directors anticipate there being no issues arising for renewal of the bond and that no material liabilities will arise under the bond.

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 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. Pricing under the contracts is subject to annual inflation indexing and detailed three-yearly reviews which include oversight by a probity auditor.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables from related parties (2023: Nil).

The following transactions were carried out with related parties:

	2024 \$'000	2023 \$'000
(a) Sales of services		
Entities with joint control or significant influence over the entity (landfilling and transport)	24,520	21,320
Other related parties (landfilling and transport)	24,964	20,833
	<u>49,484</u>	<u>42,153</u>
(b) Purchases of services		
Entities with joint control or significant influence over the entity (waste disposal, transport and construction)	33,316	29,801
Entities with joint control or significant influence over the entity (rates)	27	22
	<u>33,343</u>	<u>29,823</u>
(c) Year end balances arising from sales/purchases of services		
<i>Receivables from related parties (Note 12)</i>		
Entities with joint control or significant influence over the entity	2,015	2,039
Other related parties	2,058	1,981
	<u>4,073</u>	<u>4,020</u>
<i>Payables to related parties (Note 19)</i>		
Entities with joint control or significant influence over the entity	988	3,155
	<u>988</u>	<u>3,155</u>

Notes to the Financial Statements

For the year ended 30 June 2024

	2024 \$'000	2023 \$'000
Key management personnel		
Directors' fees	382	366

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

24. Financial instruments

24A. Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

			2024 \$'000	2023 \$'000
FINANCIAL ASSETS				
Financial assets at amortised cost				
Cash and cash equivalents			5,658	614
Debtors and other receivables			6,655	6,505
<i>Total loans and receivables</i>			<u>12,313</u>	<u>7,119</u>
	Notional amount	Line item in the statement of financial position		
	\$'000			
Financial assets at fair value				
Interest rate swaps – non-current	2,000	Derivative financial instruments	42	237
Interest rate swaps - current	3,000	Derivative financial instruments	69	-
			<u>111</u>	<u>237</u>

Notes to the Financial Statements

For the year ended 30 June 2024

			2024 \$'000	2023 \$'000
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Creditors and other payables			8,954	7,223
Borrowings:				
- Secured loans			-	-
<i>Total financial liabilities at amortised cost</i>			<u>8,954</u>	<u>7,223</u>
	Notional amount	Line item in the statement of financial position		
	\$'000			
Financial liabilities at fair value				
Electricity hedges payable – current	384	Derivative financial instruments	285	-
			<u>285</u>	<u>-</u>

The derivative financial instruments relating to interest rate swaps were deemed to be ineffective from 1 July 2022. The ineffectiveness recognised in profit or loss during the June 2024 year is \$126,000 which is included in interest expense (2023: \$237,000 interest revenue).

24B Fair value hierarchy disclosures

For those instruments recognised at fair value in the Statement of Financial Position, 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.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

Notes to the Financial Statements

For the year ended 30 June 2024

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 2024

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:

	2024 \$'000	2023 \$'000
Cash and cash equivalents (Note 11)	5,658	614
Trade and other receivables (Note 12)	6,655	6,505
Total credit risk	<u>12,313</u>	<u>7,119</u>

Notes to the Financial Statements

For the year ended 30 June 2024

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:

	2024 \$'000	2023 \$'000
Counterparties with credit ratings		
Cash and cash equivalents		
AA-	5,658	614

Debtors and other receivables mainly arise from ongoing transactions with five 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.

Notes to the Financial Statements

For the year ended 30 June 2024

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	Contractual cash flows \$'000	Less than 1 year \$'000	1 – 2 years \$'000	2 – 5 years \$'000
2024					
Creditors and other payables	8,954	8,954	8,954	-	-
Total	8,954	8,954	8,954	-	-

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 – 2 years \$'000	2 – 5 years \$'000
2023					
Creditors and other payables	7,223	7,223	7,223	-	-
Total	7,223	7,223	7,223	-	-

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
2024						
Cash and cash equivalents	5,658	5,658	5,658	-	-	-
Trade and other receivables	6,655	6,655	6,655	-	-	-
Total	12,313	12,313	12,313	-	-	-
2023						
Cash and cash equivalents	614	614	614	-	-	-
Trade and other receivables	6,505	6,505	6,505	-	-	-
Total	7,119	7,119	7,119	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2024

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 2024 year, is to endeavour to operate with a consolidated shareholders' funds to total assets of 42.7% during the 2023/2024 financial year.

The equity ratio achieved at 30 June 2024 is 48.2%, or 5.5% higher than budgeted (2023: 48.3%). The significant factors influencing this were:

Closure and post-closure provisions

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 2024 has increased from the then-current rate and costs applied (including closure to be incurred) when forecasting the 2024 year. The reassessment applicable to the 2024 year compared to forecast has resulted in an increase in the provision and the related asset value, which was not anticipated when the gearing ratio was calculated for the Statement of Intent. The net effect on the gearing ratio from the reassessment of costs and discount rates and actual expenditure is a decrease of 0.7%.

Property plant and equipment

The capital programme was underspent due to delayed investment in additional transmission line capacity for power generation. The lower expenditure and related reduction in borrowing requirements increased the year end ratio by 6.4%.

26. Events after balance date

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



EY

Building a better
working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRANSWASTE CANTERBURY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of Transwaste Canterbury Limited (the company). The Auditor-General has appointed me, Bruce Loader, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 21 to 58, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and cash flow statement 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 15 to 20.

In our opinion:

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

Our audit was completed on 30 September 2024. 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 and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.



**Building a better
working world**

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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



**Building a better
working world**

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 14, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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



**Building a better
working world**

Independence

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

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

Bruce Loader
Ernst & Young
On behalf of the Auditor-General
Christchurch, New Zealand

Audit and Risk Committee

Terms of Reference

Purpose

The purpose of the Audit & Risk Committee is to provide oversight of Council's audit processes, statutory compliance and internal risk management in a manner that promotes the current and future interests of the community (Local Government Act 2002).

Membership

Membership of the Committee comprises:

- Cr Russell Ellis (Chair)
- Cr Leen Braam (Deputy Chair)
- Cr Carolyn Cameron
- Cr Liz McMillan
- Cr Richard Wilson
- External appointee – Murray Harrington
- Mayor, Neil Brown (ex-officio)

The quorum is four members.

Meeting Frequency

The Audit & Risk Committee will meet on a six-seven weekly cycle, or on an as-required basis as determined by the Chair and Group Manager Business Support.

Committee members shall be given not less than 5 working days' notice of meetings.

Delegations

The Audit & Risk Committee has no delegated authority to make decisions. Its role is to consider and review matters of strategy, policy or significance in its sphere of Council business, and (if appropriate) to make recommendations to full Council.

Sphere of business

- To receive and consider the project plan and timetable for the following projects –
 - Long Term Plan (LTP) and any amendments
 - Annual Plan & Budget
 - Annual Report and Audit
- To receive progress reports on the above projects, where appropriate, and review significant issues and risks arising.
- To establish and maintain effective relationships with Council's auditors, including meeting with the audit representatives regarding significant policy and planning processes as appropriate, reviewing the Annual Audit Plan, and considering matters of significance raised by Council's auditors and action required.
- To receive reports on all external party audits of any and all Council activities, and review significant issues and risks arising.

- To be the primary monitoring mechanism for Council's Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs) and shareholdings. Review the CCOs' draft statements of intent and advise CCOs of any comments.
- To provide overview of Council's performance management framework as included in the Council's LTP and Annual Plan documents.
- To provide overview of Council's statutory compliance and legal matters, monitoring any areas of statutory non-compliance.
- To provide overview of risk management and insurance. Review corporate risk assessment and internal risk management practices. Review insurance arrangements annually and monitor insurance claims.
- Monitor and review Health & Safety related matters. Participate in national risk management practices and implementation of risk management processes.
- To consider matters of organisational services in the area of Health & Safety.
- To receive the EA Networks Centre monthly income and expenditure reports, and any other matters directed to the Committee by Council. [21/06/23]

Reporting

The Audit & Risk Committee will report to the Council.

Reviewed

21/06/23