Taranaki Regional Council

AGENDA

Executive, Audit & Risk

Monday 28 March 2022, 10am

Executive, Audit & Risk Committee

28 March 2022 10:00 AM

Agenda Topic — Page

AGENDA
Executive, Audit & Risk

Purpose of Executive, Audit and Risk Committee

This committee handles all of the administrative and financial matters relating to Council's operations and works programme. Because these matters relate to all aspects of the Council, the membership is aimed to reflect the different aspects of Council's committee structure.

Responsibilities

Financial and expenditure

Capital expenditure

Work proposals and expenditure

Corporate services and personnel matters

Port Taranaki Ltd matters

General Contractual and other matters.

Membership of Executive, Audit and Risk Committee

Councillor N W Walker (Chairperson)	Councillor M J Cloke
Councillor M P Joyce (ex officio)	Councillor D L Lean
Councillor C L Littlewood	Councillor M J McDonald
Councillor D N MacLeod (ex officio)	Mr B Robertson (Independent - Yarrow Stadium)

Health and Safety Message

Emergency Procedure

In the event of an emergency, please exit through the emergency door in the committee room by the kitchen.

If you require assistance to exit please see a staff member.

Once you reach the bottom of the stairs make your way to the assembly point at the birdcage. Staff will guide you to an alternative route if necessary.

Earthquake

If there is an earthquake - drop, cover and hold where possible. Please remain where you are until further instruction is given.

COVID-19

Under the Red Traffic Light Setting we are encouraging any meetings to be held virtually. If you have to attend a meeting in person, all visitors are to hold a current vaccine pass. If you are sick, please use the remote options to attend any meetings.

MEMORANDUM
Executive, Audit & Risk

Date 28 March 2022

Subject: **Confirmation of Minutes - 14 February 2022**

Approved by: M J Nield, Director - Corporate Services

S J Ruru, Chief Executive

Document: 3019325

Recommendations

That the Executive, Audit and Risk Committee of the Taranaki Regional Council:

a) takes as read and confirms the minutes and resolutions of the Executive, Audit and Risk Committee held in the Taranaki Regional Council Chambers, 47 Cloten Road, Stratford on Monday 14 February 2022 at 10am

b) notes the recommendations therein were adopted by the Taranaki Regional Council on Monday 21 February 2022.

Matters arising

Appendices/Attachments

Document 2992293: Minutes Executive Audit and Risk Committee - 14 February 2022

MINUTES
Executive, Audit & Risk

Date	14 February 2022, 10am
Venue:	Taranaki Regional Council chambers, 47 Cloten Road, Stratford
Document:	2992293

Members	Councillors	N W Walker	Committee Chairperson
		M J Cloke	*zoom*
		D L Lean	*zoom*
		C L Littlewood	*zoom*
		M J McDonald	*zoom*
		D N MacLeod	*ex officio zoom*
		M P Joyce	*ex officio*
	Mr	B Robertson	*zoom*
Attending	Mr	S Ruru	Chief Executive
	Mr	M J Nield	Director – Corporate Services
	Ms	R Johnson	Finance Manager
	Ms	J Paterson	*zoom*
	Ms	R Stokes	*zoom*
	Ms	K Holland	Communications Advisor *zoom*
	Miss	L Davidson	Executive Assistant
	Miss	R S Sweeney	Governance Administrator

Apologies There were no apologies.

Notification of

1. Confirmation of Minutes – 6 December 2021

Resolved

That the Executive, Audit and Risk Committee of the Taranaki Regional Council:

a) takes as read and confirms the minutes and resolutions of the Executive, Audit and Risk Committee held in the Taranaki Regional Council Chambers, 47 Cloten road, Stratford on 6 December 2021 at 10am

b) notes the recommendations therein were adopted by the Taranaki Regional Council on Tuesday 14 December 2021.

Joyce/Littlewood

2. Financial and Operational Report

2.1 Mr M J Nield, Director – Corporate Services, spoke to the memorandum receiving information on the operational and financial performance of the Council.

Recommended

That the Taranaki Regional Council:

a) receives the memorandum *Financial and Operational Report* and the November and December 2021 Monthly Financial Reports

b) notes the digital media update

Walker/MacLeod

3. Health and Safety Report

3.1 Mr M J Nield, Director – Corporate Services, spoke to the memorandum to receive and consider the health and safety performance of the Council.

3.2 Copies of the Taranaki Regional Council COVID-19 vaccination policy and overall protocols for staff once finalised will be shared with councillors.

Recommended

That the Taranaki Regional Council:

a) receives the November 2021 health and safety report

b) receives the December 2021 health and safety report.

Cloke/Littlewood

4. Quarterly Operational Report – December 2021

4.1 Mr M J Nield, Director – Corporate Services, spoke to the memorandum to receive and consider the Quarterly Operational Report (QOR) for the quarter ended 31 December 2021.

Recommended

That the Taranaki Regional Council:

a) receives and adopts the Quarterly Operational Report for the quarter ended 31 December 2021

Lean/McDonald

5. Public Transport Operational Update for the Quarter Ending 31 December 2021

5.1 Mr M J Nield, Director – Corporate Services, spoke to the memorandum to provide members with an operational report on public transport services for quarter ending 31 December 2021.

Recommended

That the Taranaki Regional Council:

a) receives the memorandum *Public Transport Operational Report for the Quarter Ending 31 December 2021.*

Littlewood/McDonald

6. General Business

6.1 Update on Cyclone Dovi

- Mr M J Nield, Director – Corporate Services, spoke about the two significant storms that have recently impacted Taranaki
- Councillor M J Cloke discussed that some of the flood damage could have been caused by the closeness of vegetation to culverts including but not limited to flax. Suggested that an assessment be undertaken to understand the impact. An additional comments was made about Riparian zones being affected by the floods and whether a consideration should be made about how close to the water planting is done
- Councillor M P Joyce requested that feedback be given to PowerCo on behalf of Rural Ratepayers in regards to unsatisfactory wait times on their 0800 numbers.

6.2 Te Uru Kahika, the Regional and Unitary Councils of Aotearoa New Zealand
Mr M J Nield, Director – Corporate Services, spoke to a news report on the new appointment of Dr Chris Daughney as the sectors inaugural Chief Science Officer.
https://www.lgnz.co.nz/news-and-media/2022-media-releases/regional-and-unitary-councils-of-new-zealand-appoint-inaugural-chief-science-advisor/

7. Public Excluded

In accordance with section 48(1) of the *Local Government Information and Meetings Act 1987*, resolves that the public is excluded from the following part of the proceedings of the Executive, Audit and

Risk Committee Meeting on Monday 14 February 2022 for the following reasons:

Item 8 - Public Excluded Minutes – 6 December 2021

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

Item 9 – Yarrow Stadium Update

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

Joyce/McDonald

There being no further business, the Committee Chairperson, Councillor N W Walker, declared the open meeting of the Executive, Audit and Risk Committee closed at 10.47am.

Confirmed

Executive, Audit &
Risk Chairperson: ____

N W Walker

28 March 2022

MEMORANDUM
Executive, Audit & Risk

Date 28 March 2022

Subject: Financial and Operational Report

Approved by: M J Nield, Director - Corporate Services

S J Ruru, Chief Executive

Document: 3008737

Purpose

1. The purpose of this memorandum is to receive information on operational and financial performance.

Recommendations

That the Taranaki Regional Council:

a) receives the memorandum *Financial and Operational Report* and the *January 2022 Monthly Financial Report*

b) notes the digital media update

c) notes the update and process being undertaken to consider the replacement of the financial system.

Background

2. The Council produces a Monthly Financial Report outlining the financial performance for the month and year to date. This memorandum supports the Monthly Financial Report by providing additional supporting operational and financial information. The Common Seal is operated under delegated authority. Part of that delegated authority is the reporting back of the seal transactions.

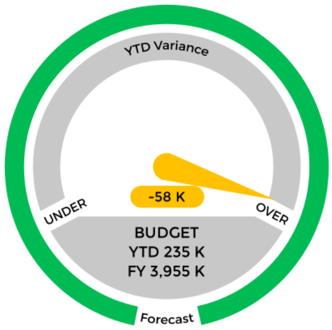
Discussion

3. Attached is the Monthly Financial Report for January 2022.

4. In the "Financial Indicators Section", for revenue, expenditure and operating surplus/deficit, for the whole of the Council the actual year to date (YTD) performance is compared against the YTD budget. A green variance indicates that the variance is within plus or minus 5% and less than $50,000. A yellow variance indicates that the variance is greater than plus or minus 5% and between $50,000 and $100,000 but less than plus or minus 10% and more than $100,000. A red variance indicates that the variance is more than plus or minus 10% and more than $100,000. The arrow indicates

the trend over time. A green up arrow indicates an improving trend and a red down arrow indicates a deteriorating trend.

5. The financial performance pie graphs for operating expenditure and income show the actual performance against budget and the forecast performance against budget, accumulated for all activities. The green slice indicates the number of activities where the variance is within plus or minus 5% and less than $50,000. The yellow slice indicates the number of activities where the variance is greater than plus or minus 5% and between $50,000 and $100,000 but less than plus or minus 10% and more than $100,000. The red slice indicates the number of activities where the variance is more than plus or minus 10% and more than $100,000.
6. For each Group of Activities (Resource management, Biosecurity and biodiversity, Transport, Hazard management, Recreation culture and heritage, and Regional representation, advocacy and investment management, in the "Financial Indicators Section", for revenue and expenditure, for that group of activities, the actual year to date (YTD) performance is compared against the YTD budget. A green variance indicates that the variance is within plus or minus 5% and less than $50,000. A yellow variance indicates that the variance is greater than plus or minus 5% and between $50,000 and $100,000 but less than plus or minus 10% and more than $100,000. A red variance indicates that the variance is more than plus or minus 10% and more than $100,000. The arrow indicates the trend over time. A green up arrow indicates and improving trend and a red down arrow indicates a deteriorating trend.



7. In the "Operating Expenditure by Activity" section, there is a dial for each activity comparing YTD expenditure against budget and a forecast for the rest of the year. The colours are green – variance of less than plus or minus 5%, yellow – plus or minus variance of more than 5% but less than 10% and red – plus or minus variance of more than 10%. The key components of each dial are:
   - The outer ring is the forecast for the rest of the year - green OK, yellow performance at risk, red target will not be achieved
   - The pointer indicates whether the variance is over or under budget and the colour indicates the scale of the variance - the actual variance figure sits at the bottom of the pointer
   - The YTD and full year (FY) budgets are included in the grey section.
8. Financially, the Council is in-line with the estimates established for 2021/2022 in the *2021/2031 Long-Term Plan*.
9. At 31 January 2022, the overall financial result is ahead of budget.
10. Significant income and expenditure variances by activity (plus or minus $100,000) are:
    - *Resource management planning* - $123,414 under budget due to the timing of consultant fees forecast for later in the year
    - *Compliance monitoring programmes* - $574,118 under budget due to vacancies and less time spent on monitoring activities then planned
    - *Pollution incidents and response* - $125,793 under budget due to the number and scale of responses

- *State of the environment monitoring* - $329,994 over budget due to additional work required reviewing programmes to meet the new National Policy Statement for Freshwater Management
- *Resource investigations and projects* - $173,473 under budget due to expenditure forecasted for later in the year and a focus on state of the environment monitoring
- *Sustainable land management plans and plant supply programme* - $117,970 over budget as the programme continues to be accelerated
- *Enhancement grants* - $207,895 over budget due to the timing of STRESS expenditure. This is expected to be on budget at year end
- *Resource Management direct charges* - $134,105 over budget due to Waitara Lands reserve distributions being received earlier than budgeted
- *Biosecurity/pest management* - $166,190 under budget due to lower year to date contract costs. This is forecasted to be spent by year end
- *Towards Predator-Free Taranaki* - $250,763 under budget due to lower year to date rural project contract costs. This spend is forecasted to increase by year end
- *Passenger transport* - $395,971 under budget due to bus contract costs running lower than expected and the later timing of project expenditure
- *Transport direct charges* - $180,590 under budget due to bus fare revenue being down. This has been affected by the on-going impacts of Covid-19
- *Regional Gardens* - $877,268 under budget due to a delay in the Kaitake Trail project funding.

Operational Report

11. Programmes are materially on target with the planned levels of activity established for 2021/2022 in the *2021/2031 Long-Term Plan*. At this stage, there are no known material adverse impacts arising from the current Covid-19 lockdown.

Communications and Engagement

12. Communications activities are delivered across publications, media releases, advertising and digital media. Some recent points of note are:
    - Pukeiti was showcased to a national audience on TV3's *The Project*
    - New and extended routes for school bus services were promoted
    - Stakeholder engagement regarding freshwater is ramping up with the first special interest group meetings planned for April
    - The publication of technical reports resulted in significant media coverage in March, which highlighted Council's compliance monitoring work in mainstream media
    - Updates have been published to the general public and neighbours about progress with the refurbishment of Yarrow Stadium
    - Successful Council prosecutions have received coverage in local media outlets
    - The consent renewal hearing regarding a poultry farm on Airport Drive attracted media interest, and this is expected to continue as the hearing process progresses

- The Council shared data about rainfall and river levels during February's adverse weather events
- The community was informed about a March's marine oil spill training exercise.

Social Media by the Numbers

13. Social media continues to be an important communication channel for the Council:
    - The total reach (non-unique users) across nine Facebook pages was 54K
    - Our Facebook page fans total 19,387 (non-unique) fans across nine pages.

Reach and engagement (by Facebook page) are detailed in the table below:	Page fans	Reach
Taranaki Regional Council	5,236 (+769)	19,577
Taranaki Public Transport	1,504 (+214)	11,683
Tūpare	1,876 (+78)	4,822
Pukeiti	2,814 (+207)	3,644
Hollard Gardens	2,161 (+125)	2,278
Towards Predator-Free Taranaki	1,601 (+16)	10,314
Yarrow Stadium	3,713 (0)	1,946
Enviroschools	482 (+25)	19

Top Facebook posts		Reach	Engaged
1	Wowzers. It won't surprise anyone to see there was A LOT of rain in February. Most of it fell over just a couple of weekends, the 5th to 7th and the 11th to 13th. Our sites recorded between 178% and 702% of normal rainfall, with an average of 354%. 🌧️ [Taranaki Regional Council]	5,306	193
2	Preparations are now underway to lay the new GrassMaster hybrid turf! 🌱⚽□🏉 The turf is used at the majority of Premier League venues in the United Kingdom and around NZ. It offers a 15-year lifespan, tripling its use compared to a conventional turf! 😱 [Yarrow Stadium]	4,150	416
3	The 2021 New Zealand Garden Bird Survey results are in and it's good news! Taranaki has seen an increase over the past five years in native birds including kererū, tūī and	3,555	185

Top Facebook posts		Reach	Engaged
	pīwakawaka (fantails). Also great to see a rapid increase in tauhou (silvereyes) in Taranaki… [Towards Predator Free]		
4	Heath, 6, and Miles Foster, 5, have always loved trapping and it looks like parents Adam and Lyndie have also caught the bug! The family recently moved to a lifestyle block near Ōkato where they have a couple of rat traps. [Towards Predator Free]	2,200	234
5	NPBHS & WITT students - these are the pick up locations for southbound services. Please ensure you are waiting at the correct location to avoid missing your bus… [Taranaki Public Transport]	2,313	112
6	Progress update ✅ Subsoil drainage is getting installed on the main pitch and removal of the West Stand roof is underway! Great to see the bleachers back in place too. ⚽ [Yarrow Stadium]	1,946	134
7	We are looking for a Gardener to join the team at Hollard Gardens 🌼 This position is permanent full time, working Thursday-Monday. [Hollard Gardens]	1,907	194
8	**** SERVICE UPDATE ***** ROUTE 33/34 BELL BLOCK TO FRANCIS DOUGLAS MC AND SPOTSWOOD COLLEGE. Tomorrows service will operate as route 33. ALL students from Bell Block will need to use bus 33 to get to school (even if they normally use bus 34). [Taranaki Public Transport]	1,600	120
9	What better way to spend a weekend than in our beautiful gardens and amazing playground and picnic area? See you soon 🙌 [Hollard Gardens]	1,157	56
10	Tūpare views on the first day of autumn. New season, new changes in the garden 🍃 [Tupare]	1,031	35

Financial Systems Update

14. The Council is undertaking a process to evaluate and determine how to replace its financial systems.
15. The Council has been a long-time user of Datacom's Ozone product for its financial system needs. Ozone is approaching end of life and whilst Datacom has not indicated that it will stop supporting the product there is an inevitability that this will occur.
16. Datacom have developed a replacement, all of local government product (Datascape) that has a financial module. Datascape is a cloud based enterprise resource planning (ERP) system.
17. Normally, the Council would undertake a full procurement programme for a replacement of a significant system such as this. However, there are a number of mitigating factors that warrant evaluating the Datascape proposal rather than simply going "straight to market".
18. These particular factors are:
    - The Council uses the Datacom Datapay payroll solution
    - The Council uses the Datacom IRIS solution
    - The RSHL has appointed Datacom's Datascape solution as the preferred provider for IRIS NextGen.
19. Therefore, there is an opportunity to have one solution providing an integrated system across our financial and operational activities. The business efficiencies from this one supplier one solution approach could be significant. The difficulties around different systems and suppliers integrating should not be underestimated.
20. However, in not undertaking a full procurement process, the Council needs to assure its self that it is meeting all outcomes of a procurement process. That is, is the Datascape product a fit for purpose, cost-effective solution?
21. To achieve this outcome, the Council is undertaking a full evaluation of a Datacom proposal around Datascape. This is a full evaluation that would be applied if a full procurement process was undertaken, but with only Datascape being evaluated. The outcome of this work is to get to the position of deciding whether to proceed with a Datascape implementation or whether Datascape is not fit for purpose and a full procurement process should be undertaken. This decision will be brought back to this Committee for consideration.
22. A number of regional councils have undertaken full procurement processes in the last few years. These councils have been generous in sharing their material to allow the preparation of documentation to request proposals and in the lessons learnt from going to market.
23. Progress to date has involved:
    - development of a full set of Council requirements
    - receipt of a proposal from Datacom responding to those requirements
    - evaluation of the proposal
    - requests from Datacom for additional information.
24. As noted, once the evaluation has been completed, the matter will be referred back to this Committee.

Common Seal

25. There are no transactions executed under Common Seal to report.

Financial considerations—LTP/Annual Plan

26. This memorandum and the associated recommendations are consistent with the Council's adopted Long-Term Plan and estimates. Any financial information included in this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

27. This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Local Government Official Information and Meetings Act 1987*.

Iwi considerations

28. This memorandum and the associated recommendations are consistent with the Council's policy for the development of Māori capacity to contribute to decision-making processes (schedule 10 of the *Local Government Act 2002*) as outlined in the adopted long-term plan and/or annual plan.

Community considerations

29. This memorandum and the associated recommendations have considered the views of the community, interested and affected parties and those views have been recognised in the preparation of this memorandum.

Legal considerations

30. This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

Appendices/Attachments

Document 3019153: Financial Report January 2022

JANUARY 2022

MONTHLY FINANCIAL REPORT

TARANAKI REGIONAL COUNCIL

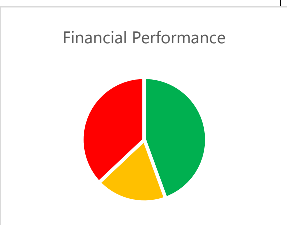
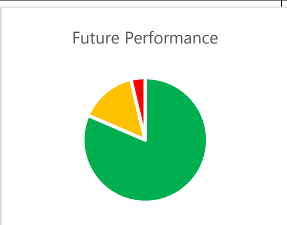
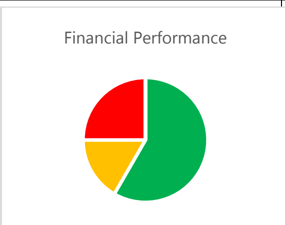
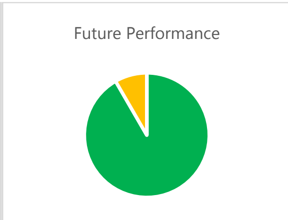
Taranaki Regional Council

Table of contents

Executive summary

Financial performance

FINANCIAL INDICATORS					
Financial threshold key (for adverse variances): ≥5% and <10%≥10%					
Total revenue		Operating expenditure		Operating surplus/deficit	
What the Council earns – rates, charges, grants and investment income:		The costs to operate Council's activities:		Council's total revenue less operating expenditure:	
Actual YTD:	Trend:	Actual YTD:	Trend:	Actual YTD:	Trend:
$22.0M	$56.4K over budget	$22.6M	$2170.3K under budget	$-0.6M	$2226.7K ahead of budget
Against a YTD budget of $21.9M and a full year budget of $47.9M.		Against a YTD budget of $24.7M and a full year budget of $50.1M.		Against a YTD budget of $-2.8M and a full year budget of $-2.3M.	

FINANCIAL PERFORMANCE			
Operating Expenditure		Income	
Actual	Forecast	Actual	Forecast
			

Commentary and variances

The financial year is performing well and is tracking ahead of budget, mainly due to expenditure forecasted to occur later in the financial year.

Key

This section defines the symbols and colours used in the Executive Summary and the Groups of Activities.

Introduction

In the "Financial Indicators Section", for revenue, expenditure and operating surplus/deficit, for the whole of the Council the actual year to date (YTD) performance is compared against the YTD budget. A green variance indicates that the variance is within plus or minus 5% and less than $50,000. A yellow variance indicates that the variance is greater than plus or minus 5% and between $50,000 and $100,000 but less than plus or minus 10% and more than $100,000. A red variance indicates that the variance is more than plus or minus 10% and more than $100,000. The arrow indicates the trend over time. A green up arrow indicates and improving trend and a red down arrow indicates a deteriorating trend.

The financial performance pie graphs for operating expenditure and income show the actual performance against budget and the forecast performance against budget, accumulated for all activities. The green slice indicates the number of activities where the variance is within plus or minus 5% and less than $50,000. The yellow slice indicates the number of activities where the variance is greater than plus or minus 5% and between $50,000 and $100,000 but less than plus or minus 10% and more than $100,000. The red slice indicates the number of activities where the variance is more than plus or minus 10% and more than $100,000.

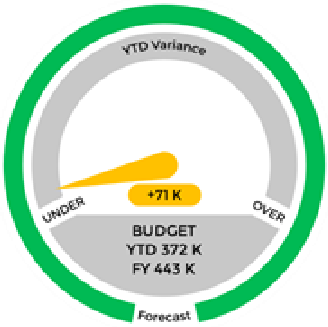
The operational performance pie graphs for levels of service and individual activities show the actual performance against budget and the forecast performance against budget, accumulated for all activities. The green slice indicates the number of levels of service/activities where the actual performance is on target. The yellow slice indicates the number of levels of service/activities where the actual performance is at risk of not being achieved. The red slice indicates the number of levels of service/activities where the actual performance is not meeting the target.

For each Group of Activities:

In the "Financial Indicators Section", for revenue and expenditure, for that group of activities, the actual year to date (YTD) performance is compared against the YTD budget. A green variance indicates that the variance is within plus or minus 5% and less than $50,000. A yellow variance indicates that the variance is greater than plus or minus 5% and between $50,000 and $100,000 but less than plus or minus 10% and more than $100,000. A red variance indicates that the variance is more than plus or minus 10% and more than $100,000. The arrow indicates the trend over time. A green up arrow indicates and improving trend and a red down arrow indicates a deteriorating trend.

In the "Operating Expenditure by Activity" section, there is a dial for each activity comparing YTD expenditure against budget and a forecast for the rest of the year. The colours are green – variance of less than plus or minus 5% and less than $50,000, yellow – plus or minus variance of more than 5% and between $50,000 and $100,000 but less than 10% and red – plus or minus variance of more than 10% and $100,000. The key components of each dial are:

- The outer ring is the forecast for the rest of the year – green OK, yellow performance at risk, red target will not be achieved
- The pointer indicates whether the variance is over or under budget and the colour indicates the scale of the variance – the actual variance figure sits at the bottom of the pointer
- The YTD and Full Year (FY) budgets are included in the grey section.



The operational performance pie graphs for levels of service and individual activities show the actual performance against budget and the forecast performance against budget, accumulated for all activities within that group of activities. The green slice indicates the number of levels of service/activities where the actual performance is on target. The yellow slice indicates the number of levels of service/activities where the actual performance is at risk of not being achieved. The red slice indicates the number of levels of service/activities where the actual performance is not meeting the target.

Statement of comprehensive revenue and expense

This statement summarises performance against budget for the month and for the year to date.

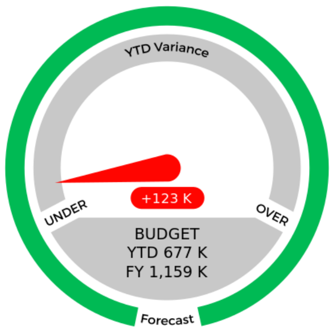
	Month			Year to date			2021/2022
	Actual $	Budget $	Variance $	Actual $	Budget $	Variance $	Budget $
Cost of services							
Resource management	1,028,482	1,273,821	245,339	11,373,054	11,634,672	261,618	26,168,383
Biosecurity and biodiversity	372,686	645,979	273,293	3,723,329	4,245,407	522,078	7,959,256
Transport	342,508	455,562	113,054	2,818,607	3,234,989	416,382	5,668,046
Hazard management	57,903	84,723	26,820	486,815	608,425	121,610	1,062,244
Recreation culture and heritage	218,776	376,363	157,587	3,012,456	3,889,723	877,267	6,987,506
Regional representation advocacy and investment management	107,447	143,728	36,281	1,110,974	1,062,119	-48,855	1,822,543
Total operating expenditure	2,127,802	2,980,176	852,374	22,525,235	24,675,335	2,150,100	49,667,978
Revenue from exchange transactions							
Direct charges revenue	952,341	1,150,057	-197,716	2,744,775	2,982,197	-237,422	4,729,359
Rent revenue	77,248	93,749	-16,501	759,220	656,243	102,977	1,125,000
Dividends	0	0	0	4,000,000	4,000,000	0	8,000,000
Revenue from non-exchange transactions							
General rates revenue	0	0	0	5,468,644	5,468,644	0	10,937,289
Targeted rates revenue	0	0	0	2,183,324	2,183,324	0	4,366,647
Direct charges revenue	184,874	172,076	12,798	2,816,962	2,769,554	47,408	12,820,150
Government grants	154,930	174,060	-19,130	3,826,128	3,715,585	110,543	5,229,709
Vested assets	0	0	0	0	0	0	0
Total income	1,369,392	1,589,942	-220,550	21,799,053	21,775,547	23,506	47,208,154
Operating surplus/(deficit) before finance income/expenses & taxation	-758,410	-1,390,234	631,824	-726,182	-2,899,788	2,173,606	-2,459,824
Finance income	35,355	14,583	20,772	182,276	149,323	32,953	647,417
Finance expense	-9,368	0	9,368	-27,067	-47,242	-20,175	-472,417
Net finance expense	25,987	14,583	11,404	155,209	102,081	53,128	175,000
Operating surplus before taxation	-732,423	-1,375,651	643,228	-570,973	-2,797,707	2,226,734	-2,284,824
Other gains/losses							
Gains/(losses) on revaluation of properties	0	0	0	0	0	0	0
Operating surplus before taxation	-732,423	-1,375,651	643,228	-570,973	-2,797,707	2,226,734	-2,284,824
Income tax expense	0	0	0	0	0	0	10,000
Surplus/(deficit) for the period	-732,423	-1,375,651	643,228	-570,973	-2,797,707	2,226,734	-2,294,824
Other comprehensive income							
Revaluation of property, plant and equipment	0	0	0	0	0	0	0
Other comprehensive income, net of tax	0	0	0	0	0	0	0
Operating surplus/(deficit)	-732,423	-1,375,651	643,228	-570,973	-2,797,707	2,226,734	-2,294,824

Resource management

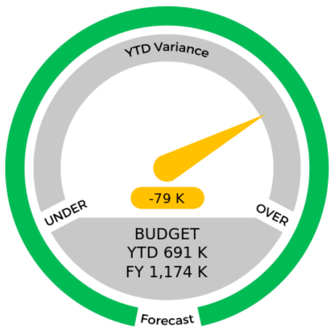
Financial performance

FINANCIAL INDICATORS			
Financial threshold key (for adverse variances): ≥5% and <10%≥10%			
Total revenue		Operating expenditure	
What the Council earns – rates, charges, grants and investment income:		The costs to operate Council's activities:	
Actual YTD:	Trend:	Actual YTD:	Trend:
$6.1M	$205.6K over budget	$11.4M	$261.6K under budget
Against a YTD budget of 5.9M and a full year budget of 16.0M.		Against a YTD budget of 11.6M and a full year budget of 26.2M.	

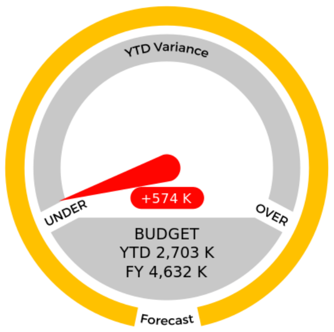
Operating Expenditure by Activity



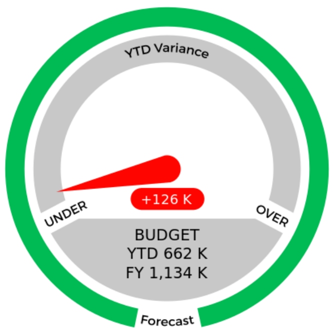
Resource management planning



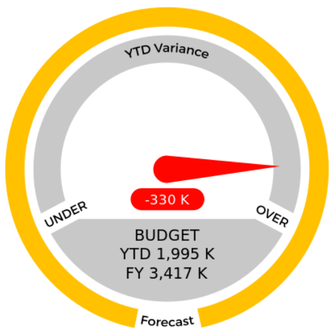
Consent processing and administration



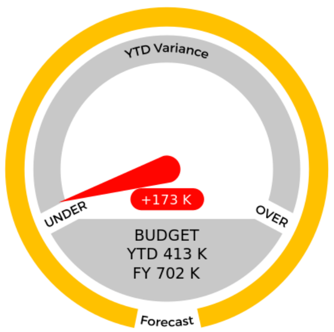
Compliance monitoring programmes



Pollution incidence and response



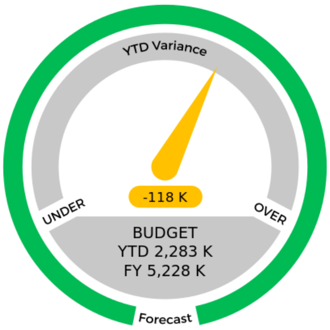
State of the environment monitoring



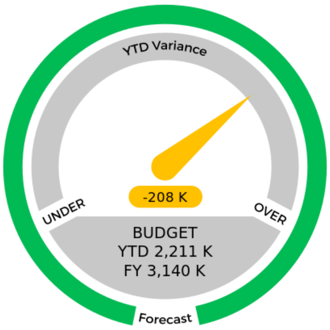
Resource investigations and projects

RESOURCE MANAGEMENT

Operating Expenditure by Activity



Sustainable land management plans and plant supply programme



Enhancement grants

Key	YTD Variance
Green	< 5% and less than $50,000
Amber	≥ 5% < 10% and between $50,000 and $100,000
Red	≥ 10% and greater than $100,000

Commentary and variances

Overall resource management expenditure is on budget. Material activity variances (> or < than $100,000) are:

Resource management planning - $123,414 under budget due to the timing of consultant fees forecast for later in the year.

Compliance monitoring programmes - $574,118 under budget due to vacancies and less time spent on monitoring activities then planned.

Pollution incidents and response - $125,793 under budget due to the number and scale of responses.

State of the environment monitoring - $329,994 over budget due to additional work required reviewing programmes to meet the new National Policy Statement for Freshwater Management.

Resource investigations and projects - $173,473 under budget due to expenditure forecasted for later in the year and staff focus on state of the environment monitoring.

Sustainable land management plans and plant supply programme - $117,970 over budget as the programme continues to be accelerated.

Enhancement grants - $207,895 over budget due to the timing of STRESS expenditure. This is expected to be on budget at year end.

Direct charges revenue - $134,105 over budget due to Waitara Lands reserve distributions being received earlier than budgeted.

RESOURCE MANAGEMENT

Cost of services statement

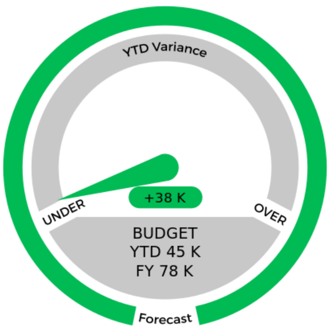
RESOURCE MANAGEMENT	Month			Year to date			2021/2022
	Actual $	Budget $	Variance $	Actual $	Budget $	Variance $	Budget $
Expenditure							
Resource management planning	59,590	92,775	33,185	553,406	676,820	123,414	1,158,681
Consent processing and administration	86,448	91,793	5,345	770,641	691,345	-79,296	1,173,890
Compliance monitoring programmes	284,676	365,936	81,260	2,128,513	2,702,631	574,118	4,632,383
Pollution incidents and response	51,486	90,008	38,522	536,087	661,880	125,793	1,133,675
State of the environment monitoring	259,547	272,752	13,205	2,325,036	1,995,042	-329,994	3,416,636
Resource investigations and projects	39,750	58,883	19,133	239,097	412,570	173,473	702,239
Sustainable land management plans and plant supply programme	238,249	263,981	25,732	2,401,312	2,283,342	-117,970	5,228,414
Waitara River catchment	0	0	0	25	0	-25	5,582,207
Enhancement grants	8,737	37,693	28,956	2,418,937	2,211,042	-207,895	3,140,258
Total expenditure	1,028,482	1,273,821	245,339	11,373,054	11,634,672	261,618	26,168,383
Income							
General rates	41,918	41,918	0	2,770,136	2,770,136	0	4,965,037
Direct charges	988,154	1,187,639	-199,485	3,576,376	3,442,271	134,105	13,199,566
Government grants	0	0	0	2,568,657	2,497,165	71,492	2,836,000
Transfer from reserves	0	0	0	0	0	0	0
Transfer to reserves	-17,451	0	-17,451	-633,554	0	-633,554	-75,000
Investment funds	15,861	44,264	-28,403	3,091,440	2,925,099	166,340	5,242,780
Total income	1,028,482	1,273,821	-245,339	11,373,054	11,634,671	-261,617	26,168,383
Operating surplus/(deficit)	0	0	0	0	-1	-1	0

Biosecurity and biodiversity

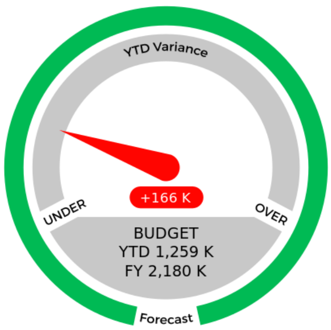
Financial performance

FINANCIAL INDICATORS			
Financial threshold key (for adverse variances): ≥5% and <10%≥10%			
Total revenue		Operating expenditure	
What the Council earns – rates, charges, grants and investment income:		The costs to operate Council's activities:	
Actual YTD:	Trend:	Actual YTD:	Trend:
$1.5M	$22.6K under budget	$3.7M	$522.1K under budget
Against a YTD budget of 1.5M and a full year budget of 3.0M.		Against a YTD budget of 4.2M and a full year budget of 8.0M.	

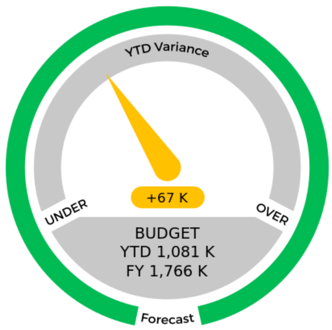
Operating Expenditure by Activity



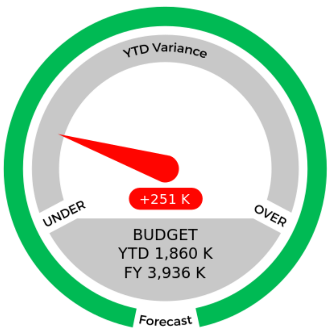
Biosecurity and biodiversity planning



Biosecurity/pest management



Biodiversity



Towards Predator-Free Taranaki

Key	YTD Variance
■	< 5% and less than $50,000
■	≥ 5% < 10% and between $50,000 and $100,000
■	≥ 10% and greater than $100,000

Commentary and variances

Overall biosecurity and biodiversity expenditure is under budget. Material activity variances (> or < than $100,000) are:

Biosecurity/pest management - $166,190 under budget due to lower year to date contractor costs. This is forecast to be spent by year end.

Towards Predator-Free Taranaki - $250,763 under budget due to lower year to date rural project contract costs. This spend is also forecasted to increase by year end.

Cost of services statement

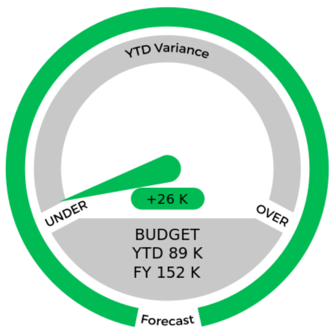
BIOSECURITY AND BIODIVERSITY	Month			Year to date			2021/2022
	Actual $	Budget $	Variance $	Actual $	Budget $	Variance $	Budget $
Expenditure							
Biosecurity and biodiversity planning	0	6,225	6,225	7,037	45,337	38,300	77,645
Biosecurity/pest management	148,242	235,834	87,592	1,092,863	1,259,053	166,190	2,180,261
Biodiversity	83,848	111,196	27,348	1,014,249	1,081,073	66,824	1,765,513
Towards Predator-Free Taranaki	140,596	292,724	152,128	1,609,181	1,859,944	250,763	3,935,837
Total expenditure	372,686	645,979	273,293	3,723,329	4,245,407	522,078	7,959,256
Income							
General rates	304,717	304,717	0	1,333,155	1,333,155	0	2,426,731
Direct charges	118,779	19,500	99,279	1,481,922	1,504,522	-22,600	2,970,043
Transfer from reserves	0	0	0	0	0	0	0
Transfer to reserves	0	0	0	0	0	0	0
Investment funds	-50,810	321,762	-372,572	908,252	1,407,730	-499,478	2,562,482
Total income	372,686	645,979	-273,293	3,723,329	4,245,407	-522,078	7,959,256
Operating surplus/(deficit)	0	0	0	0	0	0	0

Transport

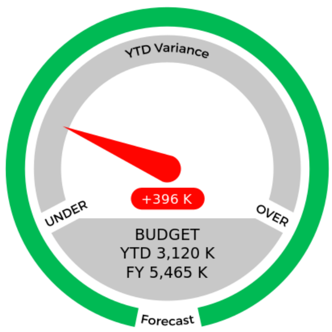
Financial performance

FINANCIAL INDICATORS			
Financial threshold key (for adverse variances): ≥5% and <10%≥10%			
Total revenue		Operating expenditure	
What the Council earns – rates, charges, grants and investment income:		The costs to operate Council's activities:	
Actual YTD:	Trend:	Actual YTD:	Trend:
$1.7M	$141.5K under budget	$2.8M	$416.4K under budget
Against a YTD budget of 1.9M and a full year budget of 3.5M.		Against a YTD budget of 3.2M and a full year budget of 5.7M.	

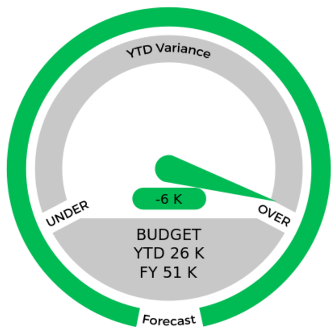
Operating Expenditure by Activity



Regional land transport planning



Passenger transport



Harbour management

Key	YTD Variance
	< 5% and less than $50,000
	≥ 5% < 10% and between $50,000 and $100,000
	≥ 10% and greater than $100,000

Commentary and variances

Overall transport expenditure is under budget. Material activity variances (> or < than $100,000) are:

Passenger transport - $395,971 under budget due to bus contract costs currently running lower than expected and the later timing of projects expenditure.

Direct charges revenue - $180,590 under budget due to bus fare revenue being down. This has been affected by the on-going impacts of Covid-19.

TRANSPORT

Cost of services statement

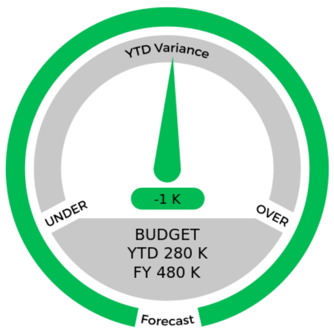
TRANSPORT	Month			Year to date			2021/2022
	Actual $	Budget $	Variance $	Actual $	Budget $	Variance $	Budget $
Expenditure							
Regional land transport planning	8,007	12,057	4,050	62,835	89,144	26,309	152,418
Passenger transport	319,925	443,005	123,080	2,723,874	3,119,845	395,971	5,464,628
Harbour management	14,575	500	-14,075	31,898	26,000	-5,898	51,000
Total expenditure	342,508	455,562	113,054	2,818,607	3,234,989	416,382	5,668,046
Income							
General rates	92,237	92,237	0	318,099	318,099	0	356,499
Targeted rates	0	0	0	719,498	719,500	-2	1,438,997
Direct charges	37,083	91,868	-54,785	462,486	643,076	-180,590	1,102,400
Government grants	154,930	174,060	-19,130	1,257,471	1,218,420	39,051	2,393,709
Government grants for capital	0	0	0	0	0	0	0
Transfer from reserves	0	0	0	0	0	0	0
Transfer to reserves	0	0	0	0	0	0	0
Investment funds	58,258	97,397	-39,139	61,052	335,894	-274,842	376,441
Total income	342,508	455,562	-113,054	2,818,607	3,234,989	-416,382	5,668,046
Operating surplus/(deficit)	0	0	0	0	0	0	0

Hazard management

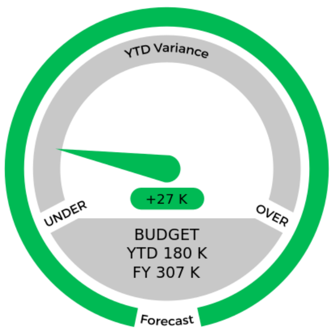
Financial performance

FINANCIAL INDICATORS			
Financial threshold key (for adverse variances): ≥5% and <10%≥10%			
Total revenue		Operating expenditure	
What the Council earns – rates, charges, grants and investment income:		The costs to operate Council's activities:	
Actual YTD:	Trend:	Actual YTD:	Trend:
$0.0M	$0.9K over budget	$0.5M	$121.6K under budget
Against a YTD budget of 0.0M and a full year budget of 0.0M.		Against a YTD budget of 0.6M and a full year budget of 1.1M.	

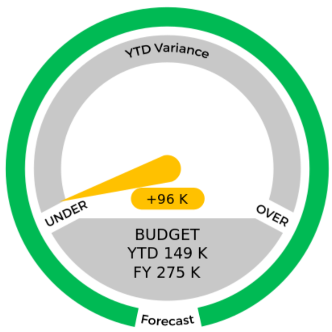
Operating Expenditure by Activity



Civil defence emergency management



Flood management and general river control



River control schemes

Key	YTD Variance
Green	< 5% and less than $50,000
Amber	≥ 5% < 10% and between $50,000 and $100,000
Red	≥ 10% and greater than $100,000

Commentary and variances

Overall hazard management expenditure is under budget. There are no material activity variances (> or < than $100,000).

HAZARD MANAGEMENT

Cost of services statement

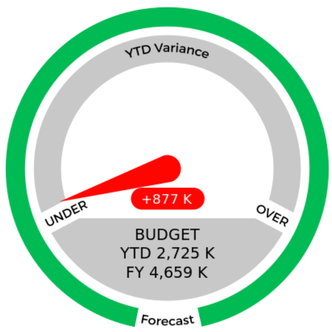
HAZARD MANAGEMENT	Month			Year to date			2020/2021
	Actual $	Budget $	Variance $	Actual $	Budget $	Variance $	Budget $
Expenditure							
Civil defence emergency management	40,066	40,000	-66	281,480	280,000	-1,480	480,000
Flood management and general river control	14,422	25,472	11,050	153,034	179,849	26,815	306,799
River control schemes	3,416	19,251	15,835	52,301	148,576	96,275	275,445
Total expenditure	57,903	84,723	26,820	486,815	608,425	121,610	1,062,244
Income							
General rates	31,076	31,076	0	64,447	64,447	0	98,523
Targeted rates	0	0	0	374,490	374,490	0	748,981
Direct charges	89	0	89	880	0	880	0
Government grants	0	0	0	0	0	0	0
Transfer from reserves	7,705	20,833	-13,128	74,502	145,831	-71,329	250,000
Transfer to reserves	0	0	0	-351,120	0	-351,120	-50,515
Investment funds	19,033	32,814	-13,781	368,006	68,049	299,957	104,034
Total income	57,903	84,723	-26,820	531,207	652,817	-121,610	1,151,023
Operating surplus/(deficit)	0	0	0	44,392	44,392	0	88,779

Recreation, culture and heritage

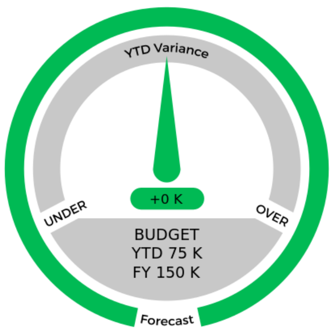
Financial performance

FINANCIAL INDICATORS			
Financial threshold key (for adverse variances): ≥5% and <10%≥10%			
Total revenue		Operating expenditure	
What the Council earns – rates, charges, grants and investment income:		The costs to operate Council's activities:	
Actual YTD:	Trend:	Actual YTD:	Trend:
$0.1M	$50.8K under budget	$3.0M	$877.3K under budget
Against a YTD budget of 0.1M and a full year budget of 0.2M.		Against a YTD budget of 3.9M and a full year budget of 7.0M.	

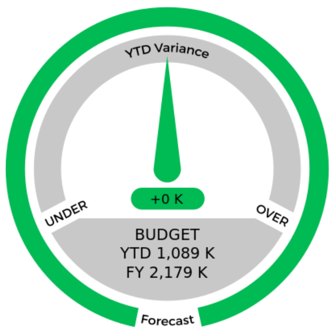
Operating Expenditure by Activity



Regional gardens



Puke Ariki



Yarrow Stadium

Key	YTD Variance
	< 5% and less than $50,000
	≥ 5% < 10% and between $50,000 and $100,000
	≥ 10% and greater than $100,000

Commentary and variances

Overall recreation, culture and heritage expenditure is under budget. Material activity variances (> or < than $100,000) are:

Regional Gardens - $877,268 under budget due to a delay in the Kaitake Trail project funding.

RECREATION, CULTURE AND HERITAGE

Cost of services statement

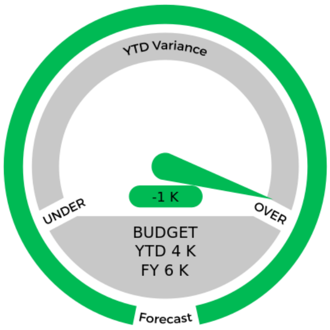
RECREATION CULTURE AND HERITAGE	Month			Year to date			2021/2022
	Actual $	Budget $	Variance $	Actual $	Budget $	Variance $	Budget $
Expenditure							
Regional gardens	218,776	376,363	157,587	1,848,121	2,725,389	877,268	4,658,837
Puke Ariki	0	0	0	75,000	75,000	0	150,000
Yarrow Stadium	0	0	0	1,089,334	1,089,334	0	2,178,669
Total expenditure	218,776	376,363	157,587	3,012,456	3,889,723	877,267	6,987,506
Income							
General rates	174,772	174,772	0	1,304,069	1,304,069	0	2,239,529
Targeted rates	0	0	0	1,089,334	1,089,334	0	2,178,669
Direct charges	10,302	17,043	-6,740	68,548	119,301	-50,753	204,500
Investment funds	33,701	184,548	-150,847	550,505	1,377,019	-826,514	2,364,808
Total income	218,776	376,363	-157,587	3,012,456	3,889,723	-877,267	6,987,506
Operating surplus/(deficit)	0	0	0	0	0	0	0

Regional representation, advocacy and investment management

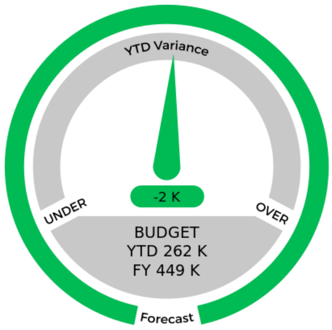
Financial performance

FINANCIAL INDICATORS			
Financial threshold key (for adverse variances): ≥5% and <10%≥10%			
Total revenue		Operating expenditure	
What the Council earns – rates, charges, grants and investment income:		The costs to operate Council's activities:	
Actual YTD:	Trend:	Actual YTD:	Trend:
$0.1M	$32.2K over budget	$1.1M	$48.9K over budget
Against a YTD budget of 0.0M and a full year budget of 0.1M.		Against a YTD budget of 1.1M and a full year budget of 1.8M.	

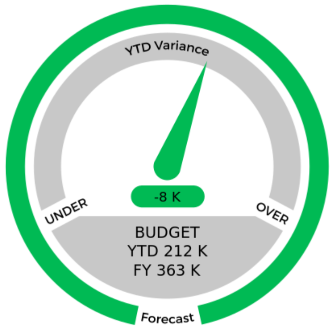
Operating Expenditure by Activity



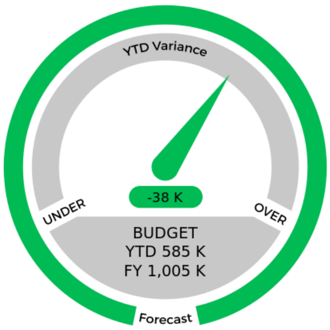
Investment management



Community engagement



Advocacy and response



Governance

Key	YTD Variance
■ (green)	< 5% and less than $50,000
■ (amber)	≥ 5% < 10% and between $50,000 and $100,000
■ (red)	≥ 10% and greater than $100,000

Commentary and variances

Overall regional representation and advocacy expenditure is on budget. There are no material activity variances (> or < than $100,000).

REGIONAL REPRESENTATION, ADVOCACY AND INVESTMENT MANAGEMENT

Cost of services statement

REGIONAL REPRESENTATION, ADVOCACY AND INVESTMENT MANAGEMENT	Month			Year to date			2021/2022
	Actual $	Budget $	Variance $	Actual $	Budget $	Variance $	Budget $
Expenditure							
Investment management	0	500	500	4,275	3,500	-775	6,000
Community engagement	16,721	35,597	18,876	263,210	261,514	-1,696	448,517
Advocacy and response	14,441	28,973	14,532	220,397	212,160	-8,237	362,771
Governance	76,285	78,658	2,373	623,092	584,945	-38,147	1,005,255
Total expenditure	107,447	143,728	36,281	1,110,974	1,062,119	-48,855	1,822,543
Income							
General rates	66,950	66,950	0	495,898	495,898	0	850,970
Direct charges	257	6,083	-5,826	74,773	42,581	32,192	73,000
Investment funds	40,240	70,695	-30,455	540,303	523,640	16,663	898,573
Total income	107,447	143,728	-36,281	1,110,974	1,062,119	48,855	1,822,543
Operating surplus/(deficit)	0	0	0	0	0	0	0

Statement of financial position

This statement summarises the Council's assets, liabilities and residual equity. The statement is split between current items (those expected to be realised within 12 months) and non-current items (expected to last longer than 12 months).

	Month End Actual $	2021/2022 Estimates $	2020/2021 Annual Report $
Current Assets			
Cash and cash equivalents	2,635,954	527,792	2,787,307
Current portion of investments	17,323,235	-	23,231,671
Trade and other receivables	2,736,174	2,000,000	8,443,489
Inventories	98,976	150,000	98,976
Loan to Taranaki Stadium Trust	-	-	5,000,000
Prepayments	506,982	100,000	262,887
Work in progress	596,820	400,000	195,100
Total current assets	23,898,141	3,177,792	40,019,430
Non-current assets			
Treasury investments	9,112,228	18,395,467	-
Port Taranaki Ltd	26,000,000	26,000,000	26,000,000
Civic Assurance Ltd	1,000	1,000	1,000
Regional Software Holdings Ltd	798,118	798,118	798,118
Loan to Taranaki Stadium Trust	10,500,000	17,000,000	-
Investment properties	21,305,000	19,559,000	21,305,000
Intangible assets	425,097	1,855,701	605,075
Property plant and equipment	34,526,443	38,019,734	33,964,020
Deferred tax asset	117,739	80,499	117,739
Total non-current assets	102,785,625	121,709,519	82,790,952
Total assets	126,683,766	124,887,311	122,810,382
Current liabilities			
Trade and other payables	4,794,002	5,000,000	7,241,384
Work-in-progress	2,488,261	600,000	1,019,752
Employee entitlements current	1,016,977	1,150,000	1,093,749
Borrowings	2,000,000		5,000,000
Total current liabilities	10,299,240	6,750,000	14,354,885
Non-current liabilities			
Employee entitlements term	470,600	564,100	470,600
Borrowings	8,500,000	17,000,000	-
Total non-current liabilities	8,970,600	17,564,100	470,600
Total liabilities	19,269,840	24,314,100	14,825,485
Public equity			
Retained earnings	70,896,106	67,478,937	72,377,248
Reserves	31,178,758	27,877,402	30,268,587
Asset revaluation reserves	5,339,062	5,216,872	5,339,062
Total public equity	107,413,926	100,573,211	107,984,897
Total liabilities and equity	126,683,766	124,887,311	122,810,382

Capital expenditure and disposals

Capital expenditure in excess of $10,000 for the month was:

DESCRIPTION	AMOUNT $
Office funiture	29,825
Pukeiti Tramline WIP	12,880
Aerial Photography Project WIP	53,027

Fixed asset disposals in excess of $10,000 for the month were:-

DESCRIPTION	AMOUNT $
Nil	

Local Authorities (Members' Interests) Act 1968

Additions to the *Creditors Detail List* for the month were:

CODE	CREDITOR NAME	ADDRESS	DATE ESTABLISHED
4027	Omahine Partnership	1274 Omahina Road, RD 2, Waverley	7-Jan-22
4028	Brandt Tractor Limited	57-63 Juliet Street, Stratford	14-Jan-22
4029	Nathan Hull Sculpture	685 Uruti Road, RD 48, Urenui	18-Jan-22
4030	Sean Gardiner Contracting	20 Ngahere Street, Inglewood	19-Jan-22
4031	Sober Check Limited	10 Griffin Road, Maungaturoto	21-Jan-22
4032	Cookson, Stanley	142B Upper Taumaha Road, RD 2, Patea	21-Jan-22
4033	Natwana Trust Limited	15 Morea Road, RD 14, Hawera	27-Jan-22
4034	Kane Barrett Livestock	396 Cape Road, RD 35, Opunake	28-Jan-22
4035	United Fisheries Limited	PO Box 11288, Christchurch	28-Jan-22

Notes:

1. The schedule of all previously listed creditors for the purpose of the Local Authorities (Members' Interests) Act 1968 is available for Members' perusal.
2. The schedule excludes any staff who may have become a creditor.
3. Under the terms of Section 6 and Section (1) of the Local Authorities (Members' Interests) Act 1968, members are required to declare if they hold directly or indirectly, a pecuniary interest other than an interest in common with the public.

Financial delegations

The following payments were made during the period to 31 January 2022 that exceeded the budgeted approved delegated authority levels:

DESCRIPTION	AMOUNT $
Nil	

Aged debtors analysis

The total debtors outstanding at 31 January 2022 were aged as follows:

DESCRIPTION	AMOUNT $	PERCENT %
Current balance	42,974	7
30 days balance	54,626	9
60 days balance	22,325	3
90 days and over balance	504,396	81
Total debtors	624,320	100

Reserves

As at 31 January 2022 the following reserve balances were held:

DESCRIPTION	AMOUNT $
Contingency/Disaster Reserve	1,086,000
North Taranaki/Waitara River Control Scheme Reserve	1,570,857
South Taranaki Rivers Control Scheme Reserve	21,035
Dividend Equalisation Reserve	6,250,063
Egmont National Park Control Reserve	713,000
Endowment Land Sales Reserve	2,470,000
Waitara Lands Act 2018 Reserve	19,067,803
Total reserves	31,178,758

Bank and investment balances

As at 31 January 2022 the following cash, bank and investment balances were held:

	% OF TOTAL	INVESTED $	YIELD %	MATURITY DATE
Bank of New Zealand:				
Call Account	6	1,825,346	0.3	On Call
Current accounts	3	733,165	0.1	On Call
Waitara Lands Account		1,401	0.1	On Call
Term Investment	7	2,003,275	1.4	20/06/2022
Waitara Lands Term Investment	5	1,371,631	1.0	29/04/2022
Waitara Lands Term Investment	2	531,281	1.4	29/05/2022
TSB Bank:				
Cheque Accounts		731		On Call
Call Account		74,786	0.3	On Call
Term Investment	6	1,630,370	1.0	09/04/2022
Waitara Lands Term Investment	8	2,235,050	1.5	31/07/2022
ASB Bank:				
Cheque Account		50		On Call
Term Investment	5	1,508,715	0.6	18/02/2022
Waitara Lands Term Investment	7	2,144,729	1.2	7/05/2022
Waitara Lands Term Investment	4	1,172,716	0.9	18/02/2022
Waitara Lands Term Investment	15	4,393,267	1.7	30/07/2022
Westpac:				
Waitara Lands Account		475	0.1	On Call
Term Investment	7	2,014,676	1.2	30/06/2022
Waitara Lands Term Investment	9	2,688,113	0.9	06/04/2022
Waitara Lands Term Investment	8	2,271,410	1.5	21/07/2022
Waitara Lands Term Investment	8	2,257,729	1.5	22/06/2022
LGFA:				
Borrower Note		50,000	1.1	15/04/2024
Borrower Note		75,000	0.9	15/05/2028
Borrower Note		25,000	2.1	15/04/2026
Borrower Note		37,500	2.3	15/04/2027
Borrower Note		25,000	3.0	15/04/2026
Total	100	29,071,416	1.3*	

All investments are in accordance with the *Investment Policy*. * Weighted average interest rate.

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MEMORANDUM
Executive, Audit & Risk

Date 28 March 2022

Subject: Health and Safety Reporting

Approved by: M J Nield, Director - Corporate Services

S J Ruru, Chief Executive

Document: 3018668

Purpose

1. The purpose of this memorandum is to receive and consider reports on health and safety performance.

Recommendations

That the Taranaki Regional Council:

a) receives the January 2022 health and safety report

b) receives the February 2022 health and safety report.

Discussion

2. The January and February 2022 health and safety reports are attached.
3. As part of our business continuity plan during Phase 3, a number of measures have been implemented to ensure business as usual. These measures include; Team A/Team B for some departments, same pairing for some field work, promoting working from home. As the COVID-19 case numbers have been increasing in Taranaki, the Council has increased its response. Currently, the Council is undertaking Rapid Antigen Surveillance testing for all officers who are on-site regularly and additional testing is required for any in-person meetings/training.
4. Council work has been categorised into Critical, Important and Business as Usual functions. No Critical, Important functions are yet to be impacted by COVID-19. Some Business as Usual functions are facing some pressure due to Officers isolating or being COVID-19 positive. The isolation timeframe decreasing from 10 to 7 days is assisting in this area.

Financial considerations—LTP/Annual Plan

5. This memorandum and the associated recommendations are consistent with the Council's adopted Long-Term Plan and estimates. Any financial information included in

this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

6. This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Local Government Official Information and Meetings Act 1987*.

Iwi considerations

7. This memorandum and the associated recommendations are consistent with the Council's policy for the development of Māori capacity to contribute to decision-making processes (schedule 10 of the *Local Government Act 2002*) as outlined in the adopted long-term plan and/or annual plan.

Community considerations

8. This memorandum and the associated recommendations have considered the views of the community, interested and affected parties and those views have been recognised in the preparation of this memorandum.

Legal considerations

9. This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

Appendices/Attachments

Document 3017069: January 2022 Health and Safety Dashboard

Document 3017485: February 2022 Health and Safety Dashboard

Taranaki Regional Council

Health and Safety Dashboard

Reporting Period:

1 – 31 January 2022

Incidents (1 July 2021 – 30 June 2022)

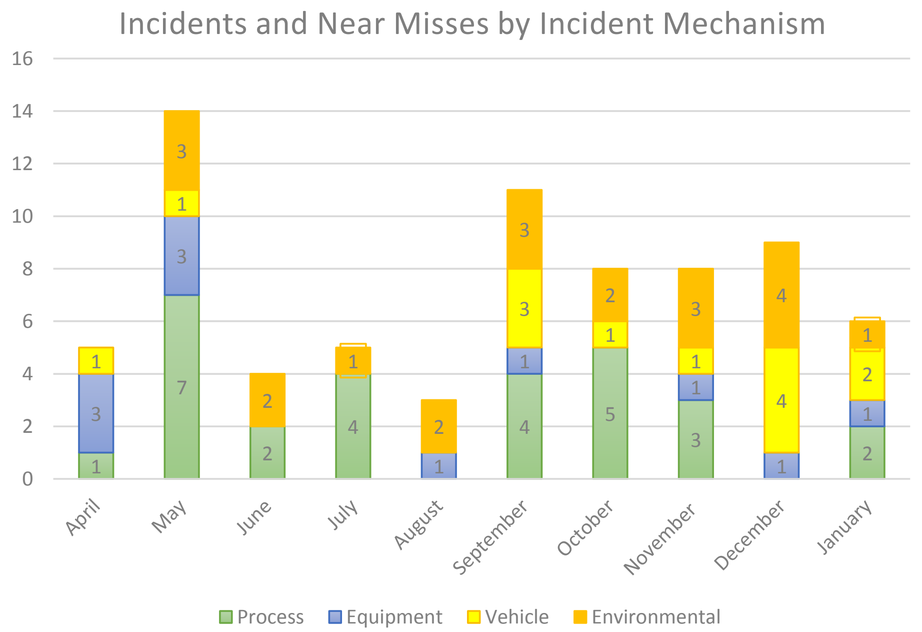
Illness 0 (1)	**Incidents 3 (6)**	**Injury 2 (16)**
ACC Claims 1 (2)	**Near Miss 4 (23)**	**Notifiable 0 (0)**

Types of Incidents and Injuries

Slips/Trips/Falls (no injury)	
Sprains/Strains	1
Cuts/Abrasions	
Bruising	1
Near Miss	
Vehicle Damage	2
Insect Stings	2
Other	1

No Treatment	
First Aid	3
Medical Centre	
Physiotherapy/Osteopath	1
Hospital	

Formal Investigation	
WorkSafe Investigation	



Health and Wellbeing

Wellness Initiatives
Take Time

Health Monitoring Assessments 9
Pre-employment assessments 3

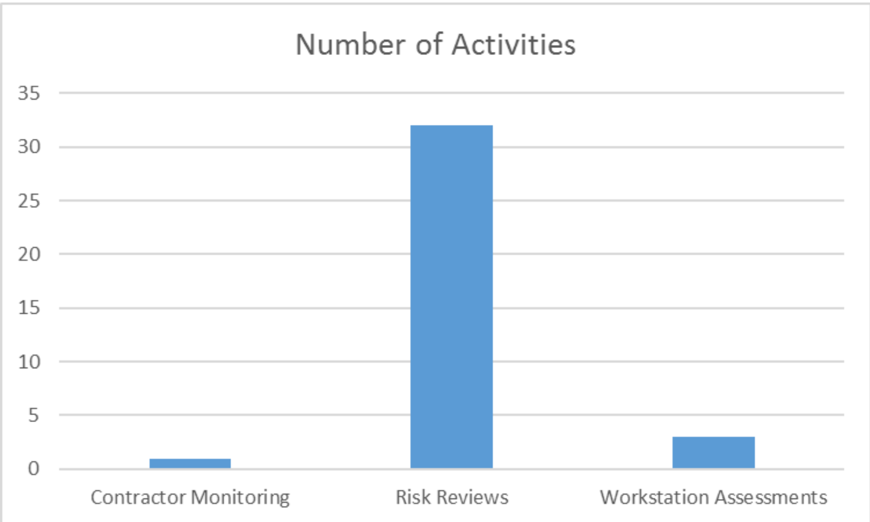
Workplace Wellbeing
Have a break

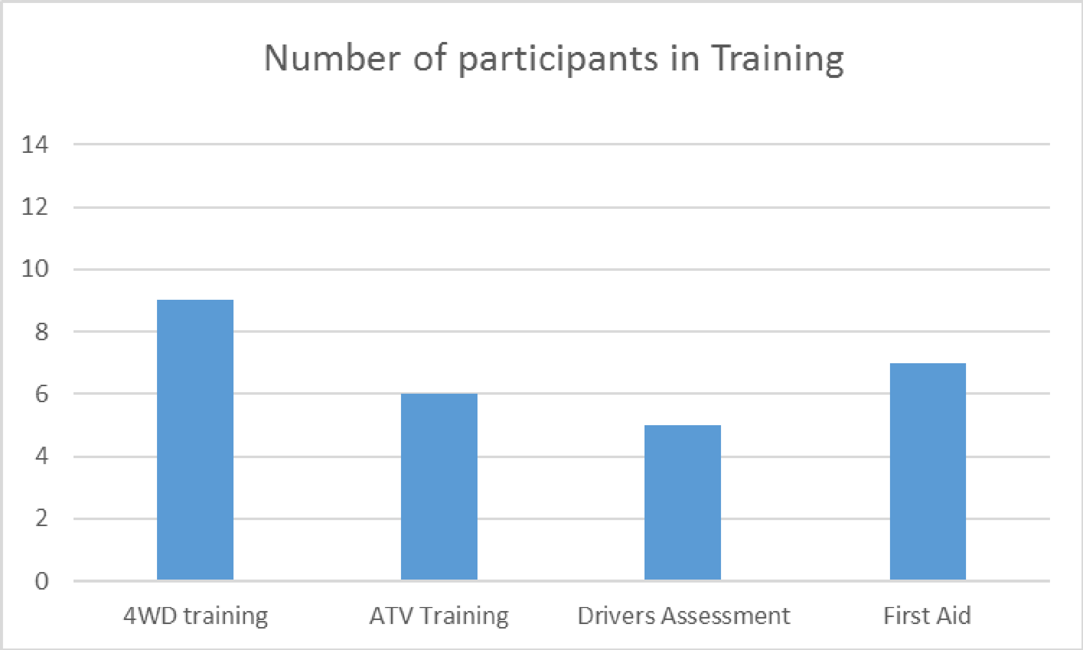
1 non-work related return to work plan in place

Health and Safety Objectives Update

TRC wellbeing plan based on the Māori health model:
Te Whare Tapa Whā

Work in Progress:
COVID Response
Safe Driving Policy




Number of participants in Training
14
12
10
8
6
4
2
0
4WD training
ATV Training
Drivers Assessment
First Aid

Taranaki Regional Council

Health and Safety Dashboard

Reporting Period:

1 – 28 February 2028

Incidents (1 July 2021 – 30 June 2022)

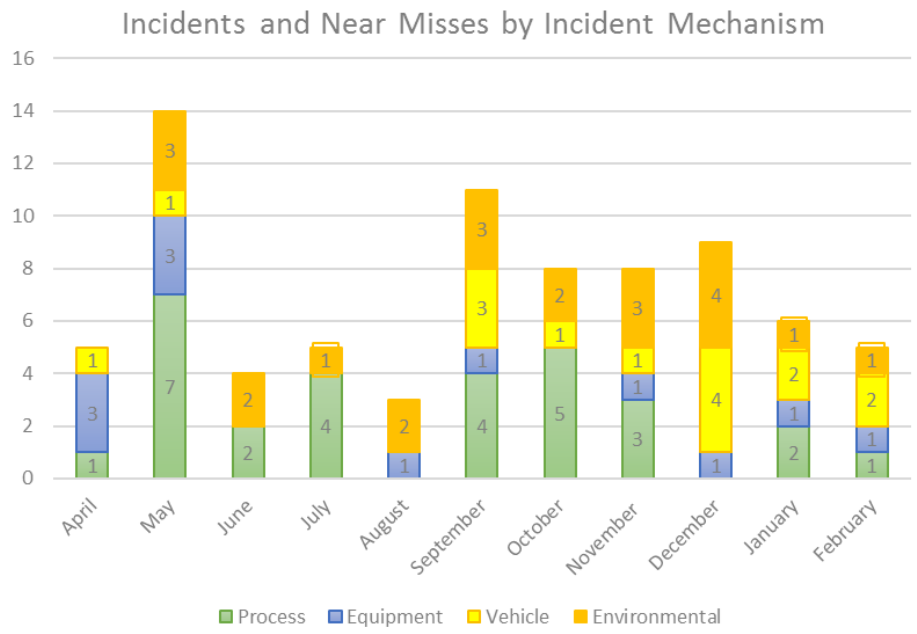
Illness 0 (1)	**Incidents 1 (10)**	**Injury 5 (25)**
ACC Claims 1 (3)	**Near Miss 3 (27)**	**Notifiable 1 (1)**

Types of Incidents and Injuries

Slips/Trips/Falls (no injury)	
Sprains/Strains	2
Cuts/Abrasions	
Bruising	
Near Miss	
Vehicle Damage	1
Insect Stings	2
Other	1

No Treatment	
First Aid	1
Medical Centre	
Physiotherapy/Osteopath	
Hospital	2

Formal Investigation	
WorkSafe Investigation	1

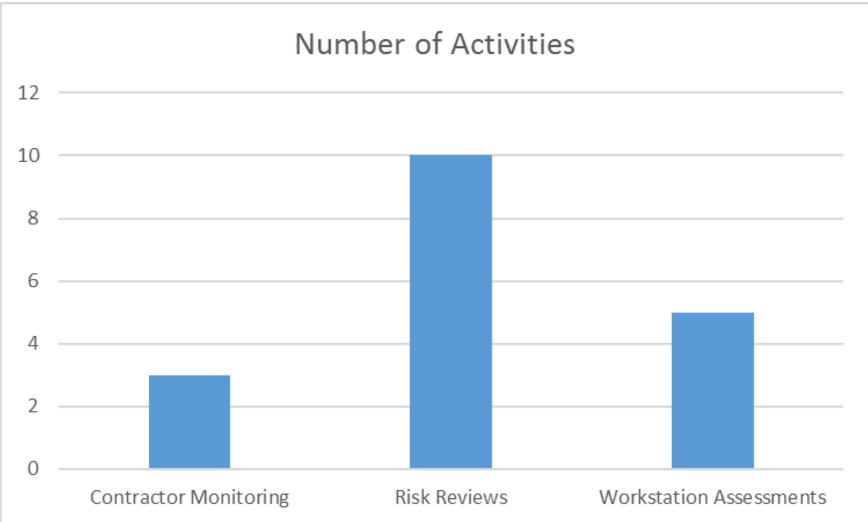


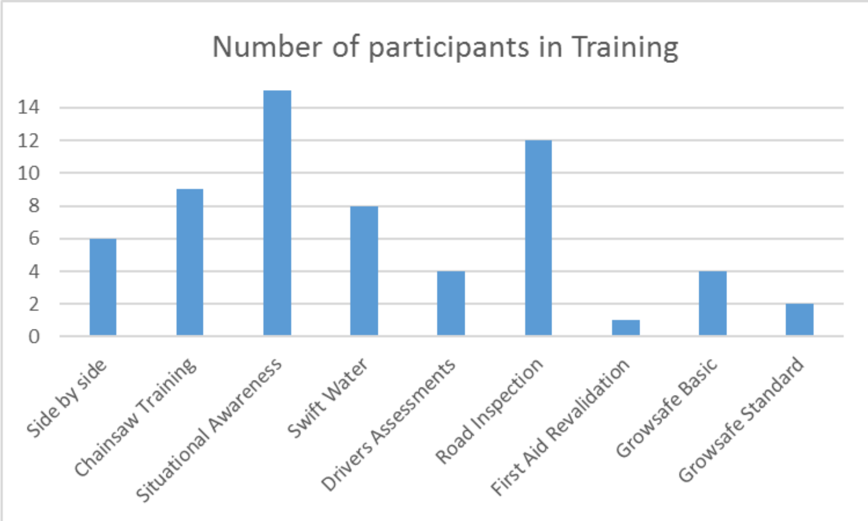
Health and Wellbeing

Wellness Initiatives **Keep in Touch – wellbeing checks**	**25 Health Monitoring Assessments** **5 Pre-employment assessments**
Workplace Wellbeing **How to cope with anxiety**	**1 work related plan in place** **1 non work related plan in place**

Health and Safety Objectives Update

TRC wellbeing plan based on the Māori health model: **Te Whare Tapa Whā**	**Work in Progress:** **COVID response**





Critical events or have the potential to be critical

Event	Potential Consequence	Actual Consequence	Potential Controls to implement
Injury – allergic reaction	**Major**	**Low**	Epi-pen for the use at the Gardens In-Reach device brought for emergencies in the gardens

Notifiable Event

A notifiable event occurred at Tupare Gardens on Monday 28th February. WorkSafe were notified and conducted a preliminary investigation with the Health and Safety Adviser. All procedures were followed and some initial corrective actions have been implemented. A full internal investigation is underway and the report will be presented to the Director – Operations. The employee will be returning to work on the 17 March with a return to work programme.

Taranaki Regional Council

MEMORANDUM
Executive, Audit & Risk

Date	28 March 2022
Subject:	**Taranaki Stadium Trust Half Year Report to 31 December 2021**
Approved by:	M J Nield, Director - Corporate Services
	S J Ruru, Chief Executive
Document:	3005630

Purpose

1. The purpose of this memorandum is to receive and consider the Taranaki Stadium Trust's half-year report for the six months ended 31 December 2021.

Recommendations

That the Taranaki Regional Council:

a) receives the Taranaki Stadium Trust's half-year report for the six months ended 31 December 2021.

Background

2. Pursuant to the *Local Government Act 2002* and the Taranaki Stadium Trust's Statement of Intent, the Trust produces a six-monthly financial report. Attached is the half-year report for the six months ended 31 December 2021.

Discussion

3. The focus of the first six months of 2021/2022 has been implementing the Yarrow Stadium Plus repair and reinstatement project.
4. The Trust's focus continues to be on returning the Stadium to operation with the West Stand, lights and main field being completed in 2022. The new East Stand is scheduled to be completed in 2024.
5. Financially, the Trust's performance is as established in the Statement of Intent. The financial report is unaudited.

Financial considerations—LTP/Annual Plan

6. This memorandum and the associated recommendations are consistent with the Council's adopted Long-Term Plan and estimates. Any financial information included in

this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

7. This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Local Government Official Information and Meetings Act 1987*.

Iwi considerations

8. This memorandum and the associated recommendations are consistent with the Council's policy for the development of Māori capacity to contribute to decision-making processes (schedule 10 of the *Local Government Act 2002*) as outlined in the adopted long-term plan and/or annual plan.

Community considerations

9. This memorandum and the associated recommendations have considered the views of the community, interested and affected parties and those views have been recognised in the preparation of this memorandum.

Legal considerations

10. This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

Appendices/Attachments

Document 2984225: Taranaki Stadium Trust Half-Year Report and Financial Statements for the six months ended 31 December 2021.

Taranaki Stadium Trust

Taranaki Stadium Trust
Half Year Report – Unaudited
Six Months Ended 31 December 2021

VISION FOR YARROW STADIUM

The best regional stadium in New Zealand that regularly hosts local, regional, national, and international sports and entertainment events.

A stadium for both major events and community events and the premier outdoor fields for team sports codes.

A stadium that is loved by sports fans and the local community.

A stadium that is a quality experience for event promoters, participants, and spectators, which is achieved through superior hospitality and event facilities, efficient and effective management, accessibility, flexibility, and innovation.

Table of Contents

Document 2984225

Entity information for the Six Months Ended 31 December 2021

Legal name

Taranaki Stadium Trust

Type of entity and legal basis

The Taranaki Stadium Trust (the Trust) is a charitable trust incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by the Taranaki Regional Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Trustees.

The Trust's purpose

The purpose of the Trust is to promote the effective and efficient maintenance, development, management, operation and promotion of Yarrow Stadium as a community asset used for recreation, sporting and cultural activities for the benefit of the people of Taranaki, working in particular with the Taranaki Regional Council and the New Plymouth District Council.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of two Trustees who oversee the governance of the Trust. The Trustees are appointed by the Taranaki Regional Council. The Trust does not employ any staff. All the Trust's administrative and support services are undertaken by the Taranaki Regional Council. The operation of Yarrow Stadium is undertaken by the New Plymouth District Council pursuant to a Management Agreement.

Main sources of the Trust's cash and resources

Operating grants received from the Taranaki Regional Council are the primary sources of funding to the Trust.

Outputs

Refer to the statement of service performance.

Trustee's Report

The Trustees are pleased to present the Taranaki Stadium Trust's *2021/2022 Half-Year Financial Report.*

The purpose of the Trust is to promote the effective and efficient maintenance, development, management, operation and promotion of Yarrow Stadium as a community asset used for recreation, sporting and cultural activities for the benefit of the people of Taranaki, working in particular with the Taranaki Regional Council and the New Plymouth District Council.

The Trust, the New Plymouth District Council and the Taranaki Regional Council have a partnership arrangement for the operation and the development, maintenance and enhancement of the Yarrow Stadium facilities. Under the Trust's Deed and the Management Agreement between the Trust and the New Plymouth District Council, the New Plymouth District Council operates and funds the operations of Yarrow Stadium. The Taranaki Regional Council funds, via the Trust, the long-term maintenance and development of Yarrow Stadium.

This partnership for funding and operating, maintaining and developing is designed to maintain Yarrow Stadium as the best regional stadium in New Zealand that regularly hosts national and international sports and entertainment events.

Highlights

The focus at Yarrow Stadium has been on the implementation of the Yarrow Stadium Plus repair and reinstatement project.

The Trust and the Taranaki Regional Council, through their 2019/2020 Annual Plan process, agreed on a repair and refurbishment project to return Yarrow Stadium to its previous status as the nation's top regional venue. Over the last year, significant progress has been made on the repair of the West Stand, replacement of the main field turf, replacement of the lights with LED, demolition of the East Stand and the design of the replacement East Stand.

During 2022 the Stadium will return to operation with a repaired West Stand, new lights and a new main field. The new East Stand is forecast to open in 2024.

Yarrow Stadium is well regarded nationally and internationally and, as such, the Taranaki Stadium Trust is committed to getting Yarrow Stadium fully operational as soon as is practicable. The Trust shares the Taranaki Regional Council's vision for Yarrow Stadium, being:

> *The best regional stadium in New Zealand that regularly hosts local, regional, national, and international sports and entertainment events.*
>
> *A stadium for both major events and community events and the premier outdoor fields for team sports codes.*
>
> *A stadium that is loved by sports fans and the local community.*
>
> *A stadium that is a quality experience for event promoters, participants, and spectators, which is achieved through superior hospitality and event facilities, efficient and effective management, accessibility, flexibility, and innovation.*

The project has been challenging especially with the Covid-19 pandemic and the multiple flow on effects. The Trust is grateful to the significant efforts of many local and national contractors and consultants who have progressed the project forward at a remarkable pace.

The Trust is equally grateful for the financial and non-financial support from the Government via Crown Infrastructure Partners.

The Trust and the Council are working with the Yarrow Stadium operator, New Plymouth District Council, to seek ways to encourage increased use of the facility by a wider range of sporting and non-sporting organisations.

Trustee's Report

Financial Highlights

The Trust's 2021/2022 funding is focussed around the delivery of the redevelopment project. Work on the project has commenced and will accelerate over the next twelve months. To date the project spend is $19.0m. Funding is in place for the work to be completed.

The delivery of the repair and recovery programme will require the Trust to borrow from the Taranaki Regional Council. The servicing of this debt will come from rates sourced Taranaki Regional Council funding.

Looking Ahead

Yarrow Stadium and the Trust faces some challenging times ahead as the goal of returning the Stadium to full operational use is implemented.

Elvisa Van Der Leden
Trustee
28 February 2022

Michael Nield
Trustee
28 February 2022

Statement of Service Performance

Performance Targets

The performance of Taranaki Stadium Trust has been judged against the following measures:

The presence of a Management Agreement with the New Plymouth District Council for the operation of the Stadium

An agreement for the management and operation of Yarrow Stadium, between the Trust and the New Plymouth District Council, is in place. The original agreement for the Council to manage and operate the stadium was signed in 2004 and the latest renewal came into effect from 27 June 2013. New Plymouth District Council is operating Yarrow Stadium in accordance with the Management Agreement during 2021/2022.

The provision of funding for a programme of agreed maintenance and long-term development of the Stadium. The programme of maintenance and long-term development is to be agreed upon by the Taranaki Regional Council and the New Plymouth District Council.

The Taranaki Regional Council has approved a repair and refurbishment project for Yarrow Stadium. The New Plymouth District Council and the Taranaki Regional Council have agreed upon a long-term maintenance and development programme for the ten years from 2016/2017 to 30 June 2025. In 2021/2022 the Taranaki Regional Council is providing funding of $2,178,669 to the Taranaki Stadium Trust.

Asset management planning for Yarrow Stadium is on hold while the repair and refurbishment project is delivered. Funding has been used to deliver the repair and refurbishment project. The focus has been on getting the Stadium operational again.

Statement of Financial Performance for the Six Months Ended 31 December 2021

	Notes	31 December 2021 $	31 December 2020 $
Revenue			
Council funding	1	4,255,657	1,971,360
Interest revenue		453	193
Total revenue		4,256,110	1,971,553
Expenses			
Depreciation	6	456,246	456,246
Finance expenses	2	40,184	13,311
Other expenses	3	1,118,692	152,498
Total expenses		1,615,122	622,055
Surplus/(deficit)		2,640,988	1,349,498
Other comprehensive revenue			
Gains/(losses) on revaluation of Stadium	6	-	-
Total other comprehensive income		**-**	**-**
Total comprehensive income/(deficit)		**2,640,988**	**1,349,498**
Total comprehensive income/(deficit) attributable to:			
Taranaki Regional Council		2,640,988	1,349,498
Total comprehensive income/(deficit)		**2,640,988**	**1,349,498**

Statement of Changes in Equity for the Six Months Ended 31 December 2021

	Notes	31 December 2021 $	31 December 2020 $
Balance at 1 July		15,008,316	12,849,804
Surplus/(deficit) for the year		2,640,988	1,349,498
Other comprehensive income		-	-
Total comprehensive income/(deficit)		**2,640,988**	**1,349,498**
Balance at 31 December	**4**	**17,649,304**	**14,199,302**

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 31 December 2021

	Notes	31 December 2021 $	31 December 2020 $
Assets			
Current assets			
Cash and cash equivalents	5	959,162	807,101
Debtors and other receivables	7	335,812	-
Total current assets		1,294,974	807,101
Non-current assets			
Property, plant and equipment	6	28,871,286	17,689,595
Total non-current assets		28,871,286	17,689,595
Total assets		**30,166,260**	**18,496,696**
Liabilities			
Current liabilities			
Creditors and other payables	8	2,006,624	297,066
Borrowings	9	10,332	4,000,328
Total current liabilities		2,016,956	4,297,394
Non-current liabilities			
Borrowings	6	10,500,000	-
Total non-current liabilities		10,500,000	-
Total liabilities		**12,516,956**	**4,297,394**
Net assets		**17,649,304**	**14,199,302**
Equity			
Accumulated funds	4	16,299,304	12,849,302
Asset Revaluation Reserve	4	1,350,000	1,350,000
Total equity attributable to the Trust	**4**	**17,649,304**	**14,199,302**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Six Months Ended 31 December 2021

	Notes	31 December 2021 $	31 December 2020 $
Cash flows from (used in) operating activities			
Taranaki Regional Council		4,255,657	1,971,360
Sundry income		26,100	
Interest received		459	198
Payments to suppliers		(1,260,321)	(158,608)
Interest paid		(22,485)	(13,324)
Goods and services tax (net)		(210,136)	(61,317)
Net cash from (used in) operating activities	**10**	**2,789,274**	**1,738,309**
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(7,835,610)	(787,781)
Net cash from (used in) investing activities		**(7,835,610)**	**(787,781)**
Cash flows from (used in) financing activities			
Applied to borrowings		-	(154,985)
Provided from borrowings		5,510,000	-
Net cash from (used in) financing activities		**5,510,000**	**(154,985)**
Net (decrease)/increase in cash and cash equivalents		463,664	795,543
Opening cash and cash equivalents		495,498	11,558
Closing cash and cash equivalents	**5**	**959,162**	**807,101**

The goods and services tax (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Statement of accounting policies

Reporting entity

The Taranaki Stadium Trust (the Trust) is a charitable trust incorporated in New Zealand under the *Charitable Trusts Act 1957* and is domiciled in New Zealand. The Trust is controlled by the Taranaki Regional Council and is a Council Controlled Organisation as defined under section 6 of the *Local Government Act 2002*, by virtue of the Council's right to appoint the Board of Trustees.

Rather than making a financial return, the primary objective of the Trust is to promote the effective and efficient maintenance, development, management, operation and promotion of Yarrow Stadium as a community asset used for recreation, sporting and cultural activities for the benefit of the people of Taranaki, working in particular with the Taranaki Regional Council and the New Plymouth District Council. The Trust has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than $2 million.

The financial statements of the Trust are for the six months ended 31 December 2021. The financial statements were authorised for issue by the Board of Trustees on 18 February 2022.

Basis of preparation

Measurement base

The financial statements have been prepared on a historical costs basis, modified by the revaluation of certain fixed assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

New and amended accounting standards adopted

There have been no new or amended accounting standards adopted for the six months ended 31 December 2021.

Changes in accounting policies

There have been no changes in accounting policies for the six months ended 31 December 2021.

Significant accounting policies

The following is a summary of the significant accounting policies, adopted by the Trust, in the preparation of these financial statements.

Goods and services tax

The Trust is registered for Goods and Services Tax (GST). The financial statements have been prepared exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST. The net amount of GST, recoverable from or payable to the Inland Revenue Department (IRD), is included as part of receivables or payables, in the statement of financial position. The net amount of GST, paid to or received from the IRD, is classified as an operating cash flow, in the statement of cash flows.

Notes to the Financial Statements

Revenue

Council grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Interest revenue is recorded as it is earned during the year.

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within borrowings, as a current liability, in the statement of financial position.

Investments

Investments comprise investments in terms deposits with banks. Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

Debtors and other receivables

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Property, plant and equipment

Property, plant, and equipment is recorded at cost, less accumulated depreciation and impairment losses with the exception of land and buildings which is recorded at valuation. Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised. For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount. For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Work in progress is recorded at cost. Cost includes expenditure which is directly attributable to the acquisition of an asset. Capital work in progress is not depreciated.

Accounting for revaluations

The Trust elects to apply PBE IPSAS 17 *Property, Plant and Equipment* for the purposes of accounting for revaluations.

When an item of property, plant and equipment is revalued, any accumulated depreciation, at the date of the revaluation, is eliminated against the gross carrying amount of the asset. Then, the net amount is restated, to reflect the revaluation.

If the carrying amount of an item of property, plant and equipment increases, as the result of a revaluation, the increase shall be recognised in the asset revaluation reserve, within other comprehensive income. However, the increase shall be recognised in the surplus or deficit, to the extent that it reverses a revaluation decrease, of the same class of assets, previously recognised in the surplus or deficit.

If the carrying amount of an item of property, plant and equipment decreases, as the result of a revaluation, the decrease shall be recognised in the surplus or deficit. However, the decrease shall be recognised in the asset revaluation reserve, within other comprehensive income, to the extent of any credit balance in the revaluation reserve, in relation to that asset class.

Notes to the Financial Statements

Revaluations of property, plant and equipment are accounted for on a class-of-asset basis.

In accordance with the Trust's Statement of Intent for the year to 30 June 2022, property, plant and equipment is revalued on a three yearly cycle, with the latest occurring as at 30 June 2020.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential, associated with the item, will flow to the Trust, and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment will be recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it will be recognised at fair value as at the acquisition date.

Disposals

Gains and losses on disposal are determined by comparing proceeds received, with the carrying amount of the asset. Gains and losses on disposal are included in the surplus or deficit. When revalued assets are sold, amounts included in the asset revaluation reserve, in relation to those assets, will be transferred to accumulated funds.

Subsequent costs

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

Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed annually for impairment, with reference to internal and external factors which may indicate the carrying value exceeds depreciated replacement cost. The Trust elects to apply *Impairment of Revalued Assets including Amendments to PBE IPSASs 21 and 26* for the purposes of the impairment recognised in note 6. Any significant impairment is recognised by writing the assets down to their depreciated replacement cost and charging the impairment to the relevant revaluation reserve or to the surplus or deficit, where there is no revaluation reserve. If an asset's carrying value exceeds its recoverable amount, the asset is impaired, and the carrying amount is written down to the recoverable amount. In relation to revalued assets, the impairment loss is recognised against the revaluation reserve, for that asset class. Where that results in a debit balance, in the revaluation reserve, the balance is recognised in the surplus or deficit. In relation to assets that are not revalued, the total impairment is recognised in the surplus or deficit.

Depreciation and amortisation expense

Depreciation is provided on a straight-line basis, at rates that will write-off the cost or valuation of assets, to their estimated residual values, over their useful lives. The rates of depreciation are as follows:

Buildings	1.25% to 6.67% per annum
Furniture, fittings and equipment	6.67% to 25.00% per annum
Office Equipment	15.00% to 30.00% per annum

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

Creditors and other payables

Creditors and accrued expenses are measured at the amount owed.

Income tax

The Trust has been granted Charitable Status by the IRD and therefore, is exempt from income tax.

Loans

Loans are recognised at the amount borrowed from the lender.

Notes to the Financial Statements

Critical accounting estimates and assumptions

In preparing these financial statements, the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the actual results.

Estimates and assumptions are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the value of assets and liabilities, within the next financial year, are discussed below:

Property, plant and equipment useful lives and residual values:
At each balance date, the Trust reviews the useful lives and residual values of its property, plant and equipment. To assess whether the useful lives and residual values are appropriate, the Trust considers a number of factors, such as, the physical condition of the asset, the expected period of use of the asset, and the expected disposal proceeds, from future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset and will therefore, impact depreciation expense in the statement of comprehensive income, and the carrying amount of the asset in the statement of financial position. The Trust minimises the risk of this uncertainty through physical inspection of assets.

Going concern

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future. As at 31 December 2021, the Trust's current liabilities exceeded its current assets by $721,982. This is mainly due to significant accounts payable as the result of the repair and refurbishment project. The Trust is funded by Taranaki Regional Council to maintain Yarrow Stadium as a community asset.

Taranaki Regional Council has provided a letter of support to ensure that the Trust will continue to be provided financial support to enable it to pay its debts as they fall due. Taranaki Regional Council have also secured the funding that is required to repair the assets and the stadium as outlined in the Taranaki Regional Council 2021/2031 Long Term Plan.

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. In response, New Zealand has moved through different alert levels with differing levels of restrictions on domestic activity.

The Trust has considered the impact of COVID-19 in respect of its status as a going concern. COVID-19 delayed the implementation of the repair and refurbishment project, thus providing the opportunity for the Taranaki Regional Council to apply for Government “shovel-ready” funding. This application was successful to the tune of $20m which will reduce the debt cost to the Trust in future years. The Trust was able to continue operating throughout the different pandemic alert levels and COVID-19 has resulted in no impact on liquidity and working capital. There has been no impact on access to capital. The Trust is well positioned to maintain its financial position and to continue operating through this time of business uncertainty.

Notes to the Financial Statements

1. Income

	31 December 2021 $	31 December 2020 $
Annual grant from the Taranaki Regional Council	1,089,335	1,971,360
Crown Infrastructure Stadium Rebuild Funding	3,166,322	-
Total Council funding	4,255,657	1,971,360

Donated goods or services not recognised:
During the year, the Trust received professional accounting and secretarial services from the Taranaki Regional Council at no charge.

2. Finance Expenses

	31 December 2021 $	31 December $ 2020 $
Interest – TSB	22,485	3,109
Interest - loans	17,699	10,202
Total finance expenses	40,184	13,311

3. Other Expenses

	31 December 2021 $	31 December 2020 $
Ancillary Services	14,071	119
Bank charges	8	82
Charities commission	44	44
Demolition expense	1,043,070	-
Insurance	39,839	142,093
General expenses	4,617	-
Legal expense	17,043	-
Stadium repairs and maintenance	-	800
Valuation Fees	-	9,360
Total other expenses	1,118,692	152,498

4. Equity

	31 December 2021 $	31 December 2020 $
Accumulated funds		
Balance at 1 July	13,658,316	11,499,804
Surplus/(deficit) for the year	2,640,988	1,349,498
Other comprehensive income/(deficit)	-	-
Transfers to asset revaluation reserve	-	-
Balance at 31 December	16,299,304	12,849,302
Asset revaluation reserve		
Balance at 1 July	1,350,000	1,350,000
Movement in the asset revaluation reserve	-	-
Balance at 31 December	1,350,000	1,350,000
Total equity	17,649,304	14,199,302

Notes to the Financial Statements

5. Cash and cash equivalents

	31 December 2021 $	31 December 2020 $
TSB Bank current account	56,467	53,588
TSB Bank on call account	902,695	753,513
Total cash and cash equivalents	959,162	807,101

The carrying value of cash and cash equivalents approximates their fair value.

6. Property, plant and equipment

	31 December 2021 $	31 December 2020 $
Land at valuation		
Carrying amount at 1 July	3,500,000	3,500,000
Additions	-	-
Revaluation	-	-
Carrying amount at 31 December	3,500,000	3,500,000
Furniture, fittings and equipment		
Cost at 30 June previous year	3,340,193	3,340,193
Accumulated depreciation	(2,276,177)	(1,611,960)
Net book value previous year	1,064,016	1,728,233
Carrying amount at 1 July	1,064,016	1,728,233
Additions	-	-
Transfers	-	-
Depreciation	(332,109)	(332,109)
Carrying amount at 31 December	731,908	1,396,125
Buildings at valuation		
Cost at 30 June previous year	11,528,265	11,528,265
Accumulated depreciation	(2,446,097)	(2,036,085)
Net book value previous year	9,082,168	9,492,180
Carrying amount at 1 July	9,082,168	9,492,180
Additions	-	-
Transfers	-	-
Disposals	-	-
Depreciation	(124,137)	(124,137)
Revaluation	-	-
Carrying amount at 31 December	8,958,030	9,368,042
Office equipment		
Cost at 30 June previous year	16,430	16,430
Accumulated depreciation	(16,430)	(16,430)
Net book value previous year	-	-

Notes to the Financial Statements

	31 December 2021 $	31 December 2020 $
Carrying amount at 1 July	-	-
Additions	-	-
Disposals	-	-
Depreciation	-	-
Carrying amount at 31 December	-	-
Work in progress		
Cost at 30 June previous year	7,107,065	2,617,457
Accumulated depreciation	-	-
Net book value previous year	7,107,065	2,617,457
Carrying amount at 1 July	7,107,065	2,617,457
Additions	8,574,284	807,971
Transfers	-	-
Disposals	-	-
Depreciation	-	-
Revaluation	-	-
Carrying amount at 31 December	15,681,349	3,425,428
Total property, plant and equipment	28,871,286	17,689,595

As at 31 December 2021	Cost or Valuation	Accumulated Depreciation	Carrying Amount
Land at valuation	3,500,000	-	3,500,000
Furniture, fittings and equipment at cost	3,340,193	2,608,285	731,908
Buildings at valuation	11,528,265	2,570,234	8,958,030
Office equipment at cost	16,430	16,430	-
Work in progress at cost	15,681,349	-	15,681,349
Total property, plant and equipment	34,066,237	5,194,950	28,871,286

Valuation

TSB Bank holds a restriction over the title of the Trust's property by way of a registered first mortgage over the property at 6 Maratahu Street, New Plymouth. No plant and equipment is pledged as security for liabilities. The land and buildings were valued, as at 30 June 2020, by Mike Drew, registered valuer, TelferYoung (Taranaki) Limited. Land and buildings were adjusted in the financial statements, for the year ending 30 June 2020, to reflect this revaluation. The valuation was performed by TelferYoung (Taranaki) Limited. TelferYoung (Taranaki) Limited are a registered experienced valuer with extensive market knowledge in the types of land and buildings owned by the Taranaki Stadium Trust. The land is valued using market based sales evidence. The land's fair value at 30 June 2020 was $3,200,000 and gain on revaluation of $380,000 was recognised in the asset revaluation reserve.

Buildings are valued based on the depreciated replacement cost approach using assumptions the valuer believed to be fair and reasonable at the date of valuation. Due to both the East and West stands being compromised in terms of earthquake strength the valuers have considered the impairment of the stadium assets. Due to the East Stand not being able to be used at all and the cost to earthquake strengthen the building being similar to the unimpaired fair value, there is no value allocated to these improvements. As parts of the West Stand are still useable the majority of its components have been valued at 20% of its unimpaired fair value. The total fair value of the buildings at 30 June 2020 was $9,492,180. Loss on revaluation of the buildings of $1,890,148 was recognised in surplus or deficit.

Trust management did an assessment of the 30 June 2020 valuation as at 30 June 2021 and was satisfied that this latest valuation was still materially accurate. There is no evidence to suggest that the value of the existing structure has significantly changed from 30 June 2020. It is the Trust's intention to revalue the West Stand upon completion of the repair and reinstatement project in 2022.

Impairment

Field 1 turf is being replaced, consequently the existing turf was fully impaired in the year ending 30 June 2021. The total value of the impairment loss was $161,738 which has been recognised in the surplus or deficit.

Background
During the 2017/2018 year, detailed seismic assessments were completed on the East and West Stands of Yarrow Stadium. The assessments indicated that the East Stand was 10% of new building standard and the West Stand was 20% of new building standard. As such both stands were earthquake prone buildings and were closed from use.

The Trust is committed to the repair of the stands and the Taranaki Regional Council has approved the repair and refurbishment of Yarrow Stadium. The project will include repairs to the earthquake-prone West Stand and a new East Stand. Other important refurbishments include LED pitch lighting and the reinstatement of Field 1.

This work essentially restores what existed, with essential updates. The estimated total cost is $50 million which will be funded by a $20m "shovel-ready" grant from the Government and a 25 year loan through Taranaki Regional Council.

7. Debtors and other receivables

	31 December 2021 $	31 December 2020 $
GST refund	335,812	-
Total debtors and other receivables	335,812	-

8. Creditors and other payables

	31 December 2021 $	31 December 2020 $
Taranaki Regional Council	17,699	-
GST payable	-	73,753
Trade payables and accruals	1,988,925	223,313
Total creditors and other payables	2,006,624	297,066

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore the carrying values approximate their fair value.

9. Borrowings

	31 December 2021 $	31 December 2020 $
TSB Bank Liberty Revolving credit facility	10,332	328
Taranaki Regional Council loan	-	4,000,000
Total current liability borrowings	10,332	4,000,328
Taranaki Regional Council loan	10,500,000	-
Total non-current liability borrowings	10,500,000	-

The TSB Bank Liberty Revolving credit facility has a draw down limit of $5,000,000 and is secured by way of a registered first mortgage over the property at 6 Maratahu Street, New Plymouth. Interest is incurred at a 3.37% variable rate as at 31 December 2021 (2020: 3.02%).
The Taranaki Regional Council loan has a draw down limit of $35,000,000 and is unsecured. Interest is incurred at a 1.80% weighted average rate as at 31 December 2021 (2020: 0.51%).

Notes to the Financial Statements

10. Reconciliation of net surplus/(deficit) to net cash from operating activities

	Actual $	Actual $
	31 December 2021 $	31 December 2020 $
Surplus/(deficit)	2,640,988	1,349,498
Add/(less) non-cash items:		
Depreciation and amortisation expense	456,246	456,246
Add/(less) movements in working capital items		
Creditors and other payables	(127,845)	(67,439)
Debtors and other receivables	(180,115)	4
Net cash from operating activities	2,789,274	1,738,309

11. Related parties

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

The Taranaki Regional Council is deemed to be a related party of Taranaki Stadium Trust. The Trust has a $10,500,000 loan from the Council as at 31 December 2021. (2020: $4,000,000).

The Trust owns Yarrow Stadium, but, the New Plymouth District Council manages and operates the Stadium, in accordance with a Management Agreement, between the two parties. In relation to the six months ending 31 December 2021, no debts between the parties were written off or forgiven, and no transactions took place between the parties at nil or nominal value. The Trust does not have any employees. No Trustee fees were paid during the year.

12. Capital commitments

The Trust has capital commitments of $6.2m as at 31 December 2021 (31 December 2020: $9.4m).

13. Contingent liabilities

There are no contingent liabilities at 31 December 2021 (31 December 2020: $nil).

14. Contingent assets

There are no contingent assets at 31 December 2021 (31 December 2020: $nil).

15. Events after the balance sheet date

The Trust has no material events subsequent to balance date. (31 December 2020: $nil).

Trust Directory

Taranaki Stadium Trust

Nature of business:	Charitable Trust
Trustees:	Elvisa Van Der Leden Michael Nield
Trust Settlement Date:	23 December 1999
Address:	C/- Taranaki Regional Council Private Bag 713 Stratford 47 Cloten Road Stratford
Bankers:	TSB Bank New Plymouth
Solicitors	Till Henderson Stratford
Auditors:	Matt Laing Deloitte Limited on behalf of the Auditor-General

Taranaki Regional Council

MEMORANDUM
Executive, Audit & Risk

Date 28 March 2022

Subject: **Taranaki Stadium Trust - Statement of Intent for the year ending 30 June 2023**

Approved by: M J Nield, Director - Corporate Services

S J Ruru, Chief Executive

Document: 3005664

Purpose

1. The purpose of this memorandum is to receive and consider the Taranaki Stadium Trust's statement of intent (SOI) for the year ending 30 June 2023 and then to provide feedback to the Trustees.

Recommendations

That the Taranaki Regional Council:

a) receives and considers the Taranaki Stadium Trust's draft Statement of Intent for the year ending 30 June 2023

b) provides feedback to the Trustees of the Taranaki Stadium Trust.

Background

2. On 27 June 2013, the Council took over control of the Taranaki Stadium Trust (formerly the Yarrow Stadium Trust) from the New Plymouth District Council. The Taranaki Stadium Trust (the Trust) is a council-controlled organisation (CCO).

3. CCO's are required to prepare and present a statement of intent by 1 March of each year. Council's then consider the draft and provide feedback to the CCO. CCO's are required to furnish a completed statement of intent by 30 June of each year. Completed statements of intent are required to be published on our website.

Discussion

4. The *Local Government Act 2002* sets out the requirements for a statement of intent. The attached statement complies with the requirements of the Act.

5. The draft Statement of Intent reflects the partnership arrangements between the Council, the New Plymouth District Council and the Trust. That partnership involves the New Plymouth District Council funding and operating Yarrow Stadium on behalf of the Trust through a management agreement. The Council funds, through the Trust, an agreed

programme of maintenance and long-term development of Yarrow Stadium. The Trust holds and owns the Yarrow Stadium assets.

6. The draft Statement of Intent is consistent with the *2019/2020 Annual Plan*, the *2021/2031 Long-Term Plan*, the proposed *2022/2023 Annual Plan* and the decisions made to date in relation to the new East Stand.

7. The draft Statement of Intent is now open for consideration. This is the opportunity to provide further feedback to the Trustees.

Significance

8. In terms of the *Significance and Engagement Policy*, this item is not considered significant.

Financial considerations—LTP/Annual Plan

9. This memorandum and the associated recommendations are consistent with the Council's adopted Long-Term Plan and estimates. Any financial information included in this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

10. This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Local Government Official Information and Meetings Act 1987*.

Iwi considerations

11. This memorandum and the associated recommendations are consistent with the Council's policy for the development of Māori capacity to contribute to decision-making processes (schedule 10 of the *Local Government Act 2002*) as outlined in the adopted long-term plan and/or annual plan.

Community considerations

12. This memorandum and the associated recommendations have considered the views of the community, interested and affected parties and those views have been recognised in the preparation of this memorandum.

Legal considerations

13. This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

Appendices/Attachments

Document 3010861: TST Statement of Intent to 30 June 2023 Covering Letter

Document 2999068: TST Statement of Intent to 30 June 2023

Document 3001661: TST Statement of Intent to 30 June 2023 Estimates

Taranaki
Stadium Trust

C/- Taranaki Regional Council
47 Cloten Road
Private Bag 713
Stratford 4352
P: 06 765 7127
E: info@trc.govt.nz

28 February 2022
Document: 2999075

Steve Ruru
Chief Executive
Taranaki Regional Council
Private Bag 713
Stratford 4352

Dear Steve

Statement of Intent to 30 June 2023

The Trustees are pleased to present the Statement of Intent (SOI) for the year ending 30 June 2023.

The SOI reflects the decisions that the Council has made in relation the redevelopment project for Yarrow Stadium.

We look forward to receiving the Council's feedback.

Yours faithfully

M J Nield
Trustee

TARANAKI STADIUM TRUST
STATEMENT OF INTENT
FOR THE YEAR TO 30 JUNE 2023

Document: 2999068

The Taranaki Stadium Trust (the Trust) is a charitable trust, incorporated in New Zealand, under the *Charitable Trusts Act 1957*. The Trust is a council-controlled organisation, as defined by section 6 of the *Local Government Act 2002,* of the Taranaki Regional Council. The Trust owns Yarrow Stadium (the Stadium) land, building and facilities. The operation of the stadium is carried out by the New Plymouth District Council (the Council) in accordance with a Management Agreement between the two parties.

Objectives

The fundamental objective of the Trust is to promote the effective and efficient maintenance, development, management, operation and promotion of the Stadium as a community asset used for recreation, sporting and cultural activities for the benefit of the people of Taranaki, working in particular with the Taranaki Regional Council and the New Plymouth District Council to advance this purpose.

The Trust was formed to take over the former Rugby Park and redevelop it into a quality venue for the benefit of the wider Taranaki region. The provision of the stadium facilities contributes to the overall infrastructure of the region and provides economic stimulus from events held at the stadium, particularly sporting events that encourage safe and healthy living.

Vision

The vision for Yarrow Stadium is:

The best regional stadium in New Zealand that regularly hosts local, regional, national and international sports and entertainment events.

- *A stadium for both major events and community events and the premier outdoor field for team sports codes.*
- *A stadium that is loved by sports fans and the local community.*
- *A stadium that is a quality experience for event promoters, participants and spectators, which is achieved through superior hospitality and event facilities, efficient and effective management, accessibility, flexibility and innovation.*

Governance

The Trust is managed by Trustees (2) who are appointed by the Taranaki Regional Council in accordance with the Trust Deed.

Nature and Scope of Activities to Be Undertaken

The Taranaki Regional Council, the New Plymouth District Council and the Trust operate the Stadium in a partnership arrangement.

The Taranaki Regional Council provides funding for the long-term maintenance and development of the Stadium.

The New Plymouth District Council provides funding for the ongoing operation of the Stadium. The operation of the Stadium is undertaken by the New Plymouth District Council, in accordance with a Management Agreement with the Trust.

Ratio of Shareholder's Funds to Total Assets

The ratio of equity to total assets is expected to be greater than 20%. The Trust's equity includes:

- Accumulated funds
- Asset revaluation reserves.

The Trust's assets include the Yarrow Stadium building, land, furniture and fittings.

Accounting Policies

The policies will be consistent with:

- The Financial Reporting Act 1993
- New Zealand Generally Accepted Accounting Practice (NZ GAAP)
- PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)

The full accounting policies are attached as Appendix 1.

Performance Targets

The Trust's performance will be judged against the following measures:

1. The presence of a Management Agreement with the New Plymouth District Council for the operation of the Stadium
2. The provision of funding for a programme of agreed maintenance and long-term development of the Stadium. The programme of maintenance and long-term development is to be agreed upon by the Taranaki Regional Council and the New Plymouth District Council. The current focus in on the delivery of the redevelopment project for the stadium.

Distribution Policy

As the Trust is a charitable trust, no distributions are planned.

Information to be Provided

The following information will be made available:

- A draft Statement of Intent (including budget financial information) prior to 1 March of each year.
- A Statement of Intent (including budget financial information) prior to the commencement of each financial year.
- A six monthly report on operations, including a comparison against the Statement of Intent, within two months after the six monthly reporting period.
- An annual report for the year, which will also be made available to the public within two months after the end of each financial year.

Procedures for Share Acquisitions

The Trust will not acquire or subscribe for any share issues.

Activities for which Compensation is Sought

The Taranaki Regional Council will fund the Trust for the maintenance and long-term development of the Stadium and the operation of the Trust. There are currently no other activities for which compensation is sought from the Taranaki Regional Council.

There are currently no activities for which compensation is sought from the New Plymouth District Council. It is noted that under the current Management Agreement, the New Plymouth District Council is responsible for funding the operational costs of the Stadium.

Commercial Value of the Trust's Investment

The commercial value of the Trust's investment is estimated as equal to the Trust's equity. This is based on the following:

- The rationale that the Trust is a going concern;
- The assets are carried at their current net value, as determined by independent valuers on a three yearly revaluation cycle, the next occurring as at 30 June 2023.

This estimate will be re-assessed in the same manner on an annual basis. At 30 June 2021, the equity was recorded at $15,008,316 (30 June 2020: $12,849,804).

Other Matters

There are no other matters.

Appendix 1: Statement of Accounting Policies

Reporting entity

The Taranaki Stadium Trust (the Trust) is a charitable trust incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by the Taranaki Regional Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Trustees.

Rather than making a financial return, the primary objective of the Trust is to promote the effective and efficient maintenance, development, management, operation and promotion of Yarrow Stadium as a community asset used for recreation, sporting and cultural activities for the benefit of the people of Taranaki, working in particular with the Taranaki Regional Council and the New Plymouth District Council. The Trust has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than $2 million.

Basis of preparation

Measurement base

The financial statements have been prepared on a historical costs basis, modified by the revaluation of certain fixed assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

New and amended accounting standards adopted

There have been no new or amended accounting standards adopted for the year ended 30 June 2021.

Changes in accounting policies

There have been no changes in accounting policies for the year ended 30 June 2021.

Significant accounting policies

The following is a summary of the significant accounting policies, adopted by the Trust, in the preparation of these financial statements.

Goods and services tax

The Trust is registered for Goods and Services Tax (GST). The financial statements have been prepared exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST. The net amount of GST, recoverable from or payable to the Inland Revenue Department (IRD), is included as part of receivables or payables, in the statement of financial position. The net amount of GST, paid to or received from the IRD, is classified as an operating cash flow, in the statement of cash flows.

Revenue

Council grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met (“use or return condition”). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Interest revenue is recorded as it is earned during the year.

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within borrowings, as a current liability, in the statement of financial position.

Investments

Investments comprise investments in terms deposits with banks. Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

Debtors and other receivables

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Property, plant and equipment

Property, plant, and equipment is recorded at cost, less accumulated depreciation and impairment losses with the exception of land and buildings which is recorded at valuation. Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised. For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount. For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Work in progress is recorded at cost. Cost includes expenditure which is directly attributable to the acquisition of an asset. Capital work in progress is not depreciated.

Accounting for revaluations

The Trust elects to apply PBE IPSAS 17 Property, Plant and Equipment for the purposes of accounting for revaluations.

When an item of property, plant and equipment is revalued, any accumulated depreciation, at the date of the revaluation, is eliminated against the gross carrying amount of the asset. Then, the net amount is restated, to reflect the revaluation.

If the carrying amount of an item of property, plant and equipment increases, as the result of a revaluation, the increase shall be recognised in the asset revaluation reserve, within other comprehensive income. However, the increase shall be recognised in the surplus or deficit, to the extent that it reverses a revaluation decrease, of the same class of assets, previously recognised in the surplus or deficit.

If the carrying amount of an item of property, plant and equipment decreases, as the result of a revaluation, the decrease shall be recognised in the surplus or deficit. However, the decrease shall be recognised in the asset revaluation reserve, within other comprehensive income, to the extent of any credit balance in the revaluation reserve, in relation to that asset class.

Revaluations of property, plant and equipment are accounted for on a class-of-asset basis.

In accordance with the Trust's Statement of Intent for the year to 30 June 2020, property, plant and equipment is revalued on a three yearly cycle, with the latest occurring as at 30 June 2020.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential, associated with the item, will flow to the Trust, and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment will be recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it will be recognised at fair value as at the acquisition date.

Disposals

Gains and losses on disposal are determined by comparing proceeds received, with the carrying amount of the asset. Gains and losses on disposal are included in the surplus or deficit. When revalued assets are sold, amounts included in the asset revaluation reserve, in relation to those assets, will be transferred to accumulated funds.

Subsequent costs

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

Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed annually for impairment, with reference to internal and external factors which may indicate the carrying value exceeds depreciated replacement cost. The Trust elects to apply Impairment of Revalued Assets including Amendments to PBE IPSASs 21 and 26 for the purposes of the impairment recognised in note 6. Any significant impairment is recognised by writing the assets down to their depreciated replacement cost and charging the impairment to the relevant revaluation reserve or to the surplus or deficit, where there is no revaluation reserve. If an asset's carrying value exceeds its recoverable amount, the asset is impaired, and the carrying amount is written down to the recoverable amount. In relation to revalued assets, the impairment loss is recognised against the revaluation reserve, for that asset class. Where that results in a debit balance, in the revaluation reserve, the balance is recognised in the surplus or deficit. In relation to assets that are not revalued, the total impairment is recognised in the surplus or deficit.

Depreciation and amortisation expense

Depreciation is provided on a straight-line basis, at rates that will write-off the cost or valuation of assets, to their estimated residual values, over their useful lives. The rates of depreciation are as follows:

Buildings	1.25% to 6.67% per annum
Furniture, fittings and equipment	6.67% to 25.00% per annum
Office Equipment	15.00% to 30.00% per annum

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

Creditors and other payables

Creditors and accrued expenses are measured at the amount owed.

Income tax

The Trust has been granted Charitable Status by the IRD and therefore, is exempt from income tax.

Loans

Loans are recognised at the amount borrowed from the lender. Loan balances include any interest accrued at year-end that has not yet been paid.

Critical accounting estimates and assumptions

In preparing these financial statements, the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the actual results.

Estimates and assumptions are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the value of assets and liabilities, within the next financial year, are discussed below:

Property, plant and equipment useful lives and residual values:

At each balance date, the Trust reviews the useful lives and residual values of its property, plant and equipment. To assess whether the useful lives and residual values are appropriate, the Trust considers a number of factors, such as, the physical condition of the asset, the expected period of use of the asset, and the expected disposal proceeds, from future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset and will therefore, impact depreciation expense in the statement of comprehensive income, and the carrying amount of the asset in the statement of financial position. The Trust minimises the risk of this uncertainty through physical inspection of assets. The Trust has made an impairment assessment with regard to the turf in the current financial year – refer note 6.

Going concern

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future. As at 30 June 2021, the Trust's current liabilities exceeded its current assets by $5,744,933 (2019/2020: $4,488,066). This is mainly the result of $332 of borrowings from a revolving facility, the $5,000,000 of borrowings from Taranaki Regional Council and $1,133,397 of payables relating to the repair and refurbishment project. The Trust is funded by Taranaki Regional Council to maintain Yarrow Stadium as a community asset.

Taranaki Regional Council has provided a letter of support to ensure that the Trust will continue to be provided financial support to enable it to pay its debts as they fall due. Taranaki Regional Council have also secured the funding that is required to repair the assets and the stadium as outlined in the Taranaki Regional Council 2021/2031 Long Term Plan.

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. In response, New Zealand has since moved through different alert levels with differing levels of restrictions on domestic activity.

The Trust has considered the impact of COVID-19 in respect of its status as a going concern. COVID-19 delayed the implementation of the repair and refurbishment project, thus providing the opportunity for the Taranaki Regional Council to apply for Government “shovel-ready” funding. This application was successful to the tune of $20m which will reduce the debt cost to the Trust in future years. The Trust was able to continue operating throughout the different pandemic alert levels and COVID-19 has resulted in no impact on liquidity and working capital. There has been no impact on access to capital. The repair and refurbishment project faces increased costs and supply delays resulting from the impacts of COVID-19 on building and construction materials. The Trust has taken the necessary steps to mitigate and minimise these impacts. The Trust is well positioned to maintain its financial position and to continue operating through this time of business uncertainty.

Taranaki Stadium Trust
Statement of Financial Performance
For the Three Years Ended 30 June 2023, 30 June 2024 and 30 June 2025

	Budget 2023 $	**Budget 2024 $**	**Budget 2025 $**
Income			
Taranaki Regional Council Grant	2,178,669	2,178,669	2,178,669
Crown Infrastructure Partners Funding	10,000,000	3,594,347	0
Interest received	0	0	0
Total income	12,178,669	5,773,016	2,178,669
Expenditure			
Depreciation and amortisation expense	500,000	1,000,000	1,400,000
Major maintenance	20,000	20,000	20,000
Interest	450,000	679,133	805,986
Insurance	150,000	150,000	125,000
Other expenses	20,000	20,600	21,218
Total expenses	1,140,000	1,869,733	2,372,204
Surplus/(deficit) before tax	11,038,669	3,903,283	(193,535)
Income tax expense	0	0	0
Total comprehensive income	**11,038,669**	**3,903,283**	**(193,535)**

Taranaki Stadium Trust
Statement of Changes in Equity
For the Three Years Ended 30 June 2023, 30 June 2024 and 30 June 2025

	Budget 2023 $	**Budget 2024 $**	**Budget 2025 $**
Balance at 1 July	21,369,740	32,408,409	36,311,692
Surplus/(Deficit) for the year	11,038,669	3,903,283	(193,535)
Other comprehensive income	0	0	0
Total comprehensive income	11,038,669	3,903,283	(193,535)
Balance at 30 June	**32,408,409**	**36,311,692**	**36,118,157**

Taranaki Stadium Trust
Statement of Financial Position
For the Three Years Ended 30 June 2023, 30 June 2024 and 30 June 2025

	Budget 2023 $	**Budget 2024 $**	**Budget 2025 $**
Assets			
Current assets			
Cash and cash equivalents	248,098	232,263	314,681
Debtors and other receivables	0	0	0
Total current assets	248,098	232,263	314,681
Non-current assets			
Property, plant and equipment	50,547,642	64,047,642	62,647,642
Total non-current assets	50,547,642	64,047,642	62,647,642
Total assets	50,795,740	64,279,905	62,962,323
Liabilities			
Current liabilities			
Creditors and other payables	540,000	540,000	540,000
Total current liabilities	540,000	540,000	540,000
Non-current liabilities			
Loan	17,847,331	27,428,213	26,304,166
Total non-current liabilities	17,847,331	27,428,213	26,304,166
Total liabilities	18,387,331	27,968,213	26,844,166
Net assets	**32,408,409**	**36,311,692**	**36,118,157**
Equity			
Accumulated funds	31,058,409	34,961,692	34,768,157
Asset Revaluation Reserve	1,350,000	1,350,000	1,350,000
Total equity attributable to the trust	**32,408,409**	**36,311,692**	**36,118,157**

Taranaki Stadium Trust
Statement of Cash Flows
For the Three Years Ended 30 June 2023, 30 June 2024 and 30 June 2025

	Budget 2023 $	Budget 2024 $	Budget 2025 $
Cash flows from operating activities			
Receipts from other revenue	12,178,669	5,773,016	2,178,669
Interest received	0	0	0
Payments to suppliers	(190,000)	(190,600)	(166,218)
Interest paid on the overdraft and bank fees	0	0	0
Goods and services tax (net)	0	0	0
Net cash from operating activities	11,988,669	5,582,416	2,012,451
Cash flows from investing activities			
Acquisition of property, plant and equipment	(14,500,000)	(14,500,000)	0
Net cash from investing activities	(14,500,000)	(14,500,000)	0
Cash flows from financing activities			
Loans raised	4,500,000	10,905,653	0
Interest paid	(450,000)	(679,133)	(805,986)
Repayment of borrowings	(1,352,669)	(1,324,771)	(1,124,047)
Net cash from financing activities	2,697,331	8,901,749	(1,930,033)
Net (decrease)/Increase in cash, cash equivalents and bank overdrafts	186,000	(15,835)	82,418
Cash, cash equivalents and bank overdrafts at the beginning of the year	62,098	248,098	232,263
Cash, cash equivalents and bank overdrafts at the end of the year	**248,098**	**232,263**	**314,681**

MEMORANDUM
Executive, Audit & Risk

Date	28 March 2022
Subject:	**Regional Software Holdings Ltd: Six Month Report to Shareholders to 31 December 2021**
Approved by:	M J Nield, Director - Corporate Services
	S J Ruru, Chief Executive
Document:	3018124

Purpose

1. The purpose of this memorandum is to receive and consider Regional Software Holdings Ltd's interim report on the operations and activities of the company for the six months ending 31 December 2021.

Recommendations

That the Taranaki Regional Council:

a) receives Regional Software Holdings Ltd's interim report for the six months ended 31 December 2021 including the unaudited financial report.

Background

2. The Council has a 15.5% shareholding in Regional Software Holdings Ltd. Regional Software Holdings Ltd is a council-controlled organisation (CCO) of the Council.
3. The *Local Government Act 2002,* and Regional Software Holdings Ltd's Statement of Intent, require a six-month set of financial statements (unaudited) to be prepared.

Discussion

4. Attached is the report for the six months ended 31 December 2021. The financial statements contained in the interim report are unaudited.
5. Regional Software Holdings Ltd is operating successfully, operationally and financially.
6. Items of significance during the six months include:
   - IRIS: As the focus shifts to the future and IRIS NextGen, RSHL has reduced the frequency of IRIS releases
   - IRIS Next Generation: In this period, the IRIS NextGen Programme continued to build momentum. They concluded the due diligence activities on the proposal from Datacom and commenced the discovery phase of the programme

- Sector Shared Services: In August 2021 the RCEOs forum approved the business case for the creation of a Regional Sector Shared Services organization based on RSHL. The intention is to have the new organisation in place by July 2022. Sector Financial Management System: In 2020, the ReCoCo Programme was superseded by the Sector Financial Management System (SFMS). As part of the SFMS, RSHL is responsible for the management of the funding for regional sector collaborative programmes; Regional Sector Office, Sector Business Plan, River Managers Programme, ReCoCo Technology Projects, EMaR Programme, Bio Managers Programme and Bio Control Programme.

7. The company is running at a loss. This reflects the depreciating value of the investment in the IRIS product. Expenditure on the IRIS solution is no longer being treated as a capital investment. As a result, the book value of the asset is depreciating rapidly. This is appropriate as the product nears the end of its life and the company looks to reinvest in IRIS NextGen. Cash balances remain healthy as the losses are resulting from depreciation rather than trading activities.

Financial considerations—LTP/Annual Plan

8. This memorandum and the associated recommendations are consistent with the Council's adopted Long-Term Plan and estimates. Any financial information included in this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

9. This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Local Government Official Information and Meetings Act 1987*.

Iwi considerations

10. This memorandum and the associated recommendations are consistent with the Council's policy for the development of Māori capacity to contribute to decision-making processes (schedule 10 of the *Local Government Act 2002*) as outlined in the adopted long-term plan and/or annual plan.

Community considerations

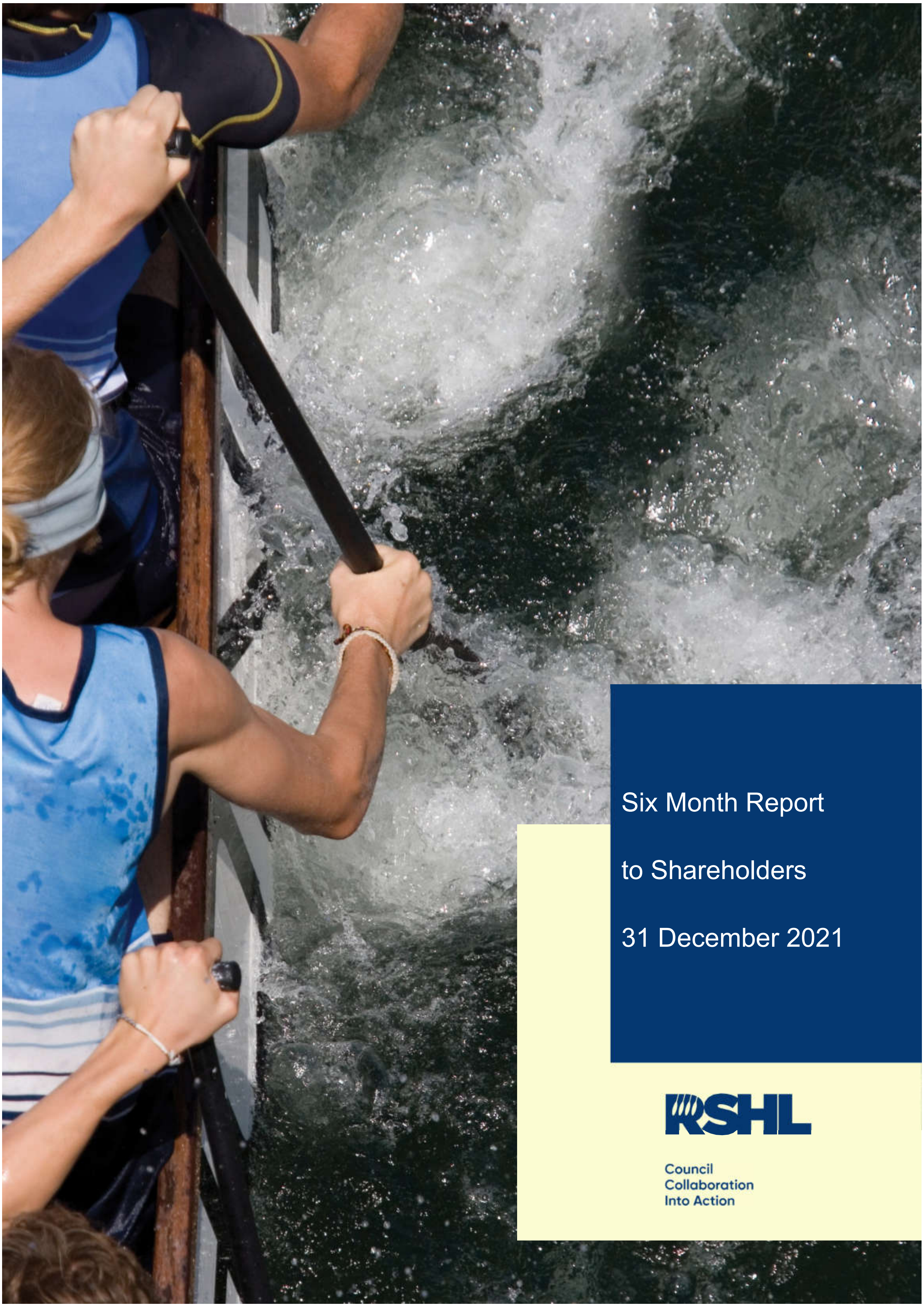
11. This memorandum and the associated recommendations have considered the views of the community, interested and affected parties and those views have been recognised in the preparation of this memorandum.

Legal considerations

12. This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

Appendices/Attachments

Document 3018140: Regional Software Holdings Ltd: Six Month Report to Shareholders to 31 December 2021



Six Month Report

to Shareholders

31 December 2021

RSHL

Council
Collaboration
Into Action

Contents

Entity Information

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

Regional Software Holdings Limited (RSHL) was incorporated in October 2012. This report covers the 6 months from 1 July 2021 to 31 December 2021 as required by Section 66 of the Local Government Act 2002. RSHL has no subsidiaries or joint ventures.

Entity Type and Legal Basis

RSHL is a Public Limited Liability Company incorporated and registered under the Companies Act 1993 and is a council-controlled organisation as defined in Section 6 of Local Government Act 2002

Entity Structure

The Company comprises of a Board of seven Directors. The Board oversee the governance of RSHL. In addition there is a General Manager who is responsible for the day-to-day operations of RSHL and reporting to the Board. Each of the six shareholder entities are entitled to separately appoint one director each, with one independent director appointed by the Board.

Main Sources of Entity's Cash and Resources

Funds for IRIS development and operation of the company are received by way of levies from each member and customer Council. These levies are set annually in the Statement of Intent. Additional funding for Sector projects and ReCoCo is collected from all 16 regional and unitary councils.

Nature and Scope of Activities to be Undertaken

RSHL provides a framework for collaboration between shareholders, customers, and across the wider regional council sector. It supports the procurement or development of shared solutions and products in a manner that provides greater consistency in how we operate our core processes. RSHL provides a more cost effective alternative than individual councils can achieve on their own.

The company operates by facilitating collaborative initiatives between councils and through managed contractual arrangements. Some councils are both customers of RSHL and providers of service to RSHL.

RSHL activities are currently grouped into two key programmes of work:

<table>
<tr><td>IRIS</td><td>The IRIS Programme delivers the IRIS software platform to shareholder and customer councils. The IRIS software has been in use for 8 years and is currently in use at 7 councils. The 7 councils actively collaborate on the use of IRIS and the future development roadmap.

IRIS Next Generation

RSHL and the member councils have determined that the IRIS software platform will need to be replaced within the next 2-4 years.

IRIS Next Generation (NextGen) will be cloud based with enhanced online and mobile features. IRIS NextGen will be more efficient for staff and customers.

IRIS NextGen is built on the basis of standard best practice as defined by the regional sector. Along with the software solution, we will implement consistent “good practice” processes for the sector.

Over the next two years, RSHL will identify:

• The IRIS NextGen solution.
• A transition plan for existing users.
• A growth plan to attract new councils to the program.</td></tr>
</table>

	The IRIS NextGen program will require changes to the shareholding and membership arrangements of RSHL. RSHL will implement these changes over the next two years. The budget for 2021/22 and indicative budget for subsequent years reflect the use of debt to fund the development of IRIS NextGen. This approach is seen as the best way to smooth the costs of the new solution over a longer term than would otherwise be the case.
Sector Shared Services	In 2020 the ReCoCo Programme was superseded by the Sector Financial Management System (SFMS). As part of the SFMS, RSHL is responsible for the management of the funding for regional sector collaborative programmes; • Regional Sector Office • Sector Business Plan • River Managers Programme • ReCoCo Technology Projects • EMaR Programme • Bio Managers Programme • Bio Control Programme The sector has a budget of over $2.5M for these initiatives. RSHL collects this funding from councils and engages suppliers to deliver services to achieve the outcomes from each of the programmes. ReCoCo is one of the programmes within the SFMS. Under the ReCoCo banner RSHL delivers collaborative technology projects for groups of regional councils. The ReCoCo programme is led by the Corporate and Finance Special Interest Group.

Vision

To provide a high-quality shared service for the regional council sector (and associated agencies) that delivers value to customers, shareholders and the sector.

Mission

Deliver shared solutions to the regional council sector along with collaborative outcomes through sector special interest groups to achieve:

- Consistent, good-practice regional council specific processes and functions
- Value through economies of scale
- Greater influence for the sector with central government through cohesion and collaboration
- Reduced risk through ensuring continuity of supply and control of the destiny of regional council sector specific software.

Values

In all RSHL decisions and interactions the Board and staff together with council participants who may be working within the RSHL framework will observe the following values and ethos:

- We are forward thinking and innovative
- We are responsive and deliver value
- We are professional and accountable
- We are flexible and open.

Guiding Principles

- The best decision is that which provides the best end result, primarily for participating councils and indirectly the communities they serve
- Our solutions will be practical, appropriate to the scale of the problem and affordable
- Where appropriate we will utilise codes of practice and standards produced by industry groups
- All parties to any decision or interaction will be treated with respect, dignity, integrity and honesty.

Objectives

The principal objective of RSHL is to deliver on the vision, mission and values.

The secondary objective of RSHL is to:

- Achieve the objective of its shareholders, both commercial and non-commercial as specified in the Statement of Intent
- Be a good employer
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the Company operates and by endeavouring to accommodate or encourage these when able to do so.

Statement of Service Performance

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

Progress against the Statement of Intent (SOI) performance measures is reported in the following section.

Items of significance during the six months include:

IRIS	As the focus shifts to the future and IRIS NextGen, we have reduced the frequency of IRIS releases. The next release (4.05) is scheduled for February 2022. In this period we rolled out a BI Reporting module for IRIS that will enable easier reporting and analysis on consenting activity. The tools will also support councils' data cleansing, an important activity to be completed prior to migration to IRIS NextGen.
IRIS Next Generation	In this period the IRIS NextGen Programme continued to build momentum. We positively concluded our Due Diligence activities on the proposal from Datacom and, have commenced the Discovery phase of the programme. The Discovery Phase will help RSHL and Datacom to establish a solid basis for the remainder of the programme, to reduce risk and prepare for the work to come. We are pleased that 5 additional councils are working with us on IRIS NextGen. We have established a new Advisory Group to oversee the programme.
Sector Shared Services	In August 2021 the RCEOs forum approved the business case for the creation of a Regional Sector Shared Services organization based on RSHL. The intention is to have the new organisation in place by July 2022. In this period, we have confirmed that 10 councils (4 new) intend to take a shareholding in the new organization, with remaining councils requiring more information, or more time to make a commitment. We have commenced the legal work on the new structure of the company. The FY2023 DRAFT Statement of Intent for RSHL will be provided to councils for feedback by 1 March. This SOI will reflect the changes to the operation of the company.
Sector Financial Management System	In 2020 the ReCoCo Programme was superseded by the Sector Financial Management System (SFMS). As part of the SFMS, RSHL is responsible for the management of the funding for regional sector collaborative programmes; • Regional Sector Office • Sector Business Plan • River Managers Programme • ReCoCo Technology Projects • EMaR Programme • Bio Managers Programme • Bio Control Programme. This programme is now operating as a BAU activity. Along with managing funding, RSHL also provides practical assistance for sector projects – for example managing the new sector web presence (teurukahika.govt.nz) and related accounts. The ReCoCo Technology Programme currently has 3 significant projects in flight.

Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2021-2022 financial year.

	Performance Measures	For the period ending 31 December 2021
Non Financial	Undertake an annual survey of IRIS users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support. Provide a summary of the survey results in the annual report, including performance against the baseline. Survey results to be the same or better than the previous year.	Complete. The IRIS user survey was completed in November 2021. Results were reported to the board in February 2022 and reflected overall improvement in the performance of RSHL, Datacom and the IRIS Product.
Non Financial	Develop, approve, communicate and refine the product strategy for IRIS NG.	In Progress. The IRIS NextGen product strategy will be delivered by the IRIS NextGen Programme Discovery Phase.
Non Financial	Prepare and adopt the annual IRIS major enhancement roadmap by 30 June for delivery in the subsequent year.	Complete. The IRIS Development roadmap extends for 3 years. It is refined by the Advisory Group as required. The roadmap was presented to the board in November 2021.
Non Financial	Major Enhancement projects are completed within approved budget or (for items in progress) on track against their agreed timeline and budget at 30 June of each year.	In Progress. Business Intelligence Implementation - is on track and on budget and has been delivered. MAJ057 IRIS Advanced Search Enhancement is on track and on budget for delivery in the IRIS v4.05 release in February.
Non Financial	Budgets for support and minor enhancements are approved by the Board by 30 June each year and delivery within these budgets is effectively managed by the Advisory Group and the General Manager.	In Progress. Expenditure on support and minor enhancements are in line with budget.
Financial	RSHL will operate within approved budget, with any material variations approved by the Board.	In Progress. Expenditure in FY2022 has been in line with budget.
Financial	Annual charges for shareholders and customers to be at the level approved by the Board and Shareholder Councils based upon the approved operating budget and budgets for major and minor enhancements.	In Progress. There is no expectation we will seek. additional contributions from members.
Growth	Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholders base of RSHL.	In Progress. This is being achieved through IRIS NextGen, the Sector Financial Management System and the Shared Services Implementation.
Growth	Engage with councils in the sector to evaluate options for the eventual replacement of the current IRIS software package. The objective is to identify a solution that can be adopted by an increasing number of councils in the sector.	In Progress. The objective will be achieved through the IRIS NextGen Programme.

Growth	Be a service delivery vehicle for wider regional council sector shared programmes under the Sector Financial Management System (or similar).	In Progress. SFMS is in place for 2021/22. RSHL has collected $1.5M of funding on behalf of the regional sector and paid $1.2M in expenses.
Growth	Be a service delivery vehicle for wider regional council sector and related council sector and related bodies information management projects (ReCoCo) and related shared services. Projects to be delivered on time and on budget as agreed in each of the Statements of Work between RSHL and the ReCoCo Advisory Group.	In Progress. There are several projects in flight under the ReCoCo framework. All projects are managed using appropriate project management controls.
Growth	Work with the RCEOs Group to develop a business case for the Regional Sector Services Organisation. Business case to be considered by December 2021 to allow for the development of a new Statement of Intent in early 2022.	Complete. The business case for the Regional Sector Shared Services organisation was approved on 3 August 2021.

Directors Report

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

Financial Position

Member Contributions and Other Revenue are tracking to budget for the year.

Regional Sector Shared Services Revenue is slightly more than budget, as work programme budgets were amended in July 2021. NB There is no impact on RSHLs final results because this is revenue in advance that RSHL holds on behalf of the regional sector.

Operating expenditure for RSHL activities is tracking to budget. Personnel costs will be more that budget because of the recruitment of a Product Manager. This will be offset by a reduction in Management Fees and additional revenue.

The company is running at a loss. This reflects the depreciating value of the investment in the IRIS product.

Expenditure on the IRIS solution is no longer being treated as a capital investment. As a result, the book value of the asset is depreciating rapidly. This is appropriate as the product nears the end of its life and the company looks to reinvest in IRIS NextGen. Cash balances remain healthy as the losses are resulting from depreciation rather than trading activities.

Expenditure for shared services is in line with expectations.

The cash position is very favourable to budget due to the Sector Financial Management Funds which are held on behalf of the regional sector.

It is expected that the income and expenditure for RSHL activities will be close to budget.

Financial Statements

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

Registered Office

C/- O'Fee Next Level Accounting

PO Box 1007

Palmerston North

Auditors

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

Directors

The directors appointed for the period that this six monthly report covers were:

Mike Nield (Chairperson)	Taranaki Regional Council
John Crane	Waikato Regional Council
Malcolm Nicolson	Northland Regional Council
Ged Shirley	Horizons Regional Council
Jane Carroll	Southland Regional Council
Heather Mabin	West Coast Regional Council
A Aakjaer (Independent Director)	

RSHL

Interest Register

All directors listed their interests in the register on being appointed to the company and interest are reviewed at each board meeting. The following interests are registered:

Director	Organisation	Interest
MJ Nield	Taranaki Stadium Trust	Trustee
J Crane	-	-
MC Nicolson	Hawk Hill Estates Limited The Masters Group Holdings Limited	Director Director
G Shirley	-	-
J Carroll	JCom Limited JC's Properties Limited Voicecom Technologies Limited	Director & Shareholder Director & Shareholder Shareholder
A Aakjaer	Negotiate Limited Aakjar Trustee Company Limited Ice Bear Holdings Limited One Sheep at a Time Limited Note: Negotiate Conulting may from time to time provide advisory services to Northland Regional Council and Waikato Regional Council	Director & Shareholder
H Mabin	-	-

Additonal Disclosure

The Companies Act 1993 requires disclosure of the amount of donations, audit fees, fees for other services from the auditor, and the number of employees of the company who receives remuneration and other benefits above $100,000 per annum, in brackets of $10,000. For this financial year, two employees were employed by RSHL and their remunerations are both over $140,000. The audit fee for the period is unconfirmed at the time of writing, paid to Audit New Zealand.

Statement of Compliance and Responsibility

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

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

In the Board of Director's opinion, these financial statements fairly reflect the financial position and operations of RSHL for the six months ended 31 December 2021.

Signed on behalf of the Board of Directors:

______

'son

Date: 28 February 2022

Statement of Comprehensive Revenue and Expense

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

	NOTES	31 DEC 2021 6 MONTHS (UNAUDITED)	31 DEC 2020 6 MONTHS (UNAUDITED)	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
Revenue					
Interest		645	287	600	631
Regional Sector Shared Services		1,485,475	1,367,914	2,551,392	2,132,784
Member Contributions		667,576	953,193	1,340,947	1,317,976
Other revenue	1	143,325	115,959	231,931	154,612
Total Revenue		**2,297,021**	**2,437,352**	**4,124,870**	**3,606,002**
Expenses					
Administration Costs	2	40,998	29,572	61,865	55,746
Audit and Legal Fees		-	-	86,534	32,765
Datacom Support Services		139,020	97,713	260,000	210,427
Enviromental Charges		9,674	10,366	22,444	20,455
External Contractors		164,577	156,515	300,040	268,074
External Directors Fees		16,500	19,179	33,000	14,804
Management Fees		78,216	94,728	145,000	180,416
Other Direct Software Expenses		227,592	171,160	472,066	610,372
Personnel costs		136,167	73,802	176,610	144,601
Promotional costs		50	2,080	8,000	7,836
Regional Sector Shared Services		1,230,661	556,351	2,551,392	2,132,784
Travel and Meeting Costs		5,619	6,939	18,750	7,061
Depreciation	5	471,445	472,075	920,438	943,520
Total Expenses		**2,520,519**	**1,690,480**	**5,056,139**	**4,628,860**
Surplus/(deficit) before tax		**(223,498)**	**746,872**	**(931,269)**	**(1,022,858)**
Surplus/(deficit) after tax		**(223,498)**	**746,872**	**(931,269)**	**(1,022,858)**
Surplus/(deficit) attributable to RSH Ltd		**(223,498)**	**746,872**	**(931,269)**	**(1,022,858)**
Total comprehensive revenue and expense		**(223,498)**	**746,872**	**(931,269)**	**(1,022,858)**

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

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

Statement of Comprehensive Revenue and Expense - RSHL Activity

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

	NOTES	31 DEC 2021 6 MONTHS UNAUDITED	31 DEC 2020 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
Revenue					
Interest		645	287	600	631
Members Contribution		667,576	953,193	1,340,947	1,317,976
Other revenue		143,325	115,959	231,931	154,612
Total Revenue		**811,546**	**1,069,439**	**1,573,478**	**1,473,218**
Expenses					
Administration Costs		40,998	29,572	61,865	55,746
Audit and Legal Fees		-	-	86,534	32,765
Datacom Support Contract		139,020	97,713	260,000	210,427
Environment Charges		9,674	10,366	22,444	20,455
External Contractors		164,577	156,515	300,040	268,074
External Directors Fees		16,500	19,179	33,000	14,804
Management Fees		78,216	94,728	145,000	180,416
Other Direct Software Expenses		227,592	171,160	472,066	610,372
Personnel Costs		136,167	73,802	176,610	144,601
Promotional costs		50	2,080	8,000	7,836
Travel, Accommodation & Meeting costs		5,619	6,939	18,750	7,061
Depreciation		471,445	472,075	920,438	943,520
Total Expenses		**1,289,858**	**1,134,129**	**2,504,747**	**2,496,077**
Surplus/(deficit) before tax		**(478,311)**	**(64,691)**	**(931,269)**	**(1,022,858)**
Surplus/(deficit) after tax of RSHL Activity		**(478,311)**	**(64,691)**	**(931,269)**	**(1,022,858)**

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

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

Statement of Comprehensive Revenue and Expense - ReCoCo Activity

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

	NOTES	31 DEC 2021 6 MONTHS UNAUDITED	31 DEC 2020 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
Revenue					
Regional Sector Share Services		1,485,475	1,367,914	2,551,392	2,132,784
Total Revenue		**1,485,475**	**1,367,914**	**2,551,392**	**2,132,784**
Expenses					
Regional Sector Share Services		1,230,661	556,351	2,551,392	2,132,784
Total Expenses		**1,230,661**	**556,351**	**2,551,392**	**2,132,784**
Surplus/(deficit) before tax		**254,814**	**811,563**	**-**	**-**
Surplus/(deficit) ReCoCo Activity		**254,814**	**811,563**	**-**	**-**

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

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

Statement of Financial Position

Regional Software Holdings Limited
As at 31 December 2021

	NOTES	31 DEC 2021 6 MONTHS UNAUDITED	31 DEC 2020 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
Assets					
Current Assets					
Cash and cash equivalents	3	2,495,267	1,336,016	2,495,267	685,927
Accounts Receivable and Accruals	4	90,540	589,389	90,540	2,321,647
Income Tax Receivable		525	261	525	351
Total Current Assets		**2,586,332**	**1,925,667**	**2,586,332**	**3,007,926**
Non-Current Assets					
Property, Plant & Equipment (PPE)	5	3,014,430	4,081,178	3,014,430	3,485,875
Total Non-Current Assets		**3,014,430**	**4,081,178**	**3,014,430**	**3,485,875**
Total Assets		**5,600,763**	**6,006,844**	**5,600,763**	**6,493,801**
Liabilities					
Current Liabilities					
Payables and Accruals	6	298,766	154,977	298,766	881,228
Income Received in Advance		29,886	29,886	29,886	19,924
Revenue in Advance - ReCoCo		1,653,590	172,274	1,653,590	1,653,590
Goods and services tax		27,737	65,696	27,737	124,778
Total Current Liabilities		**2,009,979**	**422,832**	**2,009,979**	**2,679,520**
Total Liabilities		**2,009,979**	**422,832**	**2,009,979**	**2,679,520**
Net Assets		**3,590,784**	**5,584,012**	**3,590,784**	**3,814,281**
Equity					
Contributed Capital	7	5,149,150	5,149,150	5,149,150	5,149,150
Accumulated Funds	7	(1,558,366)	434,862	(1,558,366)	(1,334,869)
Total Equity		**3,590,784**	**5,584,012**	**3,590,784**	**3,814,281**

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

Statement of Changes in Equity/Net Assets

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

	31 DEC 2021 6 MONTHS UNAUDITED	31 DEC 2020 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
Equity				
Opening Balance	3,814,281	4,837,140	3,814,281	4,837,140
Total Comprehensive Revenue and Expense for the year	(223,498)	746,872	35,519	(1,022,858)
Balance at 30 June	**3,590,784**	**5,584,012**	**3,849,800**	**3,814,281**
Total Comprehensive Revenue and Expense Attributable to				
Regional Software Holdings Ltd	(223,498)	746,872	35,519	(1,022,858)

Statement of Cash Flows

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

	31 DEC 2021 12 MONTHS UNAUDITED	31 DEC 2020 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
Cash Flows from Operating Activities				
Receipts from Members	775,548	907,866	775,548	1,534,935
Interest Received	645	287	645	631
ReCoCo Income	3,381,657	1,177,860	3,381,657	1,710,126
Other Income	38,667	-	38,667	-
Income tax received/(paid)	(174)	(74)	(174)	(163)
Payments to suppliers and employees	(2,511,782)	(1,205,408)	(2,511,782)	(2,908,251)
GST	124,779	2,575	124,779	(77,617)
Total Cash Flows from Operating Activities	**1,809,340**	**883,106**	**1,809,340**	**259,660**
Cash Flows from Investing and Financing Activities				
Payments to acquire property, plant and equipment	-	(149,056)	-	(175,698)
Total Cash Flows from Investing and Financing Activities	**-**	**(149,056)**	**-**	**(175,698)**
Net Increase/ (Decrease) in Cash	**1,809,340**	**734,051**	**1,809,340**	**83,962**
Cash Balances				
Cash and cash equivalents at beginning of period	685,927	601,965	685,927	601,965
Cash and cash equivalents at end of period	2,495,267	1,336,016	2,495,267	685,927
Net change in cash for period	1,809,340	734,051	1,809,340	83,962

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

Statement of Accounting Policies

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO), owned by:

Council	Ownership
Waikato Regional Council	32.75%
Northland Regional Council	16.75%
Horizons Regional Council	15.50%
Taranaki Regional Council	15.50%
Southland Regional Council	15.50%
West Coast Regional Council	4.00%

RSHL was incorporated in October 2012. RSHL was primarily incorporated for the purposes of providing a framework for the collaboration between the shareholders and across the wider regional council sector. RSHL has designated itself a Public Benefit Entity (PBE) for for the purposes of complying with generally accepted accounting practices.

The financial statements are those of RSHL, for the six months ended 31 December 2021, and were authorised for issue by the Board of Directors on 28 February 2022.

Public Benefit Entity Simple Format Reporting

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

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

Basis of Preparation of the Financial Statements

The Financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.The financial statements have been preapred on a historical costs basis. All transactions are reported using the accrual basis of accounting.

Statement of Compliance

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

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

Presentation currency and rounding

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

Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value ofconsideration received or receivable.

a) Members Contributions and other forms of revenue (excludinginvestment revenue), including fees, charges, and other revenues are recognised on an accrual basis.

b) Interest revenue is recorded as it is earned.

Expenditure

Expenditure is recognised on an accrual basis when the service was provided, or the goods received. Costs associated with maintaining the IRIS software suite are recognised as an expense wehn incurred.

Bank Accounts and Cash

Cash and cash equivalents includes cash on hand, on demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented as a current liability in the Statement of Financial Position.

Receivables

Short-term receivables are recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recognised as a bad debt expense.

Inventories

Inventory is initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and their selling process. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Goods and Services Tax (GST)

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

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

The net GST paid to, or recovered from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expenses calculated using the axes payable method. As a result no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustents to prior year tax liabilites.

Payables

Short term creditors and other payables are recorded at the amount owed.

Property, Plant and Equiment

Software acquistion and development Costs that are directly associated with the development of the IRIS software suite are recognised as property, plant and equipment.

Depreciation
Depreciation begins when the asset is avaliable for use and ceases at the date that the asset is derecognised. The depreciation charge for each period is recognised through the Statement of Financial Performance.

The carrying value is depreiated on a straight-line basis over its useful life. The useful life and associated depreciation rate for the IRIS software suite is 10 years and 10%.

Where software in this category is replaced, upgraded or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Financial Performance. This change in value will be the difference between the carrying value of the original item and its fair value.

Critical Accounting Estimates and Assumptions

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

Additional Disclosure

The companies Act 1993 requires disclosure of the amount of the donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above $100,000 per annum, in brackets of $10,000.

For this financial year two staff members are employed by RSHL.

Remuneration Bracket	Staff
100,000 - 110,000	0
110,000 - 120,000	0
120,000 - 130,000	0
130,000 - 140,000	0
140,000 -150,000	1
150,000 - 160,000	0
160,000 - 170,000	0
170,000 +	1

The audit fee for the six month period is expected to be $nil (GST Exclusive) paid to Audit New Zealand.

Notes to the Performance Report

Regional Software Holdings Limited
For the 6 months ended 31 December 2021

	31 DEC 21 6 MONTHS UNAUDITED	31 DEC 20 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
1. Other Income				
User Funding - Hawkes Bay Regional Council	78,466	115,959	156,931	154,612
ReCoCo Expense Recovery	24,573	-	75,000	-
Other Revenue	40,287	-	-	-
Total Other Income	**143,325**	**115,959**	**231,931**	**154,612**

	31 DEC 21 6 MONTHS UNAUDITED	31 DEC 20 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
2. Administration Expenses				
Accounting & Technical Support	36,260	25,137	32,343	51,210
Administration Costs	2,204	2,060	27,222	3,435
Bank Fees	184	134	-	138
Insurance	2,350	2,240	2,300	963
Total Administration Expenses	**40,998**	**29,572**	**61,865**	**55,746**

	31 DEC 21 6 MONTHS UNAUDITED	31 DEC 20 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
3. Cash and cash equivalents				
Business Online Saver	280,331	580,172	-	280,271
Credit Card - Mark Donnelly	(1,108)	(496)	-	(222)
Current Account	2,216,044	756,340	-	405,878
Total Cash and cash equivalents	**2,495,267**	**1,336,016**	**-**	**685,927**

	31 DEC 21 6 MONTHS UNAUDITED	31 DEC 20 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
4. Receivables and accruals				
Accounts Receivable	60,654	559,504	-	2,261,876
Prepayments	29,886	29,886	-	59,771
Total Receivables and accruals	**90,540**	**589,389**	**-**	**2,321,647**

5. Property, Plant and Equipment

	E-Learning Software	IRIS Software Intellectual Property	Computer Hardware	Total
Carrying amounts as at 1 July 2020	31,186	4,421,265	631	4,453,052
Additions	-	117,394	-	117,394
Disposals (net accumulated depreciation)	-	-	-	-
Depreciation Expense	(4,253)	(938,637)	(631)	(943,520)
Work in Progress written off/impaired	-	(141,050)	-	(141,050)
Carrying amount as at 30 June 2021	**26,933**	**3,458,942**	**-**	**3,485,875**
Carrying amounts as at 1 July 2021	26,933	3,458,942	-	3,485,875
Additions	-	-	-	-
Disposals (net of accumulated depreciation)	-	-	-	-
Depreciation Expense	(2,126)	(469,318)	-	(471,445)
Work in Progress written off/impaired	-	-	-	-
Carrying amount as at 31 December 2021	**24,806**	**2,989,624**	**-**	**3,014,430**

At 31 December 2021 the working progress value of the IRIS Asset is $Nil (31 December 2020: $100,200).

	31 DEC 21 6 MONTHS UNAUDITED	31 DEC 20 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
6. Payables and accruals				
Accounts Payable	260,268	124,836	-	763,691
PAYE Payable	8,527	7,082	-	7,082
Employee Entitlements	18,971	9,947	-	10,596
Accrued Expenses	11,000	13,113	-	99,859
Total Payables and accruals	**298,766**	**154,977**	**-**	**881,228**

	31 DEC 21 6 MONTHS UNAUDITED	31 DEC 20 6 MONTHS UNAUDITED	30 JUNE 2022 12 MONTHS SOI	30 JUNE 2021 12 MONTHS UNAUDITED
7. Equity				
Contributed Capital				
Balance at 1 July	5,149,150	5,149,150	5,149,150	5,149,150
Capital Contribution	-	-	-	-
Balance at end of period	**5,149,150**	**5,149,150**	**5,149,150**	**5,149,150**
Accumulated Surplus				
Balance at 1 July	(1,334,869)	(312,010)	(999,610)	(312,011)
Surplus/(deficit) for the year	(220,214)	746,872	(931,269)	(1,022,858)
Balance at end of period	**(1,555,083)**	**434,862**	**(1,930,879)**	**(1,334,869)**
Total Equity	**3,594,067**	**5,584,012**	**3,218,271**	**3,814,281**

8. Contingent Liabilities and Guarantees

There are no contingent liabilities or guarantees as at 31 December 2021 (Last year - nil).

9. Related party transactions

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

Related Party Transactions Significant to RSHL Requiring Disclosure:

RSHL purchased management services from Waikato Regional Council (WRC) (32.75% shareholder) to the value of $97,752 (including GST) (Dec 2020: $85,551(incl. GST).

RSHL purchased management services from Taranaki District Council (TRC) (15.50% shareholder) to the value of $13,878 (including GST) (Dec 2020 : $Nil)

RSHL purchases administrative services from West Coast Regional Council (WCRC) (4.0% shareholder) to the value of $Nil (including GST) (Dec 2020: $7,101 (incl. GST).

RSHL

Council
Collaboration
Into Action

PO Box 1007, Palmerston North

Taranaki Regional Council

MEMORANDUM
Executive, Audit & Risk

Date 28 March 2022

Subject: **Regional Software Holdings Ltd Draft Statement of Intent for 2023-2025**

Approved by: M J Nield, Director - Corporate Services

S J Ruru, Chief Executive

Document: 3014405

Purpose

1. The purpose of this memorandum is to receive and consider Regional Software Holdings Ltd's Statement of Intent (SOI) for the year ending 30 June 2023 and then to provide feedback to the Board of Directors.

Recommendations

That the Taranaki Regional Council:

a) receives and considers Regional Software Holdings Ltd's draft Statement of Intent for the year ending 30 June 2023

b) provides feedback to the Board of Directors of Regional Software Holdings Ltd.

Background

2. The Council has a 15.5% shareholding in Regional Software Holdings Ltd. Regional Software Holdings Ltd is a council-controlled organisation (CCO) of the Council.

3. CCO's are required to prepare a statement of intent and forward it to shareholders by 1 March of each year. Shareholders then consider the draft SOI and provide feedback to the CCO. CCO's are required to furnish a completed statement of intent by 30 June of each year.

4. Regional Software Holdings Ltd has prepared the attached draft SOI for the year ending 30 June 2023. The SOI was received by the statutory deadline.

Discussion

5. The *Local Government Act 2002* sets out the requirements for a statement of intent. The attached statement complies with the requirements of the Act.

6. The draft statement of intent reflects the partnership arrangements between the seven regional Councils (Northland, Waikato, Taranaki, Horizons, West Coast, Southland (all

shareholders) and Hawkes Bay (customer only)) that have developed and implemented IRIS (Integrated Regional Information Systems).

7. RSHL is at a transitional point in its history with two significant changes ahead. First is the transition to a regional sector shared services organisation and second is the transition from IRIS to IRIS NextGen. Both initiatives are a work-in-progress and the final outcome for each is not confirmed.
8. Last year's Statement of Intent signalled the creation of a Regional Sector shared services organisation, with a shareholding including most regional councils and unitary authorities. This draft Statement of Intent reflects the realisation of this vision, including a revised shareholding, and realignment of the activities of the company.
9. This statement of intent includes budget provisions for the implementation of IRIS Next Generation. This is a significant multi-year commitment for participating councils. While these provisions are included in the draft budget, this activity is subject to the collective agreement of the councils participating in the IRIS NextGen Programme. The IRIS NextGen Programme will not proceed without the long-term financial commitment of most participating councils.
10. For the IRIS NextGen Programme, the financial result is a loss is $3.1M. It is intended that these costs be serviced by borrowings. The benefit of this approach is to smooth costs and provide financial consistency to councils. The cost and funding structures for IRIS NextGen will continue to be refined over the next 3 months.

Financial considerations—LTP/Annual Plan

11. This memorandum and the associated recommendations are consistent with the Council's adopted Long-Term Plan and estimates. Any financial information included in this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

12. This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Local Government Official Information and Meetings Act 1987*.

Iwi considerations

13. This memorandum and the associated recommendations are consistent with the Council's policy for the development of Māori capacity to contribute to decision-making processes (schedule 10 of the *Local Government Act 2002*) as outlined in the adopted long-term plan and/or annual plan.

Community considerations

14. This memorandum and the associated recommendations have considered the views of the community, interested and affected parties and those views have been recognised in the preparation of this memorandum.

Legal considerations

15. This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

Appendices/Attachments

Document 3014751: Regional Software Holdings Ltd Statement of Intent 2022-2023 Covering Letter

Document 3014752: Regional Software Holdings Ltd Statement of Intent 2023-2025

RSHL

Council
Collaboration
Into Action

–

28 February 2022

RE : RSHL DRAFT Statement of Intent 2022-23

Regional Software Holdings Limited is pleased to present its draft Statement of Intent 2022-23 for your consideration and feedback.

The draft SOI is required to be received by shareholder councils before 1 March 2022 for review and feedback. The Board looks forward to receiving the shareholding councils' views on the draft Statement of Intent before 1 May 2022.

RSHL is at a transitional point in its history with two significant changes ahead. First is the transition to a regional sector shared services organisation and second is the transition from IRIS to IRIS NextGen. Both initiatives are a work-in-progress and the final outcome for each is not confirmed.

This situation has made the development of the draft Statement of Intent complex and required us to make some significant assumptions. It is possible that the final Statement of Intent will deviate significantly from this draft.

As we seek your feedback, we ask that commentary be focused on the strategic direction of travel rather than the detail within the draft Statement of Intent.

Rest assured, the Board of RSHL is committed to regular communication and engagement with shareholders as we work through the challenges ahead of us.

Last year's Statement of Intent signalled the creation of a Regional Sector shared services organisation, with a shareholding including most regional councils and unitary authorities. This DRAFT Statement of Intent reflects the realisation of this vision, including a revised shareholding, and realignment of the activities of the company.

The following drivers and principles have been applied to the SOI and budgets:

- Clear separation into three activities, each with clearly defined funding streams.
- Fair allocation of overheads between activities.
- CPI increases in funding for IRIS.
- Debt being used to fund IRIS NextGen implementation phase, with councils incurring interest-only costs for the first 3 years.

This statement of intent also includes budget provisions for the implementation of IRIS Next Generation. This is a significant multi-year commitment for participating councils. While these provisions are included in the DRAFT budget, this activity is subject to the collective agreement of the councils participating in the IRIS NextGen Programme. Please note that the IRIS NextGen Programme will not proceed without the long-term financial commitment of most participating councils.

For the IRIS NextGen Programme, the financial result is a loss is $3.1M. It is intended that these costs be serviced by borrowings. The benefit of this approach is to smooth costs and provide financial consistency to councils. The cost and funding structures for IRIS NextGen will continue to be refined over the next 3 months.

As the approach to the delivery and funding of IRIS NextGen is refined, the accounting approach will also develop. There may well be an element of capital expenditure, as opposed to the total operating expenses assumption currently provided for in the draft Statement of Intent. This would have a positive impact on both the operating deficit and the projected balance sheet.

For the IRIS Programme the financial result is an operating loss of $545K, this reflects the depreciating value of the investment in the IRIS product. As noted in the 2020/21 annual report this is not a cause for concern. Reinvestment in the legacy IRIS product is not continuing at sufficient levels to cover depreciation as the product nears the end of its life and the company looks to reinvest in IRIS NextGen. Budgeted cash balances remain healthy as the losses are resulting from depreciation rather than trading activities.

Document ID:RSHL-1877002180-4155

This is a draft SOI for discussion with member councils. Given the dynamic and transitional nature of the environment that RSHL operates in, we encourage, and fully expect feedback on this statement of intent.

Yours sincerely

Mike Nield
Chairperson

Document ID:RSHL-1877002180-4155

Regional Software Holdings Limited

DRAFT Statement of Intent
2023/2024/2025

February 2022
Version: DRAFT

1 Introduction

This Statement of Intent is a declaration of the activities and intentions of Regional Software Holdings Limited (RSHL). The statement outlines the Directors' accountabilities to the shareholders for corporate performance, as is intended by Schedule 8 of the Local Government Act 2002.

1.1 Transition to Regional Sector Shared Services Organisation

The regional sector (Te Uru Kahika[i]) intends to implement a regional sector shared services organisation. This will be a Council Controlled Organisation, created by restructuring RSHL. The sector will consolidate existing collaboration and resource sharing activities under RSHL.

The transition to the new structure is planned to occur in July 2022 but may be delayed by legal and statutory processes.

Where applicable, this Statement of Intent describes the current state, and the future state – after the restructure is complete.

Subsidiaries
Current State: RSHL has no subsidiaries or joint ventures.
Future State: RSHL has two trustee companies:
- "IRIS Holdings", owned by the 6 councils who own the existing IRIS[ii] software asset.
- "IRIS NextGen Holdings" owned by the councils participating in the IRIS NextGen Programme.

1.2 Vision

To provide high-quality shared services for Te Uru Kahika (and associated agencies) that delivers value to customers, shareholders and the sector.

1.3 Mission

Deliver shared solutions to Te Uru Kahika along with collaborative outcomes through sector special interest groups to achieve:

- Consistent, good-practice regional sector specific processes and functions
- Value through economies of scale
- Greater influence for Te Uru Kahika with central government through cohesion and collaboration.
- Reduced risk through ensuring continuity of supply and control of the destiny of regional sector specific software.

1.4 Nature and Scope of Activities to be Undertaken

RSHL provides a framework for collaboration between the shareholders and across the regional sector. It supports the procurement or development of shared solutions in a manner that provides greater consistency in how we operate. RSHL provides a more cost effective alternative than individual councils can achieve on their own.

The company operates by facilitating collaborative initiatives between councils and through managed contractual arrangements. Some councils are both customers of RSHL and providers of service to RSHL.

RSHL activities are currently grouped as follows:

IRIS	The IRIS Programme delivers the IRIS software platform to shareholder and customer councils. The IRIS software has been in use for 8 years and is currently in use at 7 councils. The 7 councils actively collaborate on the use of IRIS and the future development roadmap. RSHL and the member councils have determined that the IRIS software platform will need to be replaced within the next 2-4 years. Future State: The IRIS Programme is operated by “IRIS Holdings”, a subsidiary trustee company of RSHL owned by the 6 original RSHL shareholders.
IRIS Next Generation	RSHL and the member councils have determined that the IRIS software platform will need to be replaced within the next 2-4 years. IRIS Next Generation (IRIS NextGen) will be a cloud-based Software as a Service solution (SaaS) with better online and mobile features. IRIS NextGen will be more efficient for staff and customers. Along with the SaaS, we will implement consistent “good practice” processes for the sector. Over the next two years, RSHL will confirm: • The IRIS NextGen solution • A transition plan for existing users • A growth plan to attract new councils to the programme. The budget for 2022/23 and indicative budget for subsequent years reflect the use of debt to fund the development of IRIS NextGen. This approach is seen as the best way to smooth the costs of the new solution over a longer term than would otherwise be the case. Future State: The IRIS NextGen Programme is operated by “IRIS NextGen Holdings” a subsidiary trustee company of RSHL owned by the councils participating in the programme.
Environmental Monitoring	**Environmental Monitoring and Reporting Programme** The objective of EMAR is to improve the collection, accessibility and presentation of environmental data in New Zealand.

and Reporting (EMAR)	The EMAR Programme has three projects. • National Environmental Monitoring Standards (NEMS) – Aims to ensure consistency in the way environmental monitoring data is collected and handled throughout New Zealand. • Environmental Data Management System (EDMS) – Aims to provide a single access point to environmental data from multiple sources in a consistent format. • Land, Air Water Aotearoa (LAWA) – Shares data and information to tell the story of our environment. EMAR is an all-of-sector programme, and includes partner agencies from central government: MfE, StatsNZ and DOC (and others). The EMAR programme is managed by RSHL and governed by the EMAR Steering Group. Each project has it's own Steering Group who oversee operational activities. Current State : The EMAR Programme Manager is employed by Otago Regional Council. Future State: The EMAR/LAWA Programme Manager is employed by RSHL and is part of the Regional Sector Programme office. The LAWA project administration (financial and contractual) is managed by RSHL.
Regional Sector Office	The Regional Sector Office supports the activities of Te Uru Kahika and the Regional Sector Special Interest Groups (SIG) network. The Sector Office is made up of three roles: • Executive Policy Adviser – Regional CEOs (RCEOs) Group • Chief Science Advisor • Regional Sector SIG Network Administrator Current State: Sector Office staff are employed by Horizons Regional Council. Future State: Sector Office staff are employed by RSHL. The sector office is an all-of-sector programme.
Sector Financial Management System	In 2020 the Regional Council Collaboration (ReCoCo) Programme was superseded by the Sector Financial Management System (SFMS). As part of the SFMS RSHL is responsible for the management of the funding for regional sector collaborative programmes. • Sector Business Plan • River Managers Programme • ReCoCo Technology Projects • Bio Managers Programme • Bio Control Programme The sector has a budget of over $2M for these initiatives. RSHL collects this funding from councils and engages suppliers to deliver services to achieve the outcomes from each of the programmes.

	ReCoCo is one of the programmes within the SFMS. Under the ReCoCo banner RSHL delivers collaborative technology projects for groups of regional councils under the ReCoCo Programme. The ReCoCo programme is led by the Corporate and Finance Special Interest Group. The SFMS is an all-of-sector programme.

1.5 Values

In all RSHL decisions and interactions the Board and staff, together with sector participants who may be working within the RSHL framework, will observe the following values and ethos:

- We are forward thinking and innovative
- We are responsive and deliver value
- We are professional and accountable
- We are flexible and open

1.6 Guiding Principles

- The best decision is that which provides the best end result, primarily for regional sector councils and indirectly the communities they serve.
- Our solutions will be practical, appropriate to the scale of the problem and affordable.
- Where appropriate we will utilise codes of practice and standards produced by industry groups.
- All parties to any decision or interaction will be treated with respect, dignity, integrity, and honesty.

1.7 Possible Opportunities for Growth

RSHL seeks to increase the value delivered to customers, shareholders and the sector.

Over the next year RSHL expects to restructure to become the regional shared services organisation for Te Uru Kahika, with a shareholding including most regional councils and unitary authorities.

Once this restructure is complete it is expected that new shared services opportunities will emerge.

New opportunities will be identified, and priorities set in the Business Plan. Other opportunities may arise and be investigated on a case-by-case basis. New activities will require explicit Board approval.

The potential market for RSHL to offer products and services is New Zealand Regional Councils and Unitary Authorities.

2 Objectives

The principal objective of RSHL is to deliver on the vision, mission and values.

The secondary objective of RSHL is to: [1]

a) achieve the objectives of its Shareholders, both commercial and non-commercial as specified in this Statement of Intent;

b) be a good employer;

[1] From: Constitution of Regional Software Holdings Ltd, Section 1.1

c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the Company operates and by endeavouring to accommodate or encourage these when able to do so.

3 Board's Approach to Governance

Members of RSHL's Board of Directors are appointed by the shareholders to govern and direct RSHL's activities.

Current State: The Shareholders Agreement states that each shareholder has the right to appoint one Director, and that person will be the CEO, or a person nominated by the CEO.[2] The Constitution allows each Director to appoint an alternative director.[3]

Future State: The new constitution will outline the appointment process for directors, including independents.

The Constitution requires that the Board collectively must have relevant knowledge and experience of finance, public bodies, management, governance, and IT management.[4]

The Board is the overall final body responsible for all decision-making within the company. The Board is accountable to its shareholders for the financial and non-financial performance of the company.

Directors' behaviour is to comply with Institute of Directors' standards for Code of Conduct. The purpose of the code is to clarify how the Board of Directors shall define and deal with:

- The role and fundamental obligations of the Board
- Independence and conflict of interest, including conflict with management
- Board procedures, including the role of the Chairman and interaction with the General Manager
- Reliance on information and independent advice
- Confidentiality of company information
- Board and Director performance review and development

RSHL will conduct itself in accordance with its Constitution, its annual Statement of Intent agreed with shareholders, the provisions of the Local Government Act 2002 and the Companies Act 1993.

4 Accounting Policies

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP), the Financial Reporting Act 1993 and the NZ PBE's Tier 2.

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

Appendix 1 includes RSHL's Accounting Policies.

[2] RSHL Shareholders Agreement clause 4.1
[3] RSHL Constitution clause 8.3
[4] RSHL Constitution clause 8.6

5 Performance Targets and Other Measures

Performance targets by which the success of the company may be judged in relation to its objectives are:

		2022/23	2023/24	2024/25
Non Financial	With participating councils, define and agree milestones for the IRIS NextGen Programme.	Applies in the 2022/2023 year only.		
	Undertake an annual survey of IRIS users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support. Provide a summary of the survey results in the annual report, including performance against the baseline. Survey results to be the same or better than the previous year.	Applies each year		
	Prepare and adopt the annual IRIS development roadmap by 30 June for delivery in the subsequent year.	Applies each year		
	Major IRIS Enhancement projects are completed within approved budget or (for items in progress) on track against their agreed timeline and budget at 30 June of each year.	Applies each year		
	Budgets for IRIS support and minor enhancements are approved by the Board by 30 June each year and delivery within these budgets is effectively managed by the Advisory Group and the General Manager.	Applies each year		
	Be an effective service delivery vehicle for regional council sector shared programmes under the Sector Financial Management System.	Applies every year.		
	Effectively support the activities of the Regional Sector through the Regional Sector Office	Applies every year.		
	Budgets for EMAR are approved by the EMAR Steering Group by 30 June each year, and delivery within these budgets is effectively managed by the EMAR Project Manager	Applies every year.		
	Be a service delivery vehicle for wider regional council sector and related bodies information management programmes and related shared services. Projects to be delivered on time and on budget as agreed in each of the Statements of Work between RSHL and the relevant regional sector group.	Applies each year		
Financial	RSHL will operate within approved budget, with any material variations approved by the Board.	Applies each year		
	Annual charges for shareholders and customers to be at the level approved by the Board and councils based upon the approved operating budget and budgets	Applies each year		

Growth	Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL.	Applies each year
	Work with the Regional Sector SIG Network to develop shared service opportunities.	Applies each year
	Engage with councils in the regional sector to increase the scope of the usage of IRIS NextGen. The objective is to increase the number of councils using the solution, and the breadth of the solution in use.	Applies each year

6 Distribution of Profits to Shareholders

RSHL does not have an objective to make a profit. It seeks to provide products and services at lower costs, and / or higher levels of service than shareholder councils can achieve on their own.

In order for RSHL to be subject to tax, generally it must meet the business test. Fundamental to this is a profit motive. Given the basis under which this CCO operates is to minimise the costs and generally operate on a cost recovery basis and that a pecuniary profit is not intended and highly unlikely, the lack of a profit motive is real.

The RSHL Shareholders Agreement states "If Operating Expenses for a fiscal year are less than the budgeted amount for such year, the Company will retain the funds for application to Operating Expenses for the subsequent fiscal year"[5]. Therefore there will not be a profit available for distribution.

7 Information to Be Provided to the Shareholders

The company will deliver the following Statements to shareholders:

- Within two months of the end of the first half of the financial year the following unaudited statements: Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and Service Performance.
- Within two months of the end of the financial year the following audited[6] statements: Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows, Service Performance plus a summary of how the company has fared against its objectives and prospects for the next financial year, and a report on the company's medium to long-term plans.
- The Directors shall approve by 1 March of each year a Draft Statement of Intent for the consideration of shareholders. The Directors must then consider any comments on the Draft Statement of Intent that are made by the shareholders and deliver the completed Statement of Intent to the shareholders by 30 June each year.
- Preparation of a draft Business Plan will begin each November, for the financial year that commences on the following June. This early preparation is to allow Shareholder Councils the ability to include any changes in Annual Fees, or any other form of financial impact, in their budget processes. The Board are to approve the business plan by the end of June prior to the commencement of the new financial year.
- Any new developments which have not been covered in the statement of corporate intent for the year. Including, but not limited to, an update on any outcomes arising from any changes in shareholding, including the effect on individual Council's shareholdings and apportionment of costs.

[5] Shareholders Agreement, clause 7.4
[6] Delivery of audited statements is subject to availability of suitably qualified auditors from AuditNZ.

- Details of possible scenarios that might be foreseen that could result in annual fees increasing above approved budgets.
- Any other information which would normally be available to a shareholder, thereby enabling the shareholder to assess the value of its investment in the company.

8 Procedures for Major Transactions and Other Acquisitions and Disposals

The Company will not enter into major transactions as defined in Section 129(2) of the Companies Act 1993 without the consent of the shareholders.

9 Procedures for Issue of Shares

The RSHL shareholder agreement requires the approval of the Shareholders holding at least of 75% of the shares for "the issuing or acquisition of any Shares or any change to the rights attaching to any Shares"[7].

10 Activities for Which Compensation Is Sought

Payment of annual fees will be sought for the following activities:

Sector Financial Management System.	Payment of annual contributions will be sought from all regional sector councils for the operation of the Programmes in the Sector Financial Management System. Contributions will be according to the agreed model. This activity includes the Regional Sector Office and EMAR.
IRIS	Payment of an Annual Fee for IRIS will be sought from all councils that use the IRIS Software for annual support and development fees, as set out in the License Agreement.
IRIS Next Generation	Contributions to the costs of the IRIS NextGen Programme will be sought from councils that participate. Payment of funding for IRIS NextGen will be sought from all councils that participate in the IRIS NextGen Programme. These funds will be used for programme management, annual support and development fees, as set out in the relevant agreements.
RSHL Overhead Costs	All work programmes will contribute to the overhead costs of RSHL, with the proportion of the contribution based on financial activity.

It is noted that other products or services may be delivered by RSHL. Any such services will only be delivered after the Directors have considered each individual business case including the proposed budget and agreed that the proposed service meets the objectives of RSHL.

Any ongoing activities to identify, develop or procure additional products or services will be budgeted for in advance, subject to the business case. The subsequent recovery from one or more shareholder or customer councils will be agreed by the Directors on a case-by-case basis in accordance with the RSHL Constitution.

11 Estimate of Commercial Value of The Shareholder's Investment

The Directors' estimate of the commercial value of the Shareholders' investment in RSHL and any subsidiary companies is equal to the Shareholders' equity in the Company. Reassessment of the value of this shareholding shall be undertaken on or about 30 June each year.

[7] *RSHL Subscription & Shareholders Agreement* Section 5.1 (b)

12 Shareholding

Current State: Regional Software Holdings Limited (RSHL) was formed on 17 October 2012. At the time of formation, the company issued 10,000 shares to its shareholders based on a previously agreed sizing formula. The following shareholding was agreed:

Shareholder	Percentage	# of shares
Waikato Regional Council	32.75%	3,275
Northland Regional Council	16.75%	1,675
Horizons Regional Council	15.50%	1,550
Taranaki Regional Council	15.50%	1,550
Southland Regional Council	15.50%	1,550
West Coast Regional Council	4.00%	400

Future State:
RSHL will be restructured so that work programmes with debt, assets or risk are partitioned into subsidiary companies.

Councils that participate in the IRIS Programme will retain a share of IRIS assets in the same proportion as their current holding in RSHL.

Councils that participate in the IRIS NextGen Programme will retain a share of any assets/debt based on an agreed formula to be determined.

Statement of Intent 2022-2023

Regional Software Holdings Limited

Consolidated Statement of Financial Performance

For the 12 Months to 30 June 2023

2021/22 Budget		Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
	Income				
1,214,881	IRIS Programme		1,199,091	1,236,076	1,271,748
	IRIS NextGen Programme		174,162	319,800	379,066
2,551,392	Sector Work Programmes		2,556,691	2,569,427	2,614,597
	Central Government Funding		129,000	129,000	129,000
3,766,273			*4,058,945*	*4,254,303*	*4,394,411*
				-	-
231,931	Other Income			-	-
600	Interest Received		*600*	600	600
126,066	Council Specific Software Funding		*128,715*	136,309	143,125
358,597			*129,315*	*136,909*	*143,725*
4,124,870	**Total Income**		**4,188,260**	**4,391,212**	**4,538,135**
	Expenditure				
9,522	Administration costs		*35,600*	37,293	38,826
32,343	Accounting & Technical Support		*66,370*	38,245	40,119
86,534	Audit & Legal fees		*85,000*	52,000	54,550
260,000	Datacom Support Services (IRIS)		*275,340*	291,585	308,789
646,040	Technology Services		*3,108,966*	3,788,714	1,900,333
22,444	IT Hosting Charges		*63,768*	65,171	66,429
20,000	Finance Costs		*70,000*	210,000	300,000
145,000	Secondments		*60,000*	120,000	120,000
176,610	Personnel Costs		*738,000*	783,000	822,400
8,000	Promotional Costs		*84,000*	88,012	78,613
33,000	Independent Director's Fees		*37,000*	39,183	41,142
18,750	Travel & Meeting Costs		*34,500*	34,500	34,500
126,066	Council Specific Software Purchases		*128,715*	136,309	143,125
	Other Direct Software		*2,000*	2,200	2,310
2,551,392	Consultants		*2,098,000*	2,098,000	2,098,000
4,135,701			*6,887,260*	*7,784,212*	*6,049,135*
	Other Expenditure				
920,438	Depreciation		*979,556*	*550,559*	*546,570*
5,056,139	**Total Expenditure**		**7,866,816**	**8,334,771**	**6,595,705**
(931,269)	**Surplus/ (Deficit) before tax**		**(3,678,556)**	**(3,943,559)**	**(2,057,570)**
	Income Tax Expense				
(931,269)	**Surplus/(Deficit) after Tax**		**(3,678,556)**	**(3,943,559)**	**(2,057,570)**

Regional Software Holdings Limited
Consolidated Statement of Financial Position
As at 30 June 2023

2021/22 Budget	*Statement of Financial Position*	Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
	ASSETS				
	Current assets				
899,799	Bank Accounts and Cash		1,872,799	1,149,799	2,438,799
	Debtors and Prepayments				
-	Accrued Revenues		-		
-	GST receivable		-	-	-
-	Tax receivable (payable)		-	-	-
	Non Current Assets				
3,318,471	Property, Plant & Equipment		2,111,430	1,890,871	1,544,300
4,218,270	**Total Assets**		3,984,229	3,040,670	3,983,099
	LIABILITIES				
	Current liabilities				
-	Creditors and Accrued Expenses		-	-	-
-	Income Received in Advance		-	-	-
	GST payable				
	Non Current Liabilites				
1,000,000	Borrowings		4,000,000	7,000,000	10,000,000
1,000,000	**Total Liabilities**		4,000,000	7,000,000	10,000,000
3,218,270	**NET ASSETS**		**(15,771)**	**(3,959,331)**	**(6,016,901)**

REPRESENTED BY:

2021/22 Budget		2022/23 SOI	2023/24 Indicative	2024/25 Indicative
	Equity			
5,149,150	Equity	5,149,150	5,149,150	5,149,150
(931,269)	Current Year Earnings	(3,678,556)	(3,943,559)	(2,057,570)
(999,611)	Retained Earnings	(1,486,366)	(5,164,922)	(9,108,481)
3,218,270	**Total Equity**	**(15,771)**	**(3,959,330)**	**(6,016,901)**

(0)	***Statement of Movement in Equity***			
	Opening Equity	3,662,784	(15,771)	(3,959,329)
	Comprehensive income for the year	(3,678,556)	(3,943,559)	(2,057,570)
-	**Total Equity**	**(15,771)**	**(3,959,329)**	**(6,016,900)**

Regional Software Holdings Limited
Consolidated Statement of Cash Flows
For the 12 Months to 30 June 2023

2021/22 Budget		Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
	Cashflows from Operating Activities				
	Cash received from:				
2,783,323	Receipts from customers		4,187,660	4,390,612	4,537,535
1,340,948	Shareholder contributions		-	-	-
600	Interest		600	600	600
	Income Tax Paid (refunded)		-	-	-
4,124,871	*Total Operating Receipts*		**4,188,260**	**4,391,212**	**4,538,135**
	Cash applied to:				
4,135,702	Payments to suppliers		6,817,260	7,574,212	5,749,135
	Net GST movement				
	Income Tax Paid (refunded)		-	-	-
	Interest W/holding tax paid		-	-	-
4,135,702	*Total Operating Payments*		**6,817,260**	**7,574,212**	**5,749,135**
(10,831)	**Net cash from operating**		**(2,629,000)**	**(3,183,000)**	**(1,211,000)**
	Cashflow from Investing Activities				
	Cash received from:				
-	Sale of Fixed Assets		-	-	-
-	Investment Maturities		-	-	-
-	*Total Investment Receipts*		**-**	**-**	**-**
	Cash applied to:				
720,000	Purchase of Fixed/ Intangible assets		328,000	330,000	200,000
	Investment deposits		-	-	-
720,000	*Total Investment Payments*		**328,000**	**330,000**	**200,000**
(720,000)	**Net cash from investing**		**(328,000)**	**(330,000)**	**(200,000)**
	Cashflow from Financing Activities				
	Cash received from:				
0	Capital contributions		-	-	-
1,000,000	Proceeds from Loan Borrowings		4,000,000	3,000,000	3,000,000
1,000,000	*Total Financing Receipts*		4,000,000	3,000,000	3,000,000
	Cash applied to:				
	Capital repaid				
	Loan interest paid		70,000	210,000	300,000
	Loan repayment of debt				
0	*Total Financing Payments*		70,000	210,000	300,000
0	**Net cash from financing**		**3,930,000**	**2,790,000**	**2,700,000**
269,169	**Net increase (decrease) in cash-flow for the year**		**973,000**	**(723,000)**	**1,289,000**
630,630	Opening cash balance		899,799	1,872,799	1,149,799
899,799	**Closing cash balance**		**1,872,799**	**1,149,799**	**2,438,799**
	Made up of:				
25,000	Current account		25,000	25,000	25,000
874,799	Auto-call account		1,847,799	1,124,799	2,413,799
899,799			**1,872,799**	**1,149,799**	**2,438,799**

IRIS Programme
Statement of Financial Performance
For the 12 Months to 30 June 2023

	Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
Income				
IRIS Programme		1,199,091	1,236,076	1,271,748
		1,199,091	*1,236,076*	*1,271,748*
Other Income				
Interest Received		*600*	600	600
Council Specific Software Funding		*128,715*	136,309	143,125
		129,315	*136,909*	*143,725*
Total Income		**1,328,407**	**1,372,985**	**1,415,473**
Expenditure				
Administration costs		*1,827*	1,699	2,289
Accounting & Technical Support		*11,439*	6,008	8,328
Audit & Legal fees		*27,756*	8,169	11,324
Datacom Support Services (IRIS)		*275,340*	291,585	308,789
Technology Services		*359,966*	414,714	410,333
IT Hosting Charges		*23,768*	25,171	26,429
Finance Costs		-	-	-
Secondments		-	-	-
Personnel Costs		*156,894*	125,069	139,417
Promotional Costs		*2,758*	2,514	623
Independent Director's Fees		*6,377*	6,155	8,540
Travel & Meeting Costs		*3,068*	2,885	3,491
Council Specific Software Purchases		*22,185*	21,414	29,710
Other Direct Software		*2,000*	2,200	2,310
Consultants		-	-	-
		893,380	*907,584*	*951,583*
Other Expenditure				
Depreciation		*979,556*	550,559	546,570
Total Expenditure		**1,872,936**	**1,458,143**	**1,498,153**
Surplus/ (Deficit) before tax		**(544,530)**	**(85,158)**	**(82,680)**
Income Tax Expense				
Surplus/(Deficit) after Tax		**(544,530)**	**(85,158)**	**(82,680)**

IRIS Programme
Statement of Financial Position
For the 12 Months to 30 June 2023

	Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
ASSETS				
Current assets				
Bank Accounts and Cash		1,006,825	1,142,227	1,406,117
Debtors and Prepayments				
Accrued Revenues		-		
GST receivable		-	-	-
Tax receivable (payable)		-	-	-
Non Current Assets				
Property, Plant & Equipment		2,111,430	1,890,871	1,544,300
Total Assets		3,118,255	3,033,097	2,950,417
LIABILITIES				
Current liabilities				
Creditors and Accrued Expenses		-	-	-
Income Received in Advance		-	-	-
GST payable				
Non Current Liabilites				
Borrowings		-	-	-
Total Liabilities		0	0	0
NET ASSETS		**3,118,255**	**3,033,097**	**2,950,417**

REPRESENTED BY:

	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
Equity			
Equity	5,149,150	5,149,150	5,149,150
Current Year Earnings	(544,530)	(85,158)	(82,680)
Retained Earnings	(1,486,366)	(2,030,896)	(2,116,053)
Total Equity	**3,118,255**	**3,033,098**	**2,950,416**

Statement of Movement in Equity

Opening Equity	3,662,784	3,118,254	3,033,097
Comprehensive income for the year	(544,530)	(85,158)	(82,680)
Total Equity	**3,118,254**	**3,033,097**	**2,950,416**

IRIS Programme
Statement of Cashflows
For the 12 Months to 30 June 2023

	Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
Cashflows from Operating Activities				
Cash received from:				
Receipts from customers		1,327,807	1,372,385	1,414,873
Shareholder contributions		-	-	-
Interest		600	600	600
Income Tax Paid (refunded)		-	-	-
Total Operating Receipts		**1,328,407**	**1,372,985**	**1,415,473**
Cash applied to:				
Payments to suppliers		893,380	907,584	951,583
Net GST movement				
Income Tax Paid (refunded)		-	-	-
Interest W/holding tax paid		-	-	-
Total Operating Payments		**893,380**	**907,584**	**951,583**
Net cash from operating		**435,026**	**465,401**	**463,890**
Cashflow from Investing Activities				
Cash received from:				
Sale of Fixed Assets		-	-	-
Investment Maturities		-	-	-
Total Investment Receipts		**-**	**-**	**-**
Cash applied to:				
Purchase of Fixed/ Intangible assets		328,000	330,000	200,000
Investment deposits		-	-	-
Total Investment Payments		**328,000**	**330,000**	**200,000**
Net cash from investing		**(328,000)**	**(330,000)**	**(200,000)**
Cashflow from Financing Activities				
Cash received from:				
Capital contributions		-	-	-
Proceeds from Loan Borrowings		-	-	-
Total Financing Receipts		0	0	0
Cash applied to:				
Capital repaid				
Loan interest paid				
Loan repayment of debt				
Total Financing Payments		0	0	0
Net cash from financing		**0**	**0**	**0**
Net increase (decrease) in cash-flow for the year		**107,026**	**135,401**	**263,890**
Opening cash balance		899,799	1,006,825	1,142,227
Closing cash balance		**1,006,825**	**1,142,227**	**1,406,117**
Made up of:				
Current account		25,000	25,000	25,000
Auto-call account		981,825	1,117,227	1,381,117
		1,006,825	**1,142,227**	**1,406,117**

IRIS NextGen Programme
Statement of Financial Performance
For the 12 Months to 30 June 2023

	Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
Income				
IRIS Programme		-	-	-
IRIS NextGen Programme		174,162	319,800	379,066
Sector Work Programmes		-	-	-
Central Government Funding		-	-	-
		174,162	*319,800*	*379,066*
Other Income				
Interest Received		-	-	-
Council Specific Software Funding		-	-	-
		-	-	-
Total Income		**174,162**	**319,800**	**379,066**
Expenditure				
Administration costs		*4,877*	5,586	4,032
Accounting & Technical Support		*30,539*	19,748	14,669
Audit & Legal fees		*40,706*	26,850	19,946
Datacom Support Services (IRIS)		-	-	-
Technology Services		*2,739,000*	3,364,000	1,480,000
IT Hosting Charges		-	-	-
Finance Costs		*70,000*	210,000	300,000
Secondments		*60,000*	120,000	120,000
Personnel Costs		*218,406*	274,236	273,110
Promotional Costs		*7,362*	8,262	1,097
Independent Director's Fees		*17,025*	20,232	15,043
Travel & Meeting Costs		*13,522*	14,196	12,388
Council Specific Software Purchases		*59,227*	70,383	52,332
Other Direct Software		-	-	-
Consultants		-	-	-
		3,260,665	*4,133,493*	*2,292,617*
Other Expenditure				
Depreciation		-	-	-
Total Expenditure		**3,260,665**	**4,133,493**	**2,292,617**
Surplus/ (Deficit) before tax		**(3,086,503)**	**(3,813,693)**	**(1,913,552)**
Income Tax Expense				
Surplus/(Deficit) after Tax		**(3,086,503)**	**(3,813,693)**	**(1,913,552)**

IRIS NextGen Programme
Statement of Financial Position
For the 12 Months to 30 June 2023

Statement of Financial Position

	Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
ASSETS				
Current assets				
Bank Accounts and Cash		913,497	99,804	1,186,252
Debtors and Prepayments				
Accrued Revenues			-	-
GST receivable		-	-	-
Tax receivable (payable)		-	-	-
Non Current Assets				
Property, Plant & Equipment				
Total Assets		913,497	99,804	1,186,252
LIABILITIES				
Current liabilities				
Creditors and Accrued Expenses		-	-	-
Income Received in Advance		-	-	-
GST payable				
Non Current Liabilites				
Borrowings		4,000,000	7,000,000	10,000,000
Total Liabilities		4,000,000	7,000,000	10,000,000
NET ASSETS		**(3,086,503)**	**(6,900,196)**	**(8,813,748)**

REPRESENTED BY:

	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
Equity			
Equity	0	0	0
Current Year Earnings	(3,086,503)	(3,813,693)	(1,913,552)
Retained Earnings	0	(3,086,503)	(6,900,196)
Total Equity	**(3,086,502)**	**(6,900,196)**	**(8,813,748)**

Statement of Movement in Equity

Opening Equity	0	(3,086,502)	(6,900,195)
Comprehensive income for the year	(3,086,503)	(3,813,693)	(1,913,552)
Total Equity	**(3,086,502)**	**(6,900,195)**	**(8,813,748)**

IRIS NextGen Programme
Statement of Cashflows
For the 12 Months to 30 June 2023

Statement of Cash Flows

	Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
Cashflows from Operating Activities				
Cash received from:				
Receipts from customers		174,162	319,800	379,066
Shareholder contributions		-	-	-
Interest		-	-	-
Income Tax Paid (refunded)		-	-	-
Total Operating Receipts		**174,162**	**319,800**	**379,066**
Cash applied to:				
Payments to suppliers		3,190,665	3,923,493	1,992,617
Net GST movement				
Income Tax Paid (refunded)		-	-	-
Interest W/holding tax paid		-	-	-
Total Operating Payments		**3,190,665**	**3,923,493**	**1,992,617**
Net cash from operating		**(3,016,503)**	**(3,603,693)**	**(1,613,552)**
Cashflow from Investing Activities				
Cash received from:				
Sale of Fixed Assets		-	-	-
Investment Maturities		-	-	-
Total Investment Receipts		**-**	**-**	**-**
Cash applied to:				
Purchase of Fixed/ Intangible assets		0	0	0
Investment deposits		-	-	-
Total Investment Payments		**0**	**0**	**0**
Net cash from investing		**0**	**0**	**0**
Cashflow from Financing Activities				
Cash received from:				
Capital contributions		-	-	-
Proceeds from Loan Borrowings		4,000,000	3,000,000	3,000,000
Total Financing Receipts		4,000,000	3,000,000	3,000,000
Cash applied to:				
Capital repaid				
Loan interest paid		70,000	210,000	300,000
Loan repayment of debt				
Total Financing Payments		70,000	210,000	300,000
Net cash from financing		**3,930,000**	**2,790,000**	**2,700,000**
Net increase (decrease) in cash-flow for the year		**913,497**	**(813,693)**	**1,086,448**
Opening cash balance		0	913,497	99,804
Closing cash balance		**913,497**	**99,804**	**1,186,252**
Made up of:				
Current account		25,000	25,000	25,000
Auto-call account		888,497	74,804	1,161,252
		913,497	**99,804**	**1,186,252**

Sector Financial Management System
Statement of Financial Performance
For the 12 Months to 30 June 2023

	Notes	2022/23 SOI	2023/24 Indicative	2024/25 Indicative
Income				
Sector Work Programmes		2,556,691	2,569,427	2,614,597
Central Government Funding		129,000	129,000	129,000
		2,685,691	*2,698,427*	*2,743,597*
Other Income				
Interest Received		-	-	-
Council Specific Software Funding		-	-	-
		-	-	-
Total Income		**2,685,691**	**2,698,427**	**2,743,597**
Expenditure				
Administration costs		*28,896*	30,008	32,505
Accounting & Technical Support		*24,391*	12,489	17,122
Audit & Legal fees		*16,538*	16,981	23,281
Datacom Support Services (IRIS)		-	-	-
Technology Services		*10,000*	10,000	10,000
IT Hosting Charges		*40,000*	40,000	40,000
Finance Costs		-	-	-
Secondments		-	-	-
Personnel Costs		*362,700*	383,695	409,873
Promotional Costs		*73,880*	77,237	76,893
Independent Director's Fees		*13,598*	12,795	17,558
Travel & Meeting Costs		*17,910*	17,419	18,621
Council Specific Software Purchases		*47,303*	44,512	61,082
Other Direct Software		-	-	-
Consultants		*2,098,000*	2,098,000	2,098,000
		2,733,215	*2,743,136*	*2,804,935*
Other Expenditure				
Depreciation		-	-	-
Total Expenditure		**2,733,215**	**2,743,136**	**2,804,935**
Surplus/ (Deficit) before tax		**(47,524)**	**(44,708)**	**(61,338)**
Income Tax Expense				
Surplus/(Deficit) after Tax		**(47,524)**	**(44,708)**	**(61,338)**

Appendix 1: Accounting Policies

1 General Information

Reporting Entity

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO). Owned as follows:

Shareholder	Percentage	# of shares
Waikato Regional Council	32.75%	3,275
Northland Regional Council	16.75%	1,675
Horizons Regional Council	15.50%	1,550
Taranaki Regional Council	15.50%	1,550
Southland Regional Council	15.50%	1,550
West Coast Regional Council	4.00%	400

RSHL was incorporated on 17 October 2012.

RSHL was originally incorporated for the purposes of managing the investment and development of IRIS Software. RSHL now exists for the purpose of supporting collaborative and shared services projects for Te Uru Kahika. RSHL has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

Public Benefit Entity Simple Format Reporting

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

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

Basis of Preparation of the Financial Statements

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period. The financial statements will be prepared on a historical cost basis.

Statement of Compliance

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

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

These financial statements comply with PBE Standards.

Presentation Currency and Rounding

The prospective financial statements have been prepared in New Zealand dollars and there will be rounding in the numbers in the financial statements, as the financial model used calculates to the cent but the annual report is rounded to the nearest dollar.

The functional currency of RSHL is New Zealand dollars.

The reporting period for these prospective financial statements is the year ending 30 June.

2 Summary of Significant Accounting Policies

Revenue

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

Members Contributions and Other forms of Revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on an accrual basis.

Interest revenue is recorded as it is earned.

Expenditure

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

Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

Bank Accounts and Cash

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

Bank overdrafts are presented as a current liability in the Statement of Financial Position.

Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Inventories

Inventory is initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and their selling process. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expenses calculated using the taxes payable method. As a result no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

Creditors and Accrued Expenses
Creditors and accrued expenses are measured at the amount owed.

Property, Plant and Equipment

Software acquisition and development

Costs that are directly associated with the development of software owned by RSHL or it's subsidiaries are recognised as property, plant and equipment.

Depreciation

Depreciation begins when the asset is available for use and ceases at the date that the asset is derecognised. The depreciation charge for each period is recognised through the Statement of Financial Performance.

The carrying value is depreciated on a straight-line basis over its useful life. The default useful life and associated depreciation rate for the developed software is 10 years and 10%. If an alternative rate is used this will be noted in the financial statements.

Where software in this category is replaced, upgraded or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Financial Performance. This change in value will be the difference between the carrying value of the original item and its fair value.

Critical Accounting Estimates and Assumptions
In preparing these financial statements, RSHL 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.

Additional Disclosure
The Companies Act 1993 requires disclosure of the amount of donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above $100,000 per annum, in brackets of $10,000.

3 Proportion of Contributions to the IRIS Programme

Member contributions for IRIS and the operation of RSHL will be collected in the following proportions.

Shareholder	Percentage
Waikato Regional Council	36.78%
Northland Regional Council	13.55%
Horizons Regional Council	18.17%
Taranaki Regional Council	13.55%
Southland Regional Council	13.55%
West Coast Regional Council	4.4%
Total	**100%**

4 Proportion of Contributions to the IRIS NextGen Programme

Member contributions for IRIS NextGen Programme will be agreed with participating councils.

5 Proportion of Contributions to the Regional Sector Office, EMAR and Sector Financial Management System

The funding contributions for the Sector Office, EMAR and the most of the SFMS programmes is based on the size of the Council. The total amounts to be collected vary year to year based on the work programmes.

Tier 1 – 9.4% each	Tier 2 – 6.2% each	Tier 3 – 3.2% each
Auckland Council	Horizons RC	Tasman DC
Environment Canterbury	Otago RC	Nelson City Council
Greater Wellington RC	Hawkes Bay RC	Gisborne DC
Waikato RC	Northland RC	Marlborough DC
Bay of Plenty RC	Taranaki RC	West Coast RC
	Environment Southland	
Total 47%	**Total 37%**	**Total 16%**

BioControl and the Science Programme have custom funding models based on the value of the programmes to the region.

Note For Information: Requirements for Statement of Intent
Source: Office of the Auditor General
http://www.oag.govt.nz/2007/corporate-intent/appendix2.htm

Item	**Section**
Statement of intent	This document
Coverage over three financial years and updated annually	1 & 7 & 5
Objectives of the group	2
A statement of the board's approach to governance	3
Nature and scope of the activities to be undertaken	1
Accounting policies	4
Performance targets and other measures by which the performance of the group may be judged in relation to its objectives	5
An estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders	6
The kind of information to be provided to the shareholders/ shareholding Ministers by the organisation during the course of the next three financial years	7 (Shareholders)
Procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation	8
Any activities for which the board seeks compensation from any local authority, Harbour Board, or the Crown (whether or not the relevant entity has agreed to provide the compensation)	10 (Local authority)
The board's estimate of the commercial value of the Crown/shareholders' investment in the group and the manner in which, and the times at which, that value is to be reassessed	11 (Shareholders)
Other matters that are agreed by the shareholders/ shareholding Ministers and the board	none (Shareholders)
Annual report should contain information that is necessary to enable an informed assessment of the operations of the parent entity and its subsidiaries, including a comparison of performance with the relevant statement of intent or statement of corporate intent	7 (Plus explanation of material variances)

[i] Te Uru Kahika is the collective of the 16 regional councils and unitary authorities that make up the regional sector.
ii Integrated Regional Information System – A software platform developed by RSHL to support regional council regulatory processes.

Taranaki Regional Council

MEMORANDUM
Executive, Audit & Risk

Date 28 March 2022

Subject: **Port Taranaki Ltd: Half Year Report to 31 December 2021**

Approved by: M J Nield, Director - Corporate Services

S J Ruru, Chief Executive

Document: 3018192

Purpose

1. The purpose of this memorandum is to receive and consider Port Taranaki Limited's report on the operations and activities of the company for the six months ending 31 December 2021.

Recommendations

That the Taranaki Regional Council:

a) receives Port Taranaki Limited's report for the six months ended 31 December 2021 including the unaudited financial report

b) notes the 2021/2022 Port Taranaki Ltd dividends of $4,000,000 in October 2021, and $4,000,000 in March 2022.

Background

2. The Council is the 100% owner of Port Taranaki Ltd (PTL). The *Port Companies Act 1988* and Port Taranaki Limited's statement of corporate intent require a six-month set of financial statements (unaudited) to be prepared and presented to the shareholder (Taranaki Regional Council).

3. In addition to the half year report, attached is Deloitte's *New Zealand Ports and Freight Yearbook 2022*. This is good background reading and understanding for the port sector.

Discussion

4. Attached are the half-year report and financial statements for the six months ended 31 December 2021. The attached financial statements are unaudited.

5. Total trade throughput for the six-month period was 2.47 million freight tonnes, a decrease of 8% on the same period last year. Bulk liquid trade was down 14% (224,000 tonnes) on the prior year on the back of reduced methanol and crude volumes (down

171,000 tonnes and 66,000 tonnes respectively). Methanol trade was down given Methanex's gas sale to Genesis Energy over the July to September period.

6. Non-bulk liquid trades performed strongly, with non-bulk liquid trade at 1.04 million freight tonnes (38% of total trade) up on the prior year's non-bulk liquid trade volume of 1.03 million tonnes.
7. Revenue from PTL's offshore sector was similar to that seen in the first half of the 2021 financial year.
8. Total revenue for the period was $25.39 million. This was $458,000 lower than the same period last year. The decrease in revenue against the prior period was driven by lower trade.
9. Total operating expenditure (including depreciation and maintenance dredging) for the first half of the 2022 financial year was $18.45 million compared to $17.76 million in the prior corresponding period. Higher operating costs were largely driven by higher repairs and maintenance costs and higher maintenance dredging costs.
10. EBITDA for the six months was $10.65 million below the $11.78 million recorded in the first half of 2021. The underperformance (down 9.6%) against the prior year was driven by lower revenue and greater expenditure.
11. The unaudited after-tax profit of $5.08 million was 7% lower than that recorded in the six months to 31 December 2020.
12. For the second consecutive year the Company had to respond to COVID-19. The Company continues to review and, if necessary, amend procedures and protocols as new, more contagious strains of the virus become known.
13. During the half-year a number of environmental activities were undertaken aligned with the strategic goal of "Mature Our Operational Performance to Clear Standards". These activities focused on:
    - Ensuring fit for purpose resource consents
    - Reducing environmental risk
    - Continuously improving environmental management systems
    - Monitoring the regulatory environment and optimising the Company's activities given possible constraints.
14. Capital investment in the six months to December 2021 (at $3.05 million) was significantly higher than the prior year.
15. In addition to the health, safety and environmental activities outlined above, PTL undertakes various social and community activities that helps the Company to deliver on its vision to be "The Pride of Taranaki".
16. Trading in the second six-month period is forecast to be lower than that recorded in the first half. The logging industry is experiencing some uncertainty with log prices under pressure. In addition, the Covid-19 Omicron outbreak is likely to cause some supply chain disruptions. This is likely to result in lower trade. In addition, methanol trade is likely to be impacted in the second half of the year given a 31-day turnaround at the Maui gas field.
17. Annual trade to 30 June 2022 is projected to be below 5 million freight tonnes. The last time trade was below 5 million tonnes was in the year ending 30 June 2013. Revenue is forecast to be in the range of $48.0 to $49.0 million. Second half expenditure is forecast to

be higher than that recorded in the first half year due to increased repairs and maintenance expenditure. This results in a forecast EBITDA of $18.5 to $19.5 million and a forecast NPAT of $8.0 to $8.7 million.

18. A final dividend of $4 million in respect of the 2021 financial year was paid to in October 2021. An interim dividend of $4 million has been approved for the 2022 financial year to date. This is consistent with the 2021/2022 budget in the *2021/2031 Long-Term Plan*.

Financial considerations—LTP/Annual Plan

19. This memorandum and the associated recommendations are consistent with the Council's adopted Long-Term Plan and estimates. Any financial information included in this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

20. This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Local Government Official Information and Meetings Act 1987*.

Iwi considerations

21. This memorandum and the associated recommendations are consistent with the Council's policy for the development of Māori capacity to contribute to decision-making processes (schedule 10 of the *Local Government Act 2002*) as outlined in the adopted long-term plan and/or annual plan.

Community considerations

22. This memorandum and the associated recommendations have considered the views of the community, interested and affected parties and those views have been recognised in the preparation of this memorandum.

Legal considerations

23. This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

Appendices/Attachments

Document 3018179: Port Taranaki Ltd Half-Year Report to 31 December 2021

Document 3018185: Port Taranaki Ltd Financial Statements for six months ended 31 December 2021

Document 3016016: Ports and Freight Yearbook 2022

Report to Shareholder

Half-Year Ended 31 December 2021

PORT TARANAKI LIMITED

Report to the Shareholder

Half-Year Ended 31 December 2021

The Directors of Port Taranaki Limited (PTL) have pleasure in presenting this interim report on the operations and activities of the Company for the six months ending 31 December 2021. This financial report has been prepared in compliance with International Financial Reporting Standards (IFRS).

Health, Safety and the Environment

For the second consecutive year the Company had to respond to COVID-19 and this response continues to evolve. The Company continues to review and, if necessary, amend procedures and protocols as new, more contagious strains of the virus become known.

This financial year the Company's health, safety and well-being activities are focused on:

- Ensuring overlapping activities on Port are well managed;
- Improving our workers' health and wellbeing;
- Continuously improving health and safety management systems;
- Reviewing critical risks, including the controls; and
- Cascading and embedding the Company's safety vision.

During the half-year a number of environmental activities were undertaken aligned with the strategic goal of "Mature Our Operational Performance to Clear Standards". These activities focused on:

- Ensuring fit for purpose resource consents;
- Reducing environmental risk;
- Continuously improving environmental management systems; and
- Monitoring the regulatory environment and optimising the Company's activities given possible constraints.

Cargo and Service Trends

Total trade throughput for the six-month period was 2.47 million freight tonnes, a decrease of 8% on the same period last year. Bulk liquid trade was down 14% (224,000 tonnes) on the prior year on the back of reduced methanol and crude volumes (down 171,000 tonnes and 66,000 tonnes respectively). Methanol trade was down given Methanex's gas sale to Genesis Energy over the July to September period.

Non-bulk liquid trades performed strongly, with non-bulk liquid trade at 1.04 million freight tonnes (38% of total trade) up on the prior year's non-bulk liquid trade volume of 1.03 million tonnes. This was despite general trade being 102,000 tonnes lower compared to the prior year. This was a result of the completion of the Waipipi and Turitea wind farm projects. Log trade at 595,000 tonnes was the strongest first half year on record.

Revenue from PTL's offshore sector was similar to that seen in the first half of the 2021 financial year, with PTL continuing to support the offshore oil production and exploration sector.

Investment Activities

Capital investment in the six months to December 2021 (at $3.05 million) was significantly higher than the prior year. During the half-year, significant investment was approved for a firewater system that will replace the existing 40-year-old firewater system and supply firewater to the Newton King Tanker Terminal, the Methanex tank farm, and the Liquigas LPG storage facility via a network of firewater piping.

Social and Community Activities

In addition to the health, safety and environmental activities outlined above, PTL undertakes various social and community activities that helps the Company to deliver on its vision to be "The Pride of Taranaki". PTL is committed to responsible corporate behaviour and exercising social responsibility.

During the half-year, PTL held an inaugural Kaitiaki Forum with Ngāti Te Whiti and Te Kotahitanga o Te Atiawa as part of its broad community engagement and as it looks to create a culture of trust with Iwi and Hapū and an environment of proactive engagement.

PTL also engages with the community through a number of activities and various sponsorships. PTL's sponsorship activities look to support the communities in which we operate and/or aim to benefit entities or people who can derive community value through our support or collaboration.

Financial Performance

Total revenue for the period was $25.39 million. This was $458 thousand lower than the same period last year. The decrease in revenue against the prior period was driven by lower trade.

Total operating expenditure (including depreciation and maintenance dredging) for the first half of the 2022 financial year was $18.45 million compared to $17.76 million in the prior corresponding period. Higher operating costs were largely driven by higher repairs and maintenance costs and higher maintenance dredging costs.

EBITDA for the six months was $10.65 million below the $11.78 million recorded in 1H21. The underperformance (down 9.6%) against the prior year was driven by lower revenue and greater expenditure.

The unaudited after-tax profit of $5.08 million was 7% lower than that recorded in the six months to 31 December 2020. PTL's key financial metrics across the last three half years is shown in Figure 1.

Outlook for the remainder of FY22

Trading in the second six-month period is forecast to be lower than that recorded in the first half. The logging industry is experiencing some uncertainty with log prices under pressure. In addition, the Omicron outbreak is likely to cause some supply chain disruptions. This is likely to result in lower trade.

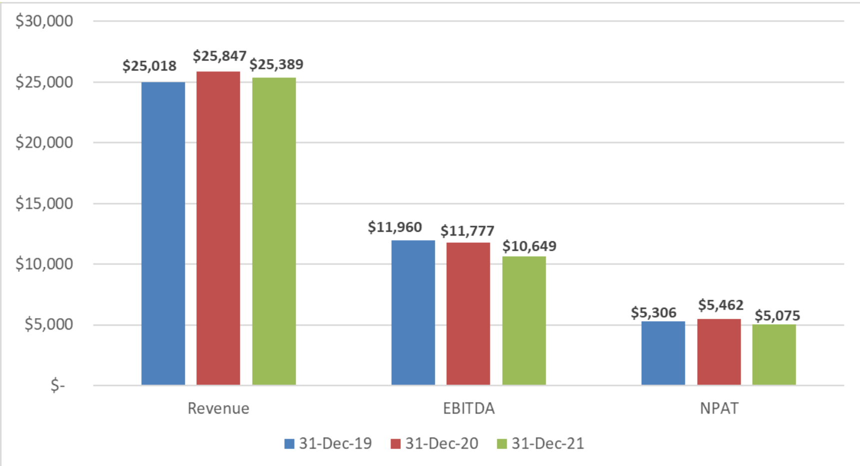
In addition, methanol trade is likely to be impacted in the second half of the year given a 31-day turnaround at the Maui gas field.

Annual trade to 30 June 2022 is projected to be below 5 million freight tonnes. The last time trade was below 5 million tonnes was in the year ending 30 June 2013.

Revenue is forecast to be in the range of $48.0 to $49.0 million. Second half expenditure is forecast to be higher than that recorded in the first half year due to increased repairs and maintenance expenditure.

This results in a forecast EBITDA of $18.5 to $19.5 million and a forecast NPAT of $8.0 to $8.7 million.

Figure 1: PTL's Key Financial Metrics



Dividend

A final dividend of $4.00 million in respect of the 2021 financial year was paid to the Shareholder in October 2021. An interim dividend of $4.00 million has been approved for the 2022 financial year to date.

Richard Krogh
Chair

Simon Craddock
Chief Executive

FINANCIAL STATEMENTS

For the six months ended 31 December 2021

Basis of Preparation

Port Taranaki Limited (PTL) is a sea port company incorporated under the Companies Act 1993.

PTL's parent and sole shareholder is the Taranaki Regional Council (TRC) and was, at all times, during the period.

PTL is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 2-8 Bayly Road, Moturoa, New Plymouth 4310.

PTL's financial statements are prepared:

- In accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as applicable to for-profit entities, for the purposes of complying with NZ GAAP. These statements also comply with IFRS. PTL is a for-profit entity for the purpose of complying with NZ GAAP.
- In accordance with the requirements of the Port Companies Act 1988 and the Financial Reporting Act 2013.
- On the basis that the Company is a going concern
- On a historical cost basis, except for land and derivatives held at fair value. All accounting policies have been applied consistently across periods.

Nature of PTL's Operations

PTL is the only deep water port on the west coast of New Zealand and services bulk liquids (serving the nation's energy sector), dry bulk (logs, fertiliser, stock feed and cement) and general cargo. Commercial activities include the provision of: (i) vessel and cargo/logistics handling services and offshore support; and (ii) property and storage services. These are considered under two integrated performance obligations: (i) port operational revenue; and (ii) property revenue. All activities are undertaken with full regard to health, safety and protection of the environment.

Businesses face many challenges getting their products to market – at PTL we provide a safe harbour, services and storage facilities that make trade easy for customers and help Taranaki prosper. PTL's vision is to be "the Pride of Taranaki." This vision reflects a successful and sustainable business that the region and community are proud of and describes PTL's desire to develop community connections, create strong relationships with Iwi and signals a commitment to protecting and enhancing the environment in which PTL operates.

PTL will excel at its core activities and actively build on those to grow its business. PTL delivers on its vision and mission by:

- Proactively delivering services that meet customers' expectations;
- optimising the use of its assets and capability base;
- investing in people who are positive communicators, excellent problem solvers and who make good decisions; and
- investing in systems to achieve resilient performance and ensure everyone returns safely home every day.

Relevancy

The notes to the financial statements include information which is considered relevant and material to assist the reader in understanding changes in PTL's financial position or performance. Information is considered relevant and material if:

- The amount is significant because of its size and nature;
- it is important in the application of PTL's accounting policies;
- it is important for understanding the results of PTL;
- it helps to explain changes in PTL's business; or
- it relates to an aspect of PTL's operations that is important to future performance.

These Financial Statements

These financial statements are presented in a style that makes them less complex and more relevant to customers, owners and other stakeholders. We have grouped the financial statements into the following sections: 'Financial statements'; 'Our performance'; 'Our assets'; and 'Our funding'. The intent is to provide readers with a clearer understanding of what drives the financial performance and financial position of PTL.

The financial statements are presented in thousands of New Zealand dollars (NZD), which is PTL's functional currency, unless otherwise stated.

COVID-19

PTL has assessed that COVID-19 has not significantly impacted it over the last six months (notwithstanding that extra resource has had to be deployed over the period). It is acknowledged that there is significant uncertainty in how COVID-19 will impact the New Zealand economy and PTL in the future. This assessment is effective as at 15 February 2022 and has made use of available information at that time.

Given this, PTL's statement of financial position, available debt facilities and the ability to reduce capital expenditure and dividends if required, PTL has the flexibility and is well positioned to protect the business and navigate any uncertainty to continue as a going concern.

PTL has considered the potential impact of further COVID-19 outbreaks in preparing these financial statements. The provision of port services was, and is expected to be in the future, deemed essential and the Company is a Lifeline Utility. Given this, and the Company's business continuity plans, the Company expects in the future that it will be able to trade through COVID-19 outbreaks.

Contents

FINANCIAL STATEMENTS

For the six months ended 31 December 2021

Statement of comprehensive income (unaudited)

For the twelve months ended 30 June 2021 $000		Note	For the six months ended 31 December 2021 $000	2020 $000
50,841	Revenue & other income	A2	25,389	25,848
14,433	Employee benefits and related expenses	A3	7,642	7,269
15,274	Other expenses	A3	7,098	6,802
7,410	Depreciation, amortisation and maintenance dredging	A4	3,709	3,692
-	Impairment of assets	A4	-	-
19	Net (gain) / loss on property, plant and equipment	A4	(391)	4
927	Net finance expense		282	495
38,063	Total expenses		18,340	18,262
12,778	Profit before tax		7,049	7,586
3,603	Income tax		1,974	2,124
9,175	**Profit after tax**		5,075	5,462
	Other comprehensive income:			
	Items that will not be reclassified to profit or loss			
6,485	Revaluation of property, plant and equipment (net of tax)		(468)	-
296	Change in cash flow hedge reserve (net of tax)		434	18
6,781	Total other comprehensive income		(34)	18
15,956	**Total comprehensive income for the period (attributable to owners)**		5,041	5,480

FINANCIAL STATEMENTS

As at 31 December 2021

Statement of financial position (unaudited)

Full Year as at 30 June 2021 $000		Note	As at 31 December 2021 $000	As at 31 December 2020 $000
262	Cash and cash equivalents		1,479	337
7,018	Trade and other receivables		6,092	5,462
725	Inventories		563	628
8,005	Total current assets		8,134	6,427
194,022	Property, plant and equipment	B1	192,739	185,891
686	Right of use assets		652	719
565	Intangible assets	B2	478	520
409	Derivative financial instruments		857	14
195,682	Total non-current assets		194,726	187,144
203,687	**Total assets**		**202,860**	**193,571**
5,259	Trade and other payables		5,954	5,376
1,374	Employee benefit provisions		1,386	1,365
57	Lease liability		58	56
79	Borrowings	C5	37	75
1,041	Taxation payable		271	1,153
7,810	Total current liabilities		7,706	8,025
36,895	Borrowings	C5	34,693	35,506
568	Employee benefit provisions		568	809
676	Lease liability		646	704
943	Deferred tax liability		943	208
39,082	Total non-current liabilities		36,850	37,227
46,892	Total liabilities		44,556	45,252
26,000	Issued capital	C2	26,000	26,000
69,096	Reserves	C4	69,061	62,333
61,699	Retained earnings		63,243	59,986
156,795	Shareholder's equity		158,304	148,319
203,687	**Total equity and liabilities**		**202,860**	**193,571**

FINANCIAL STATEMENTS

For the six months ended 31 December 2021

Statement of changes in equity (unaudited)

	Note	Issued Capital $000	Retained Earnings $000	Revaluation Reserve $000	Cash Flow Hedge Reserve $000	Total Equity $000
As at 1 July 2020		26,000	60,524	62,315	-	148,839
Changes in Equity for six months to 31 December 2020						
Comprehensive income		-	5,462	-	-	5,462
Other comprehensive income		-	-	-	18	18
Dividends	C3	-	(6,000)	-	-	(6,000)
As at 31 December 2020		26,000	59,986	62,315	18	148,319
Changes in Equity for six months to 30 June 2021						
Comprehensive income		-	3,713	-	-	3,713
Other comprehensive income		-	-	6,485	278	6,763
Dividends	C3	-	(2,000)	-	-	(2,000)
As at 30 June 2021		26,000	61,699	68,800	296	156,795
Changes in Equity for six months to 31 December 2021						
Comprehensive income		-	5,075	-	-	5,075
Other comprehensive income		-	468	(468)	434	434
Dividends	C3	-	(4,000)	-	-	(4,000)
As at 31 December 2021		26,000	63,242	68,332	730	158,304

FINANCIAL STATEMENTS

For the six months ended 31 December 2021

Statement of cash flows (unaudited)

For the twelve months ended 30 June 2021 $000		For the six months ended 31 December 2021 $000	For the six months ended 31 December 2020 $000
	Cash flows from operating activities		
58,428	Receipts from customers	29,039	30,138
0	Interest received	20	-
(37,170)	Payments to suppliers and employees	(16,595)	(15,819)
(875)	Interest paid	(370)	(442)
(4,770)	Income tax paid	(2,744)	(3,800)
15,612	Net cash flows from operating activities	9,350	10,078
	Cash flows from investing activities		
2	Sale of property, plant and equipment (net of disposal costs)	1,139	(2)
(5,846)	Purchase of property, plant and equipment and software	(3,034)	(896)
(49)	Capitalised interest on purchase of property, plant and equipment and software	(20)	(23)
(5,893)	Net cash flows from investing activities	(1,915)	(921)
	Cash flows from financing activities		
23,005	Proceeds from borrowings	7,680	12,650
(25,165)	Repayment of borrowings	(9,870)	(16,200)
(8,000)	Dividends	(4,000)	(6,000)
(54)	Lease payments	(28)	(27)
(10,214)	Net cash flows from financing activities	(6,218)	(9,577)
(495)	Net increase/(decrease) in cash and cash equivalents	1,217	(420)
757	Cash and cash equivalents at the beginning of the period	262	757
262	**Cash and cash equivalents at the end of the period**	1,479	337

A. OUR PERFORMANCE

In this section

This section explains the financial performance of PTL by displaying additional information about individual items from the statement of comprehensive income.

A1 Port Operational Revenue Drivers (units)

For the twelve months ended 30 June 2021		For the six months ended 31 December 2021	For the six months ended 31 December 2020
5,099	Trade tonnes (thousands of tonnes)	2,464	2,675
265	Trade vessel visits (number)	142	129

A2 Revenue

For the twelve months ended 30 June 2021		For the six months ended 31 December 2021	For the six months ended 31 December 2020
42,902	Port operational revenue	21,206	21,704
6,900	Property revenue	3,451	3,630
1,039	Other income	732	514
50,841	**Revenue and other income**	**25,389**	**25,848**

A3 Total Operational Expenses

For the twelve months ended 30 June 2021		For the six months ended 31 December 2021	For the six months ended 31 December 2020
13,573	Employee expenses	7,204	6,830
537	Defined contribution plan	256	278
323	Director fees	182	161
88	Audit fees	-	-
12	Foreign exchange	5	9
8,031	General expenses	3,991	4,126
7,143	Repairs and maintenance	3,102	2,667
29,707	Total operational expenses	14,740	14,071
21,134	**EBITDAF**	**10,649**	**11,777**

A4 EBITDAF Reconciliation

For the twelve months ended 30 June 2021		For the six months ended 31 December 2021	For the six months ended 31 December 2020
21,134	EBITDAF	10,649	11,777
1,189	Maintenance dredging	644	599
6,029	Depreciation	2,978	2,995
192	Amortisation	87	98
-	Impairment of assets	-	-
19	Net (gain) / loss on property, plant and equipment	(391)	4
-	Interest revenue	(20)	-
927	Interest expense	302	495
12,778	Profit before tax	7,049	7,586
3,603	Income tax	1,974	2,124
9,175	**Profit after tax**	**5,075**	**5,462**

EBITDAF definition

EBITDAF is earnings before interest, tax, depreciation, maintenance dredging, amortisation, changes in fair value of hedges (when unable to equity account), impairments and gain/loss on assets. EBITDAF is a non-GAAP profit measure that provides a consistent measure of PTL's operating performance and is closely monitored by Management and the Board.

EBITDAF does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

B. OUR ASSETS

In this section

This section explains the capital assets that PTL uses in its business to generate trading performance.

B1 Property, Plant & Equipment

	Land	Wharves & breakwaters	Buildings	Port services and equipment	Dredging	Asset Held for Sale	Capital works in progress	Total
Cost								
Balance at 1 July 2020	92,336	30,318	32,862	101,009	24,971	-	3,119	284,615
Additions	-	-	-	49	-	-	886	935
Disposals	-	-	-	(19)	-	-	-	(19)
Revaluation	-	-	-	-	-	-	-	-
Reclassifications / transfers	-	-	-	-	-	-	-	-
Capitalisation	-	-	-	-	-	-	(73)	(73)
Balance at 31 December 2020	92,336	30,318	32,862	101,039	24,971	-	3,932	285,458
Additions	-	-	122	1,807	2,492	-	5,394	9,815
Disposals	-	-	-	(164)	(2,251)	-	-	(2,415)
Revaluation	6,485	-	-	-	-	-	-	6,485
Reclassifications / transfers	(595)	-	(208)	-	-	803	-	-
Capitalisation	-	-	-	-	-	-	(4,559)	(4,559)
Balance at 30 June 2021	98,226	30,318	32,776	102,682	25,212	803	4,767	294,784
Additions	-	-	-	93	-	46	3,023	3,162
Disposals	-	-	-	(828)	-	(849)	-	(1,677)
Revaluation	-	-	-	-	-	-	-	-
Reclassifications / transfers	-	-	-	-	-	-	-	-
Capitalisation	-	-	-	-	-	-	(137)	(137)
Balance at 31 December 2021	98,226	30,318	32,776	101,947	25,212	-	7,653	296,132
Accumulated depreciation								
Balance at 1 July 2020	-	(19,136)	(15,614)	(55,177)	(6,130)	-	-	(96,057)
Depreciation reversal from disposals	-	-	-	17	-	-	-	17
Impairment	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Depreciation charge	-	(242)	(530)	(2,190)	(565)	-	-	(3,527)
Balance at 31 December 2020	-	(19,378)	(16,144)	(57,350)	(6,695)	-	-	(99,567)
Depreciation reversal from disposals	-	-	-	145	2,251	-	-	2,396
Impairment	-	-	-	-	-	-	-	-
Reclassification	-	-	138	-	-	(138)	-	-
Depreciation charge	-	(242)	(529)	(2,227)	(593)	-	-	(3,591)
Balance at 30 June 2021	-	(19,620)	(16,535)	(59,432)	(5,037)	(138)	-	(100,762)
Depreciation reversal from disposals	-	-	-	785	-	140	-	925
Impairment	-	-	-	-	-	-	-	
Reclassification	-	-	-	-	-	-	-	
Depreciation charge	-	(214)	(525)	(2,204)	(611)	(2)	-	(3,556)
Balance at 31 December 2021	-	(19,834)	(17,060)	(60,851)	(5,648)	-	-	(103,393)
Carrying value								
Balance at 31 December 2020	92,336	10,940	16,718	43,689	18,276	-	3,932	185,891
Balance at 30 June 2021	98,226	10,698	16,241	43,250	20,175	665	4,767	194,022
Balance at 31 December 2021	98,226	10,484	15,716	41,096	19,564	-	7,653	192,739

B2 Intangible Assets

	Software
Cost	
Balance at 1 July 2020	4,650
Additions	25
Disposals	-
Balance at 31 December 2020	4,675
Additions	139
Disposals	-
Balance at 30 June 2021	4,814
Additions	-
Disposals	-
Revaluation	-
Reclassifications / transfers	-
Capitalisation	-
Balance at 31 December 2021	4,814
Accumulated depreciation	
Balance at 1 July 2020	(4,057)
Depreciation reversal from disposals	-
Depreciation charge	(98)
Balance at 31 December 2020	(4,155)
Depreciation reversal from disposals	-
Depreciation charge	(94)
Balance at 30 June 2021	(4,249)
Depreciation reversal from disposals	-
Depreciation charge	(87)
Balance at 31 December 2021	(4,336)
Carrying value	
Balance at 31 December 2020	520
Balance at 30 June 2021	565
Balance at 31 December 2021	478

B3 Commitments

For the twelve months ended		For the six months ended 31 December 2021	For the six months ended 31 December 2020
7,035	Capital commitments	9,647	8,193

Estimated capital expenditure contracted for at balance date but not provided for includes: Maintenance dredging, Fire Water Upgrade and a number of smaller capital projects.

B4 Capitalised Interest

For the twelve months ended		For the six months ended 31 December 2021	For the six months ended 31 December 2020
49	Capitalised borrowing costs	20	23
2.64%	Average capitalisation rate	1.61%	2.65%

Borrowing costs incurred during construction / assembly of major capital projects are capitalised as part of the initial cost of the respective assets.

C. OUR FUNDING

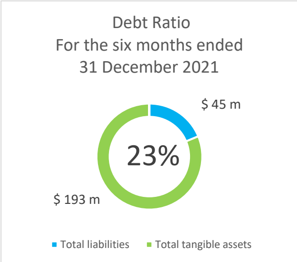
In this section

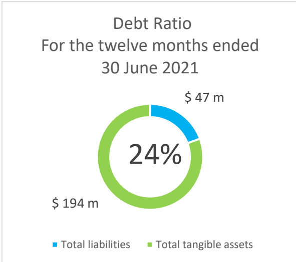
This section outlines how PTL manages its capital structure and related financing costs, including its balance sheet liquidity.

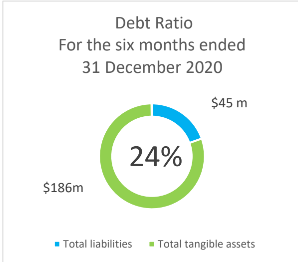
C1 Capital Structure

PTL's policy is to maintain a stable and strong capital base, so as to maintain investor and creditor confidence and sustain the business development of PTL and safeguard its ability to remain a going concern.

PTL regularly monitors its capital requirements, its compliance with its financial covenants and models various downside scenarios (refer Note C6).







C2 Issued Capital

Shares (000) For the twelve months ended 30 June 2021	Issued Capital For the twelve months ended 30 June 2021		Shares (000) For the six months ended 31 December 2021	Shares (000) For the six months ended 31 December 2020	Issued Capital For the six months ended 31 December 2021	Issued Capital For the six months ended 31 December 2020
52,000	26,000	Share capital (issued and fully paid)	52,000	52,000	26,000	26,000

C3 Dividends

Cents per share	For the twelve months ended 30 June 2021		Cents per share	For the six months ended 31 December 2021	Cents per share	For the six months ended 31 December 2020
6.73	3,500	Prior year - final	7.69	4,000	6.73	3,500
4.81	2,500	Prior year - special	-	-	4.81	2,500
3.85	2,000	Current year interim	-	-	-	-
	8,000	Total dividends		4,000		6,000

C4 Reserves

For the twelve months ended 30 June 2021 Total		For the six months ended 31 December 2021 Revaluation Reserve	For the six months ended 31 December 2021 Cash Flow Hedge	For the six months ended 31 December 2021 Total	For the six months ended 31 December 2020 Revaluation Reserve	For the six months ended 31 December 2020 Cash Flow Hedge	For the six months ended 31 December 2020 Total
62,315	Balance 1 July	68,800	296	69,096	62,315	-	62,315
6,781	Revaluations in other comprehensive income	(468)	434	(34)	-	18	18
69,096	Balance 30 June	68,332	730	69,062	62,315	18	62,333

C5 Borrowings

Drawn For the twelve months ended 30 June 2021	Un-drawn For the twelve months ended 30 June 2021		Facility For the six months ended 31 December 2021	Drawn For the six months ended 31 December 2021	Un-drawn For the six months ended 31 December 2021	Facility For the six months ended 31 December 2020	Drawn For the six months ended 31 December 2020	Un-drawn For the six months ended 31 December 2020
79		Current secured loans		37			75	
36,895		Non-current secured loans		34,693			35,506	
36,974	28,026	Total	65,000	34,730	30,270	65,000	35,581	29,419

The companies borrowings are secured by way of a general security deed. The borrowings in the statement of financial position include accrued interest.

PTL recognises as an expense within the statement of comprehensive income all borrowing costs incurred, with the exception of interest costs associated with capital projects (refer to B3).

C6 Banking Covenants

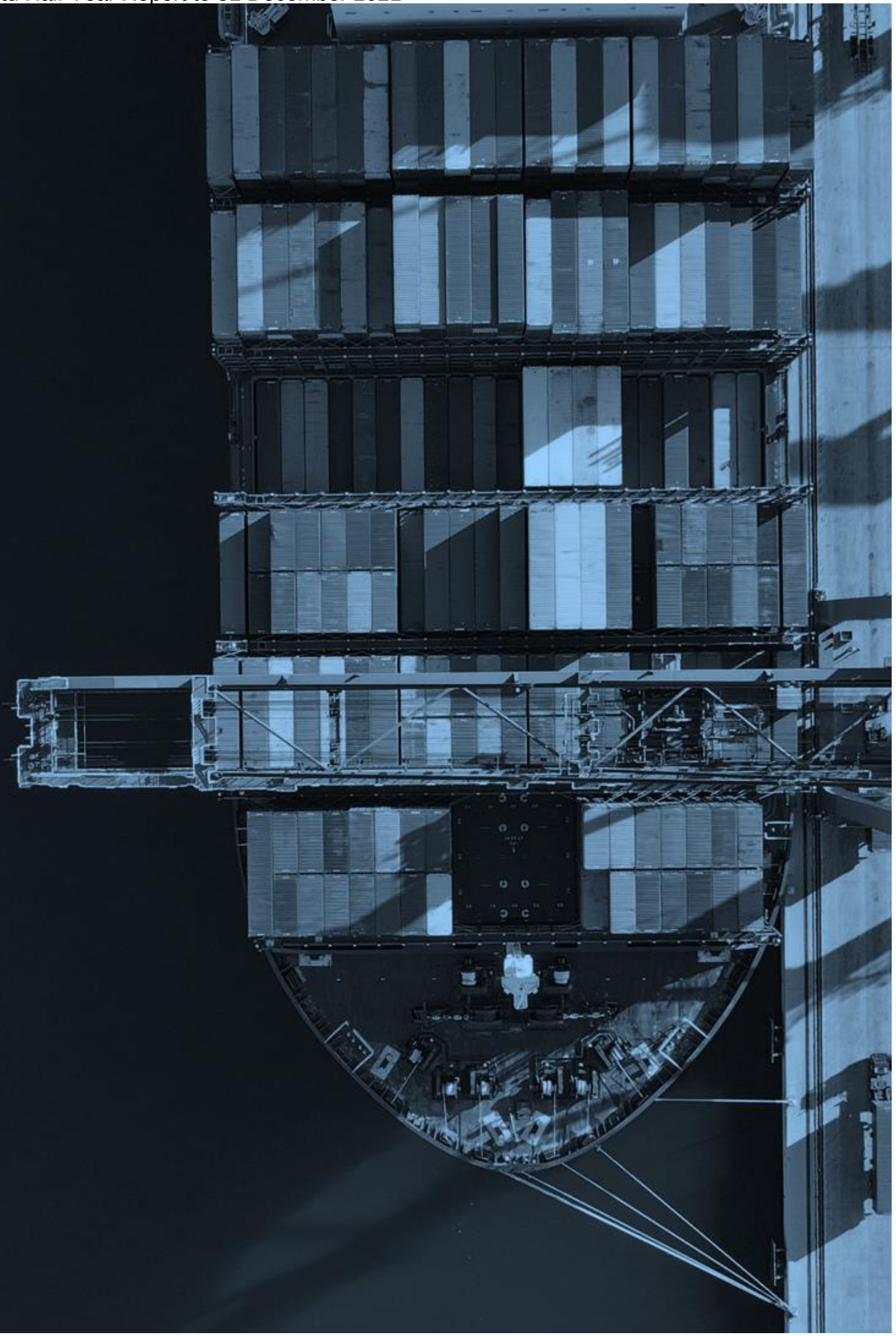
PTL has complied with all banking covenants in the period.

Deloitte.

Building resilience through disruption

New Zealand Ports and Freight Yearbook 2022

Contents



Welcome

The Deloitte New Zealand Ports and Freight Yearbook provides a concise snapshot of domestic port and freight activity. In addition, we present insight into the global and domestic environment, and a series of "in focus" thought leadership pieces relevant to the sector.

In the past 12 months, the sector has been in the spotlight like never before. Our Yearbook provides reflections and insights on the extraordinary year that was, but also keeps an eye to the future. We begin with commentary on recent supply chain challenges and the economic outlook. This section has been prepared with contribution from Deloitte's specialist economic advisory team, Deloitte Access Economics, who have provided global and domestic economic insights. To accompany our economic insights, we also provide an overview of recent policy and other developments touching on ports and freight.

Via a series of "in focus" pieces from across Deloitte, we also present insights and guidance on topics relevant to an increasingly complex operating environment. These thought leadership pieces include:

- Opportunities to improve supply chain resilience through digital technology,
- Perspectives on the changing nature of ESG considerations,
- Insights into workforce wellbeing, and
- Insights into the decarbonisation of aviation.

As always, the Yearbook details operational and financial performance data for New Zealand's major ports. For the second year, this data is also presented via an interactive dashboard, which we encourage you to explore.

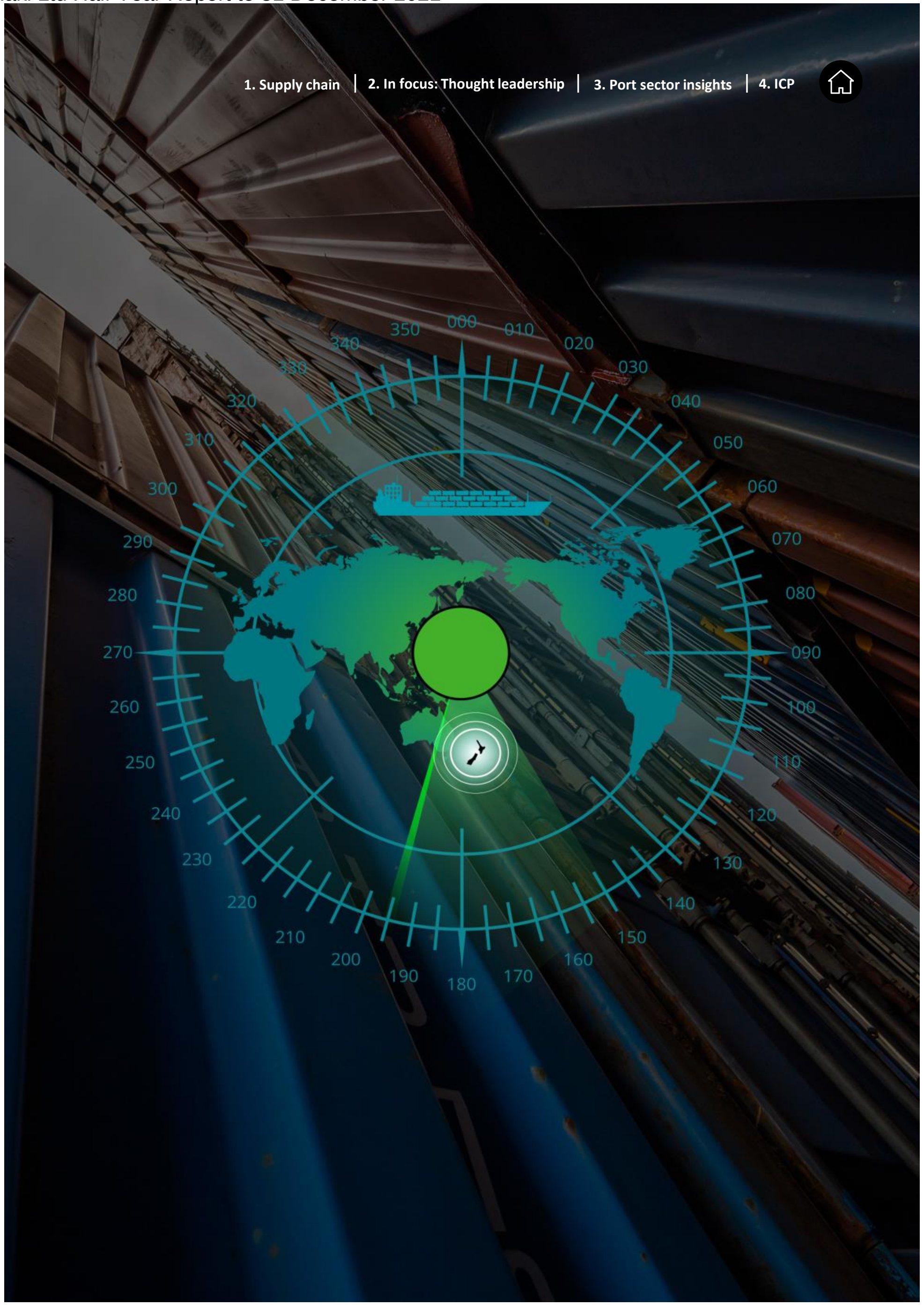
We are pleased to release this Yearbook as part of Deloitte's Infrastructure & Capital Projects (ICP) integrated market offering.

Our domestic and global network of ICP professionals allows us to bring together deep skills and provide integrated solutions to all segments of the infrastructure sector and across the asset lifecycle.

If you have any questions, please reach out to either myself or the other contributing authors.

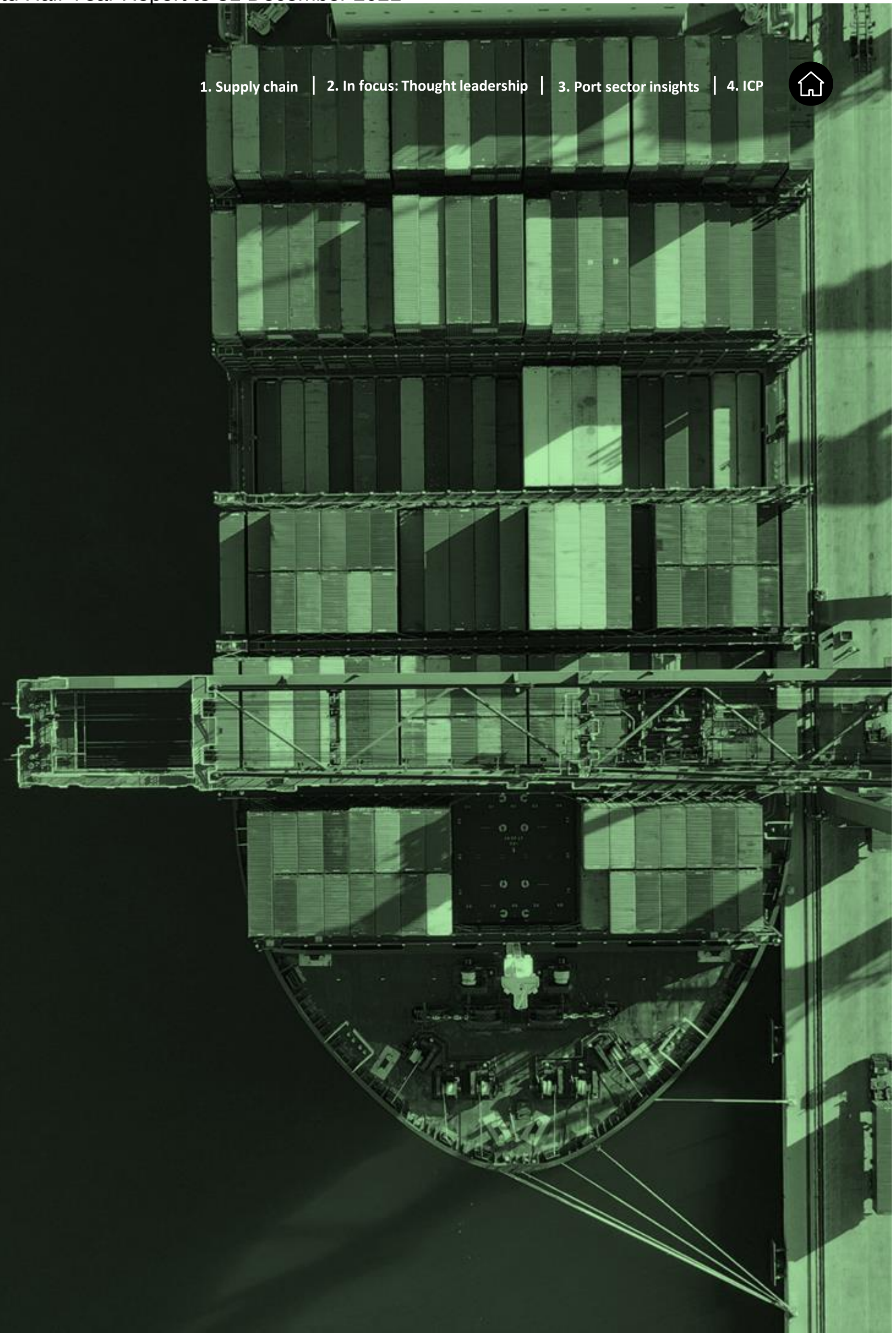
We welcome your feedback and look forward to future discussion and engagement.

John Marker
National Partner
Infrastructure & Capital Projects
Auckland, New Zealand



Supply chain context

Strategic and economic insights



Supply chain:
A year like no other

The domestic and global supply chain has been in focus like never before. Supply chain woes are making headlines on a regular basis, leaving little doubt that the pandemic has both highlighted and exacerbated vulnerabilities of a 'just in time' supply chain.

The ports and freight sector is a key enabler of the supply chain, which in turn impacts the performance of our economy and our standard of living. While New Zealand has weathered the COVID-19 pandemic relatively well, it has not been immune to impacts on its supply chains. These effects are anticipated to persist in the near term.

To set the scene for this Yearbook, we highlight some drivers of disruption, both at a global and domestic level, and provide a view of the outlook.

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A global supply chain under pressure

The impact of the pandemic has been significant

Shipping capacity was idled in the early stages of the pandemic. However, an unexpected surge in consumer demand, combined with reduced capacity, as well as industrial action and COVID-19 related disruptions at key international ports, has caused ongoing congestion throughout the global supply chain. This has had consequent flow on effects for New Zealand, being at the end of international freight routes.

There is now an international shortage of containers and most available shipping capacity is in use. Schedule reliability is currently well below pre-pandemic levels (see figure bottom right), reflecting congestion at major international ports. This disruption continued throughout 2021, with reliability hovering between 33% - 35% in the past six months. Maersk recently estimated that between 12 to 15% of current global capacity is void because of slow vessel turnarounds.[1]

As a result of unreliable schedules, more vessels are needed on the water to carry the same amount of cargo. However, while ship orders surged in 2021, significant additional capacity is unlikely to arrive until 2023, as it takes an average of 18 months to build a container ship. Container lines will also be wary of investing in excess additional capacity, recalling earlier boom and bust cycles experienced by the industry.

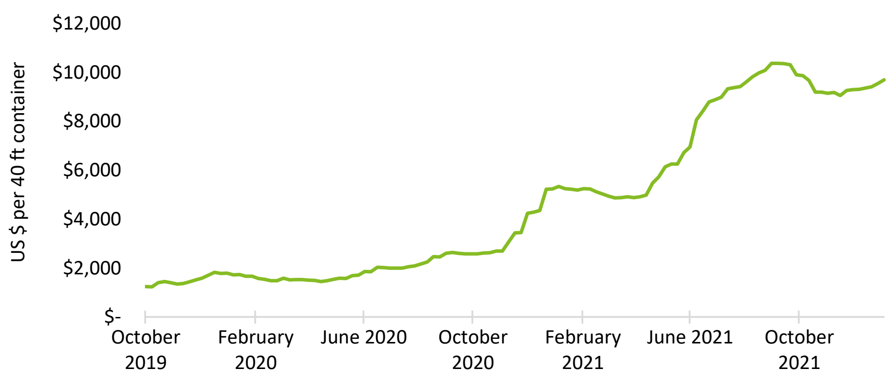
Global container rates increased dramatically in 2021 (see figure top right). The cost of international shipping has increased by up to ten times when compared with 2019 levels. While in recent months this has decreased slightly, rates continue to be well in excess of a pre-pandemic environment.

"The pressures have been relentless, with logistics teams suffering sustained and systemic global supply chain disruption, record port congestion, cargo delays, chronic capacity shortages, breaches or near breaches of shipping contract commitments – and ocean freight rates surging to extreme levels." – Phillip Damas, Managing Director, Drewry

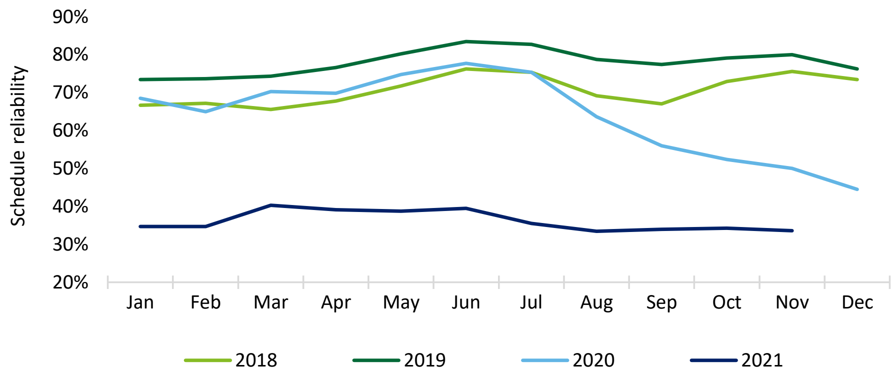
While operating costs for shipping lines have increased (the cost of marine fuel more than doubled in 2021), collectively the lines have made more profit in the last 12 months than at any other time in the last decade on the back of surging freight rates.[2] AP Moller-Maersk A/S, one of the world's largest container shipping lines, reported EBITDA for 2021 of US$ 24 billion, compared to US$ 8 billion in 2020.

During the pandemic, the cost of air freight has become more competitive relative to sea freight. Pre-pandemic, the average price to move air cargo was 12.5 times more expensive than sea shipping. In September 2021, it was only three times more expensive. However, air freight has still faced capacity constraints as demand surged while capacity reduced.[3]

World Container Index



Global Schedule Reliability



Source: Sea-Intelligence, GLP report issue 124

1. Maersk: https://www.maersk.com/news/articles/2021/11/23/asia-pacific-market-update-november
2. Bloomberg: https://www.bloomberg.com/news/articles/2021-09-12/the-world-s-shippers-are-earning-the-most-money-since-2008
3. IATA: https://www.airlines.iata.org/news/capacity-problems-but-cargo-still-strong

Domestic impacts

Less reliable, more expensive

New Zealand is a minnow in the global supply chain. Our ports and freight sector has been significantly impacted by disrupted international shipping and reduced air travel, compounded by local COVID-19 impacts and domestic port operational issues.

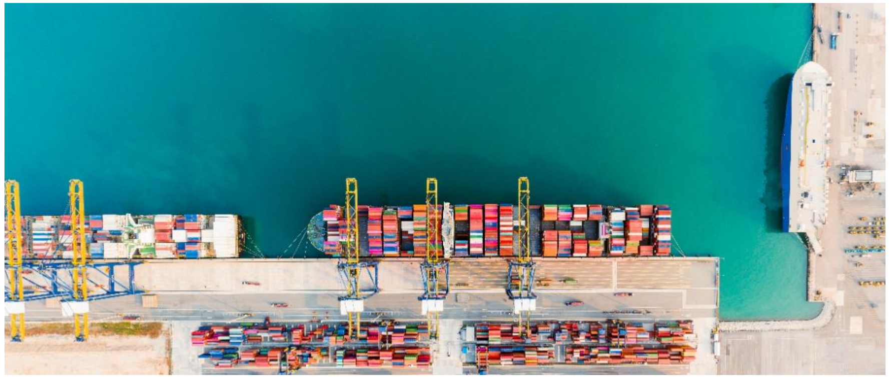
In the past year, there has been strong domestic demand for goods as well as ongoing demand for capacity from exporters. However, capacity has not kept pace due to unreliable shipping schedules and congestion at key New Zealand ports. Airfreight capacity is also under pressure, notwithstanding that government subsidies have kept capacity at 90% of pre-pandemic levels, in light of strong demand.

Shipping unreliability for imports and exports has had ripple effects throughout the domestic supply chain. Due to shipping delays and congestion experienced, goods are being offloaded at ports different to their original destination as lines attempt to maintain international schedules.

Local transport is required to shift to whichever port has received offloaded goods, thereby moving logistics patterns out of sync and further reducing effective capacity in the system. Capacity has also been constrained in the trucking industry by a shortage of truck drivers.

International vessels are also unavailable to undertake key coastal shipping services and are less willing to take on empty containers, which has further exacerbated the impact to New Zealand's supply chain.

"We are at the mercy of some very large, global shipping lines, we don't have very much ability to influence a lot of the global issues because of the size of our country and position" – Harriet Shelton, Manager, Supply Chain, Ministry of Transport



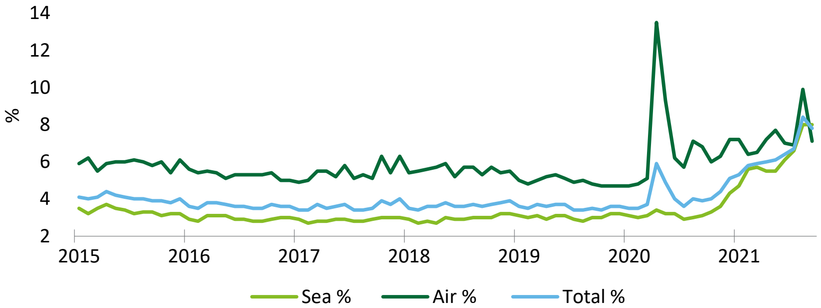
In line with global trends, container rates to and from New Zealand have increased by up to six times pre-pandemic rates, reflecting global shortages of containers and limited shipping capacity. However, commercial arrangements, such as the Kotahi supply chain collaboration initiative, have provided some insulation from this.

Ships are regularly arriving off window at New Zealand ports due to the ongoing delays and disruptions. Berth windows were suspended at most main New Zealand ports in 2021. Media reports suggested it was taking up to three weeks to move product from Tauranga to Auckland by truck, when it previously took three days. The ongoing shortage of truck drivers and increasing fuel costs in New Zealand could likely add further pressure to logistics costs.

Supply chain challenges are seeping into domestic inflation. While shipping costs for imported goods (as a percentage of value) have eased in recent months, they remain significantly higher than pre-pandemic levels (see figure below). Statistics New Zealand revealed transport prices also increased by 15 percent in 2021, boosted by record petrol prices. On average, the price of 91 octane petrol increased 30 per cent in Q4 2021, from $1.87 per litre to $2.45. Diesel prices increased by approximately 50 percent in 2021.

Cost pressures show few signs of abating, as we look at the outlook of New Zealand's supply chain over the page. Deloitte Access Economics, in the next article, also provides insight into the impacts of this disruption, and the global and national economic outlook.

Shipping costs for imported consumer goods



Source: Stats NZ, RBNZ, Deloitte

Chart derived by taking the value of consumer merchandise imports including freight and insurance costs (CIF) and subtracting the reported value for duty (VFD), which excludes these costs. It is expressed as a percentage of the VFD figure.

'Just in Time' to 'Just in Case'?

Outlook

The outlook for global supply chain disruption is the subject of debate. However, with the pandemic unresolved, global logistics are likely to be disrupted for another 12-24 months. Disruption has a cascading effect which takes a long time to resolve. At the time of writing, the full impacts of the Omicron outbreak have yet to be felt in New Zealand. The Russian invasion of Ukraine is sending further shockwaves through global supply chains as well as driving up energy costs.

A key driver of how quickly the supply chain normalises will be consumer behaviour. If consumer demand falls, and firms reduce inventory, this may take pressure off the system. However, elevated shipping rates are now flowing into long term contracts between shipping lines and their customers. The hangover from the disruption experienced in 2021 may continue for many years.

A focus on resilience

The issues affecting the New Zealand supply chain will likely only settle when wider international constraints on capacity are resolved. With that being said, there is a good chance that the post-pandemic supply chain will look different to the previous 'just in time' approach, with businesses seeking to build more resilience into their logistics operations.

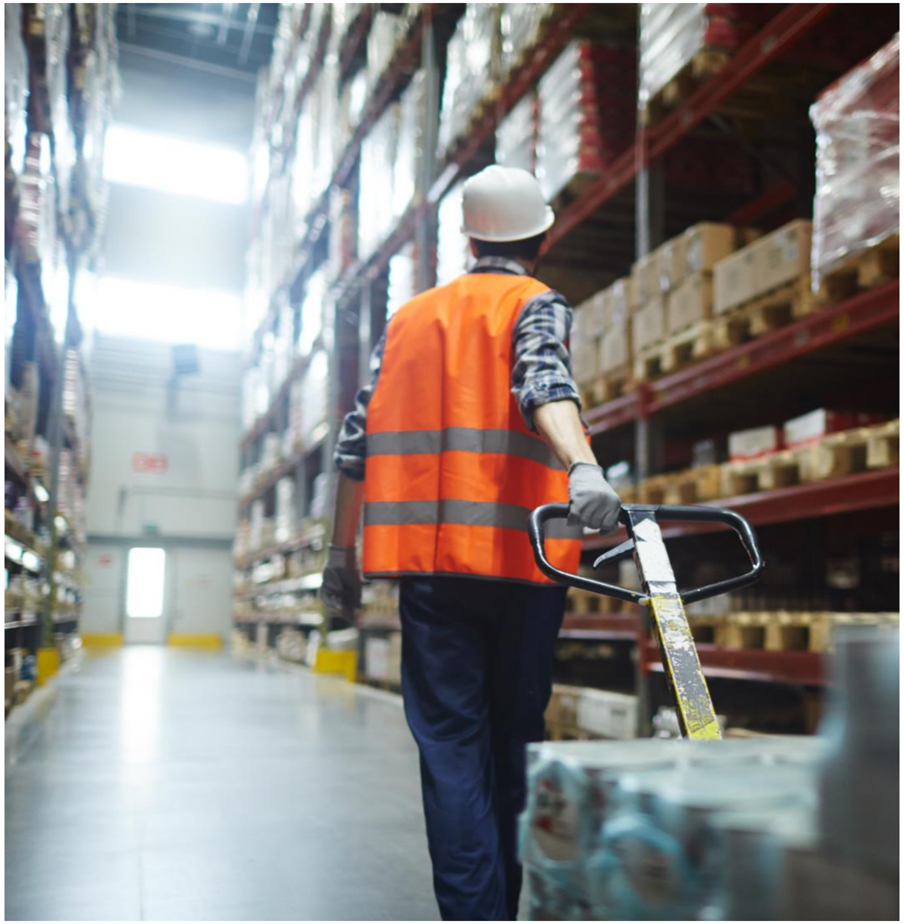
We expect firms will increasingly take risk mitigation into their supply chain strategy going forward. This may involve diversifying suppliers, including across geographies, near-shoring manufacturing to key markets, or holding additional inventory. Another mitigant could include forming freight alliances. An increased focus on digital technology will be also important to improve resilience and productivity.

Reflecting on observed supply chain constraints, and in anticipation of environmental challenges and commitments, the Government is working on a national supply chain strategy, with a draft strategy to be completed by the end of 2022.

At a national level, we are also seeing a greater focus on rail for the transportation of goods, as well as a focus on coastal shipping. These policy developments are discussed in more detail on pages 16 to 20.

It remains to be seen if the sustained supply chain pressures will see a need to expand investment in port-side and related infrastructure. Major ports, such as Tauranga and Auckland, have plans underway for terminal automations and other capacity enhancements. Container depots have been at capacity and will be looking to expand. However, firms may also be reluctant to accelerate and expand investment plans given the uncertain outlook.

For better or worse, these are interesting times for ports and freight in New Zealand.



Deloitte Access Economics: A year of disrupted recovery

Ports and logistics infrastructure have been, and will continue to, play a key role in ensuring security of supply of products into New Zealand, especially given our limited domestic manufacturing capacity. This is especially important for intermediate goods or specialised parts that support wider economic growth.

The COVID-19 pandemic and geopolitical tensions continue to significantly impact economic activity throughout the globe and in New Zealand. Over 2021, continued disruption has meant that shipping rates, availability, access and delay have all affected the supply chain and impacted consumer access, choice and prices. We had a year of record high inflation, oil and electricity prices, record low unemployment and migration and supply-chain gridlock.

The disruption caused by COVID-19 and measures taken by governments to support both human health and economic activity had a profound effect on global and domestic supply chains in particular, putting into sharp focus some of the vulnerabilities of a “just in time” approach and a greater need to shift to a “just in case” approach.

In this article, we take a closer look at the performance of the global and New Zealand economy across 2021, providing insight into the key events and factors driving economic performance and trade.

We also provide an overview of our outlook for New Zealand over 2022 and beyond, and the key issues facing the economy and the logistics sector.

Our outlook is current as at 25 February 2022. Events are moving apace in New Zealand and abroad and our view may change as the impact of recent developments play out.

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Global economy – A year of recovery but doubts lie ahead

Delta and Omicron stall recovery

The global economy bounced back strongly at the start of 2021, spurred on by increasing vaccination rates, easing of restrictions and significant fiscal and monetary stimulus. However, the growth was not even across the globe, with vaccine access emerging as the principal fault line along which the global recovery was split; those that could look forward to normalisation of activities (most advanced economies) and those that still faced the prospect of resurgent infections.

The emergence of the Delta and Omicron variants has dulled what was expected to be a strong global economic recovery in 2021. The more transmissible Omicron variant has meant that many countries have had to reimpose restrictions, which are now gradually being phased out.

Growth in the Chinese economy also slowed down in the latter part of 2021 amid a property market correction. Decades of debt-driven growth had stretched the nation's developers and recent policy tightening has impacted them. A slowdown in the property sector in China will have significant flow on effects to other parts of the economy. China's economy has also suffered from increasing energy costs and shortages, resulting in rolling blackouts for energy intensive industries, disrupting manufacturing.

Overall, the International Monetary Fund (IMF) projects the world economy to have grown by 5.9% year on year in 2021.

Doubts lie ahead

Despite the strong recovery in 2021, the global economy enters 2022 in a weaker position than previously expected. The IMF now projects that global growth will moderate from 5.9% in 2021 to 4.4% in 2022, half a percentage point lower than their projections in July 2021.

The markdown is a reflection of earlier than expected withdrawal of fiscal stimulus, continued supply shortages in the United States, and continued financial stress among property developers in China.

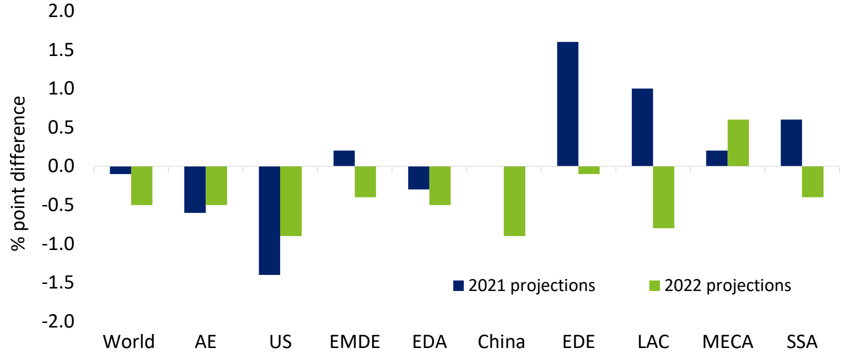
We now expect global growth is likely to be lower than 4.4% with the risk of new COVID-19 variants, further supply chain disruptions and inflationary pressures as a result of the Ukraine crisis.

Trade mirrors global economy

Global trade rebounded strongly in 2021. UNCTAD expects global trade to reach US $28 trillion in 2021, a 23% increase on the previous year and 11% higher compared to pre-COVID-19 levels. Global trade in goods also reached record levels in the third quarter of 2021, reflecting the dramatic shift of consumer demand from services to goods due to the pandemic.

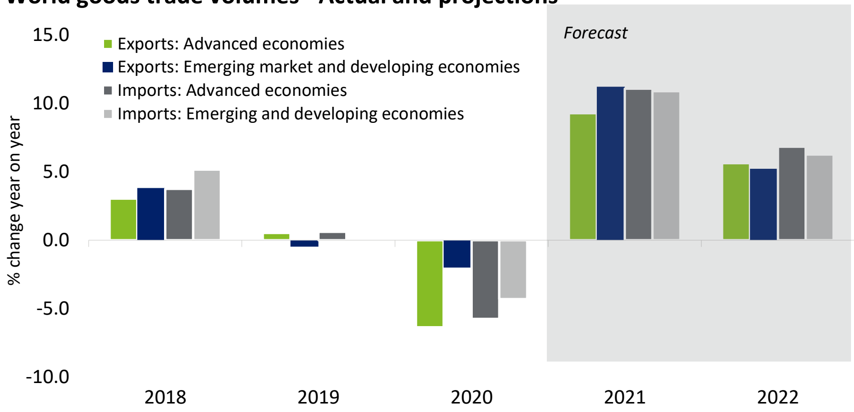
However, as with the global economy, the global trade outlook looks patchy. Slowing economic growth globally, energy costs, tightening fiscal and monetary policy and the crisis in Ukraine all mean that trade volume growth is expected to moderate compared to 2021.

Percentage difference in regional GPD projections for 2021 - IMF WOE July 2021 versus January 2022



Source: IMF World Economic Outlook July 2021 and January 2022
Notes: AE = Advanced economies; US = United States; EDME = Emerging market and developing economies; EDA = Emerging and Developing Asia; EDE = Emerging and developing Europe; LAC = Latin America and the Caribbean; MECA = Middle East and Central Asia; SSA = Sub-Saharan Africa

World goods trade volumes - Actual and projections



Source: IMF World Economic Outlook data October 2021

Global economy – Inflationary pressures abound

Record levels of inflation

Inflation is back in the news for many countries across the globe.

Measures by governments to stimulate economies through fiscal stimulus and loose monetary policy had the intended effect – demand has been strong across most of the globe and has centred on goods, rather than services, given ongoing travel and movement restrictions.

This surge in demand has come at the same time as supply chain disruptions, which resulted in the increasing shipping costs described earlier. Rising energy and food prices have also recently added to costs, raising inflation rates across the globe. Consumer prices were up 7.5% in January in the United States and Europe from the year prior. The inflation figure in the United States is the highest since the early 1980s. Energy prices were also up 27% from a year earlier in the United States. In New Zealand, the Consumer Price Index (CPI) in the December quarter of 2021 increased by 5.9% compared to the previous year. This was the biggest increase in consumer prices since 1990 and was driven by housing, utilities and higher prices for petrol. Since we prepared our analysis, we note that oil prices have now reached over US$ 140 a barrel following Russia's invasion of Ukraine, adding further inflationary pressure.

Core consumer inflation – a measure that strips out volatile fuel and food inflation – has also been strong in several large economies such as the United States, United Kingdom and Canada.

Difficult decisions lie ahead

At the onset of the pandemic, policy makers around all the world took to easing monetary policy and expanding fiscal stimulus. This helped prevent a sustained global recession, despite lockdowns. Indeed, the strength of consumer demand for goods stemming from these policies have caused, in large part, the global supply chains issues discussed, as supply chains were not able to ramp back up at the same pace as demand.

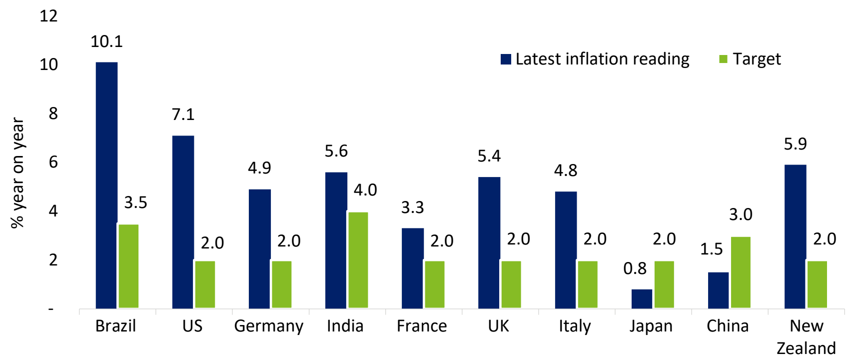
The sustained inflationary pressures worldwide, and the presence of Omicron, present challenges for policy makers. While the supply and demand imbalances are likely to ease to some extent over the course of 2022, it is clear that loose monetary policy and fiscal stimulus cannot carry on as is in many countries.

The global policy response to sustained inflation is unlikely to be synchronised as it was at the onset of the pandemic. Individual countries are likely to tailor policies to the specific inflationary pressures they are facing as well as the extent of their economic recoveries. Policy makers around the world face the unenviable task of getting ahead of inflationary pressures while avoiding sharp reductions in output and employment that may derail economic recovery from COVID-19.

"With inflationary pressures intensifying and Omicron generating new uncertainties, monetary policymakers are facing new and challenging trade-offs" – IMF

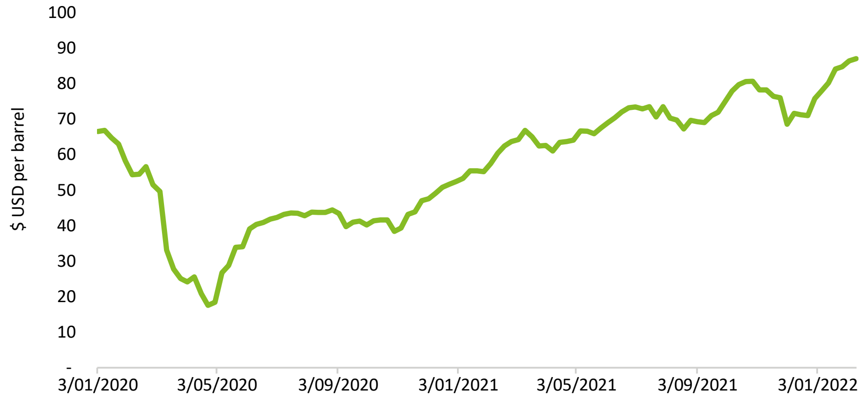
Differing policies of key trading partners will impact goods trade with New Zealand, with faster and more sharp policy tightening acting to dampen demand and trade volume growth.

Inflation and inflation targets



Source: Refinitive Datastream, Statistics New Zealand

Crude oil price (Dubai)



Source: Ministry of Business, Innovation & Employment Oil Statistics

New Zealand economy – Another year of disruption

COVID-19 continues to disrupt

The Delta and Omicron variants disrupted what promised to be strong economic recovery from the onset of COVID-19. Growth in the June 2021 quarter was up 17.4% on the previous year, reflecting a strong rebound from the previous year's lockdown, and was driven by the services sector and the "travel bubble" with Australia.

However, the Delta induced lockdown meant that the economy shrank by 3.7% in the September quarter of 2021. Despite the September decline, economic activity outperformed market expectations, reflecting the fact that both firms and consumers were much better prepared to deal with lockdowns than expected.

New Zealand is now much more match fit for fighting COVID-19 in 2022 than previously, due in large part to high vaccination levels and a move away from a "zero COVID-19" strategy. We forecast the economy to grow in 2022 with border restrictions easing and more positive consumer and business sentiment under the new COVID-19 strategy. However, the spread of Omicron means that economic growth will be slower in the near term. Other factors shaping this slower near-term outlook include ongoing labour shortages, supply chain disruption, heightened inflation and policy responses to increased interest rates.

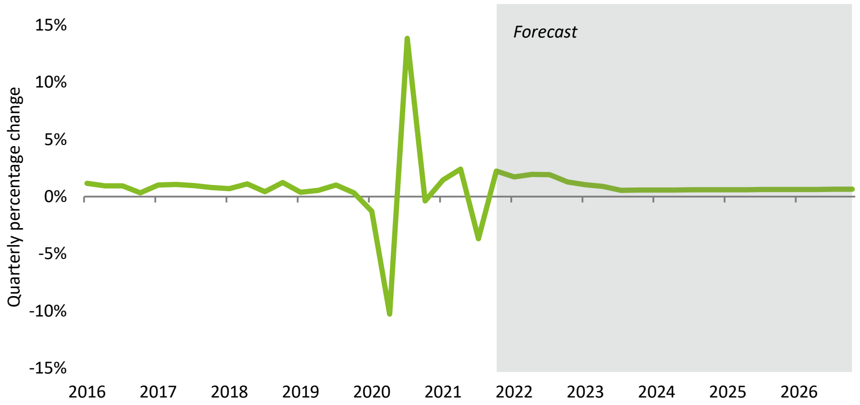
Rising inflation and interest rates

Heightened demand from loose monetary policy and fiscal stimulus, supply chain disruptions, a tight labour market, and strong wage inflation have all led to strong inflationary pressures. The Consumer Price Index hit 5.9% in the year to December 2021 – a level not seen since 1991. The quarter prior it was 4.9%, which was the fastest annual price increase since 2008 (excluding GST hikes).

Trimmed-mean measures – the average rate of inflation after 'trimming away' price changes at both ends of the distribution – show headline inflation is backed by high underlying core inflation, with quarterly growth varying from 1.4% to 1.7% in December 2021. Inflationary pressure is also coming from both tradable and non-tradable goods, each increasing at a quarterly rate of 1.3% and 1.4%, respectively.

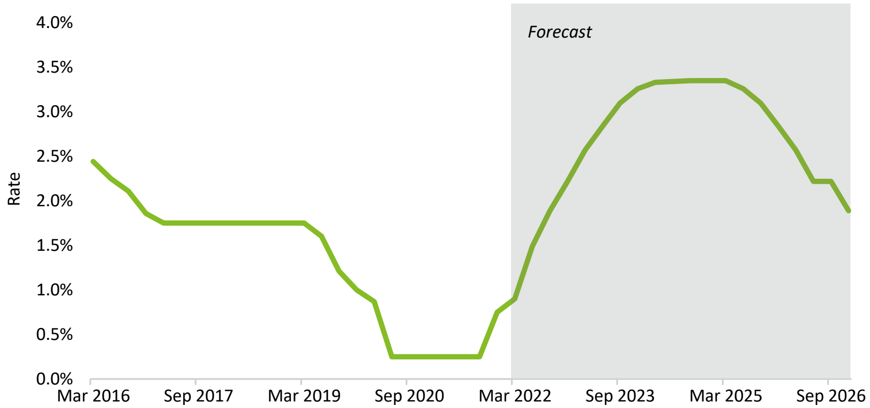
There is increasing pressure on the Reserve Bank of New Zealand (RBNZ) to increase rates and bring inflation down to its 1-3% target band, notwithstanding the current Omicron outbreak. Indeed, the RBNZ did just that in February, raising the Official Cash Rate (OCR) by 0.25 basis points to 1%. Given the persistent inflationary pressures and low employment, we expect the RBNZ to continue to raise the OCR, which is likely to reach more than 3% by the end of 2023.

New Zealand GDP – Actuals and forecast



Source: Statistics New Zealand; Deloitte Access Economics

OCR - Actual and forecast



Source: Reserve Bank of New Zealand; Deloitte Access Economics

New Zealand economy – Labour shortages to dominate

Continued border closures

Borders remained essentially shut throughout 2021, continuing restrictions instigated in early 2020 at the onset of the pandemic. Prior to 2020, net migration had been a key driver of population change and dynamics. New Zealand's population had grown around 2% each year prior to 2020. We now expect the growth rate to hover around 1% between 2021 and 2024. This lower growth rate is largely driven by the substantial decline in migration, which has fallen significantly as a result of border closures. Net migration was the lowest in nine years and was negative for the first time since 2012.

Low net migration can hinder economic growth. With New Zealand's population ageing, the proportion of those aged 15-64 (i.e. the working age population), is likely to shrink – especially if there are fewer migrants to bolster the workforce, capping the ability of firms to invest and grow.

With the government signalling the easing of border restrictions recently, we expect net migration to rise slightly from March 2022 onwards and recover from the lockdown induced lows, provided no further delays or changes to border settings are announced or required.

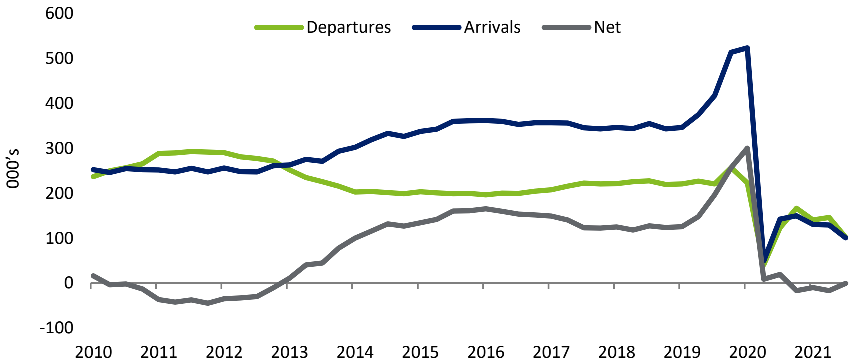
Tight labour market

New Zealand has been in the grips of an acute labour shortage throughout 2021. The latest Quarterly Survey of Business Opinion (QSBO) indicates that 73% of firms are having difficulty finding skilled workers, while 60% are struggling to find unskilled workers, driven by border closures over the past two years. The shortage of labour has been broad based, affecting most sectors of the economy.

Unemployment continued to fall over 2021. The unemployment rate fell to a record low of 3.2% in the December quarter of 2021, down 0.2% on the September quarter. Wage inflation (measured by the labour cost index) increased by 2.6% over the year to the December quarter in 2021, reflecting businesses' willingness to raise wages to attract and retain staff. We expect wage inflation to grow at 3.2% annually in 2022, driven by businesses desire to attract staff and increasing living costs.

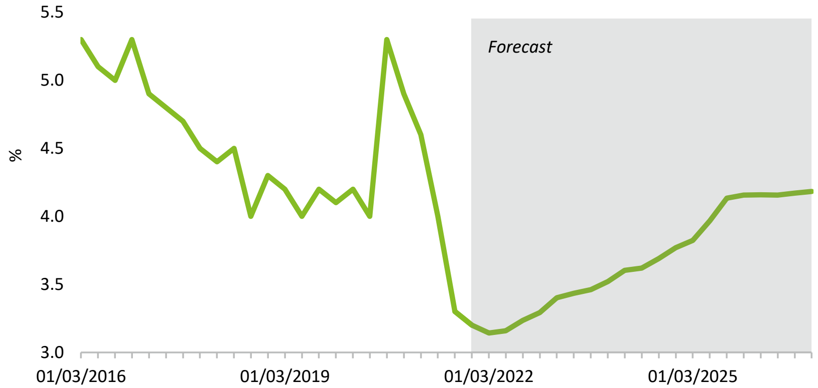
We forecast the unemployment rate to remain low throughout 2022. We do not expect relaxing border restrictions to be an immediate cure for the widespread labour shortages many businesses are facing, as we expect there to be outward migration from those whose overseas plans have been put on hold. Over the longer term, we expect unemployment to rise gradually, reaching 4% in 2025. The Ukraine crisis has the potential to increase the unemployment rate even further.

Net migration, seasonally adjusted



Source: Statistics New Zealand

Unemployment rate



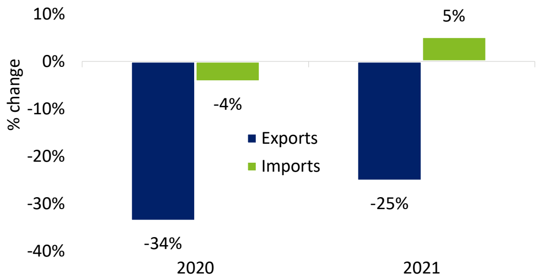
Source: Statistics New Zealand; Deloitte Access Economics

New Zealand economy – Port activity shows signs of recovery

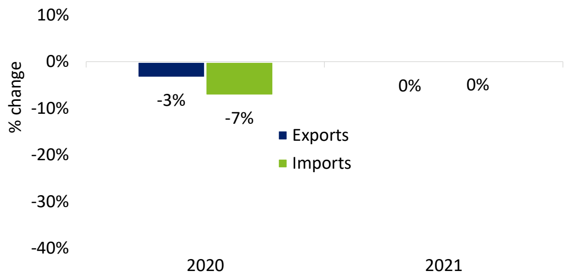
Trade volumes largely mirror economic recovery

The recovery of the global and New Zealand economies, due to increasing vaccination rates in the early part of 2021 and stimulatory policy, led to strong consumer demand, especially for goods. This recovery has been mirrored in port activity over 2021, with import and export volumes recovering from the downturn experienced in 2020 in the selected ports below, except for import volumes for Whangarei and Nelson. However, the emergence of the Delta and Omicron variants appears to have dulled what would have been stronger recovery. Shipping supply chain disruptions will have also hampered the recovery as well. The outlook for trade and port activity for 2022 looks weaker. Tightening policy to rein in inflation locally and in key trading partners, such as in Australia and the United States, the faltering economy in China, and the current Ukraine crisis, can be expected to moderate trading activity.

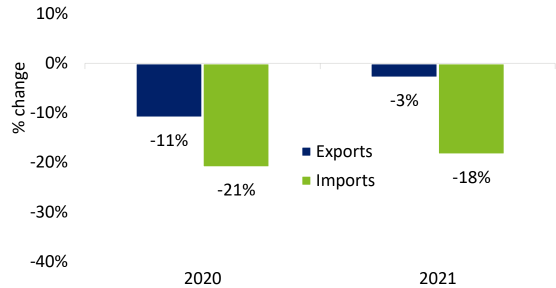
Auckland - Change in trade volumes relative to 2019



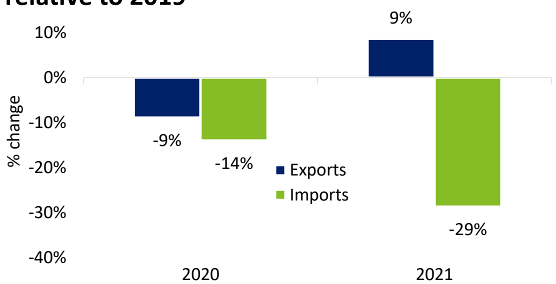
Tauranga - Change in trade volumes relative to 2019



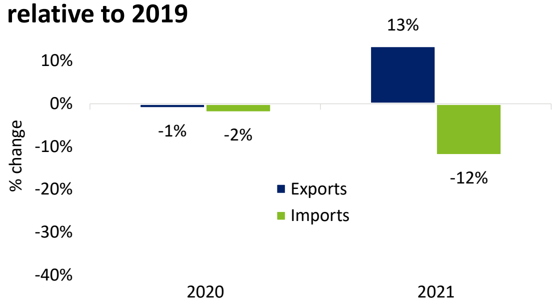
Christchurch (Lyttelton) - Change in volumes relative to 2019



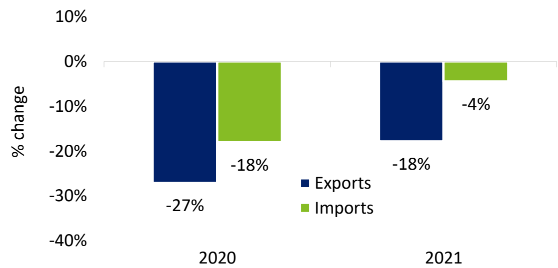
Whangarei - Change in trade volumes relative to 2019



Napier - Change in trade volumes relative to 2019



Nelson - Change in trade volumes relative to 2019



Source: Statistics New Zealand; Deloitte Access Economics
Notes: Trade volumes refer gross weight (tonnes) of exports and imports

Risk of modern day stagflation ahead

As a result of pandemic-related challenges, which will intensify with the current Ukraine crisis, we expect slow economic growth to coincide with rising inflation - this brings the risk of modern day stagflation (i.e. a combination of rising inflation and slow growth).

Higher inflation and compromised supply chains

Inflation and supply chain disruptions have been a key theme for New Zealand and the world. Idled capacity due to the pandemic and buoyant consumer demand, especially for goods, led to the elevated shipping rates and the drop in reliability described previously.

We expect consumer demand to moderate in 2022, given lower projected economic growth, tightening monetary and fiscal conditions and the prospect of elevated energy and oil prices. The easing of travel restrictions worldwide may also revert consumer demand towards services, all of which may help alleviate the supply chain disruptions experienced over the past two years.

However, the conflict in Ukraine and sanctions could further result in disruptions to global trade flows, including energy supplies, and potentially hamper the already burdened supply chains, contributing to further inflation risks.

Striking the right balance between inflation and growth

The RBNZ faces the unenviable task of reining in rampant inflation in the midst of the ongoing COVID-19 outbreak and a slowing global economy. The RBNZ has already indicated that it expects to raise rates higher and faster than previously expected.

However, it will need to take care not to unnecessarily put the brakes on the New Zealand economy. Careful consideration of developing global economic conditions, particularly relevant to the logistics sector, will be crucial.

Building resilience in the logistics sector

The logistics sector faces some difficult decisions ahead. The effect of COVID-19 on supply chains and recent geopolitical and trade risks made existing challenges in the logistics sector more prominent.

We expect firms to increasingly take risk mitigation into account for future supply chain strategies and investment, as well as considering ways of increasing productivity and reducing emissions. Careful forward planning, with a focus on technology and supply contracts with strategic companies, is likely to be key into the future, especially given the uncertain economic outlook.

We note that transitioning to a “just in case” approach is likely to impose costs, which may include necessary investment in warehousing capacity, local manufacturing capacity, costs of holding extra working capital and obsolescence risks. Such costs of promoting resilience in the system are likely to be borne by end-consumers.

Supply chain disruptions have highlighted the benefits of a diversified supply chain, including local manufacturing and access to a broad range of imported supplies which together promote resilience. A key advantage is ensuring products continue to be available in New Zealand during periods of intense supply chain disruption. Supporting the transition to a “just in case” approach will require the right policy settings and incentives.

COVID-19 has brought into sharp relief the importance of ports and logistics infrastructure in ensuring security of supply of products into New Zealand. Difficult decisions lie ahead for logistics organisations on how risk and resiliency are managed going forward. Supporting the transition to a “Just in Case” approach will require the right policy settings and incentives.

Supply chain: National state-of-play

Over the past year, the Government has progressed initiatives that have an impact on ports and freight. Various plans and policies affecting land transport have been released, with further initiatives underway. The pandemic has shone a spotlight on the importance of a resilient and sustainable supply chain. Key themes of resilience, decarbonisation and productivity are seen across key policy initiatives.

In the following pages, we provide context on the New Zealand freight task and the role of each mode in the supply chain. We then outline policy developments affecting key freight modes and the wider transport sector. This includes developments in relation to rail and coastal shipping, the Transport Emissions Action Plan and developing a New Zealand Freight and Supply Chain Strategy.

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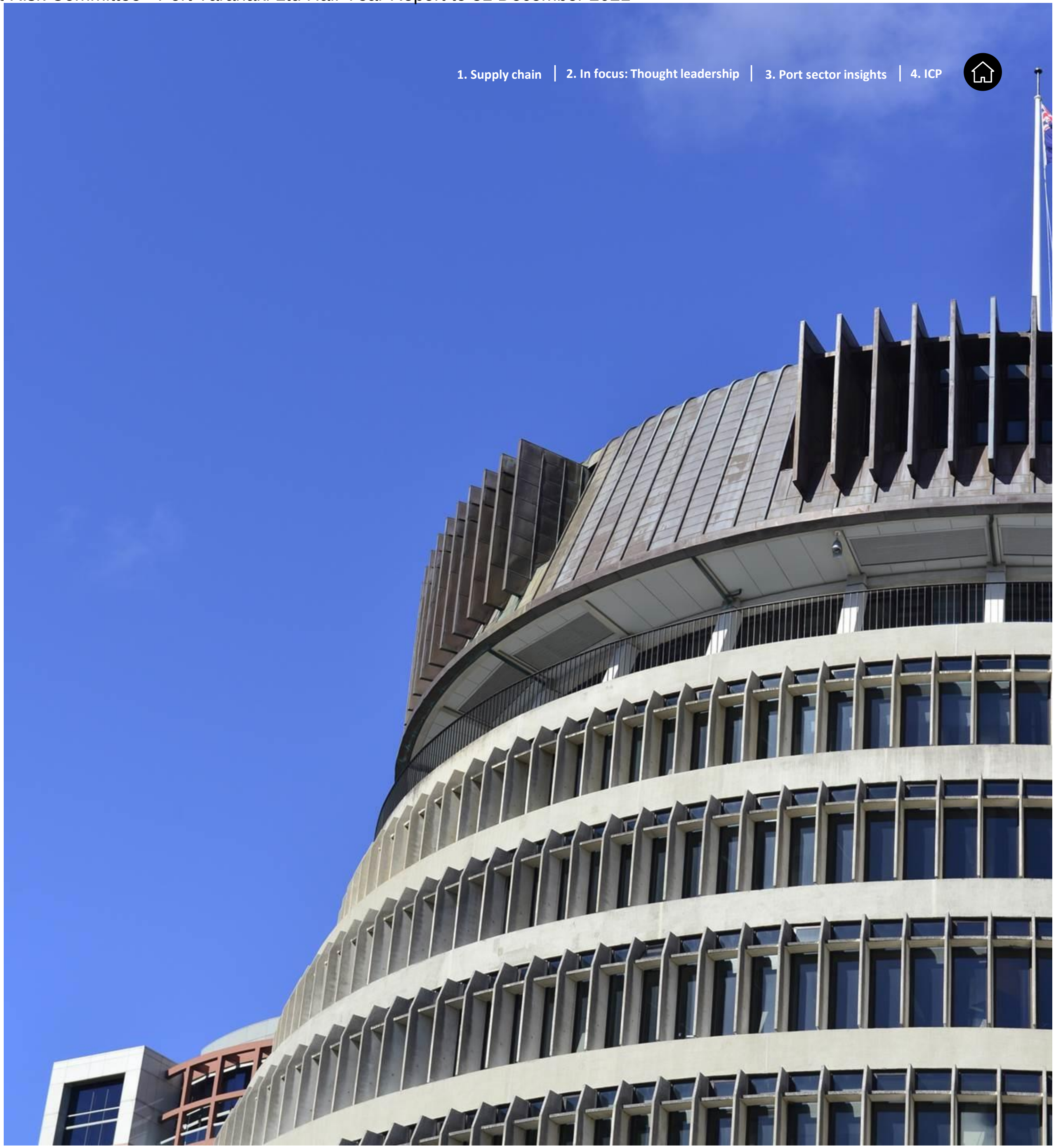


Freight task

National Freight Demand Study (NFDS)

Key information in this section has been drawn from the National Freight Demand Study (NFDS). The NFDS forms an important role in understanding current and future freight patterns in New Zealand. However, the most recent report was commissioned in 2019 and focussed on 2017/2018 data, and as a result the study is becoming increasingly outdated and has been covered in our previous Yearbooks.

A detailed overview of the 2019 NFDS findings can be found in our 2021 Ports and Freight Yearbook at page 36.

Total freight task

Within New Zealand, an estimated 280 million tonnes of freight is moved by trucks, trains and coastal shipping. The majority of the freight is moved by road, with 93% of the total tonnes moved with trucks, with rail and coastal shipping forming up the remainder at approximately 6% and 2% of total tonnes moved respectively.

Freight generation

Clear patterns are evident in domestic freight flows. Primary producing areas generate flows to export ports, typically via processing facilities. Population is a major driver of both consumption and manufacturing activity.

The "Golden Triangle" (Auckland, Waikato, Bay of Plenty) combines both population and primary industry production (forestry and dairy) to account for 45% of all freight tonnage produced.

Canterbury is the dominant freight generator in the South Island producing 15% of the national freight task.

Manufacturing and retail freight tonnage correlate strongly with population, notably in Auckland and Canterbury, which host manufacturing hubs, large scale distribution centres, and receive consumer goods through their ports.

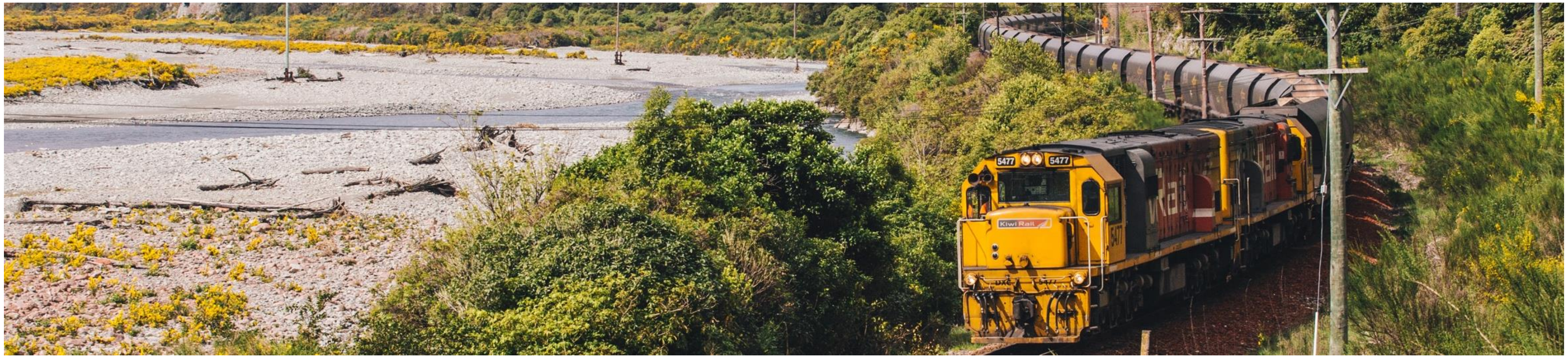
The primary sector is located in regions offering favourable topography, climate, and soil. Waikato, Taranaki, Manawatu, and Southland are well-suited to dairy production, as is Canterbury if suitable irrigation is available.

This is similar for forestry, where warm climate and lower-value land have attracted substantial plantings in Northland, Waikato, Bay of Plenty, Gisborne, Hawkes Bay, and Tasman / Nelson / Marlborough.

Crude oil flows are either a direct export (from Taranaki) or direct import (to Marsden Point in Northland). Domestic transport of petroleum products is primarily from the Northland refinery via pipeline and coastal distribution, with a rising direct import share, and then by truck to the nation's service stations.

Cement is manufactured at a plant in Northland for distribution by coastal ships and then road and rail. Cement was also manufactured in the West Coast of the South Island but this has been superseded by direct import.

Southland hosts the Tiwai Point Aluminium Smelter which generates import and export flows.



Key transport modes

By ship

Shipping supports over 99% of New Zealand's international trade by volume. Coastal shipping also plays a key role in New Zealand's domestic freight task, being principally specialist bulk ships (such as petroleum and cement) and inter-island Roll-on Roll-off (RORO) ferries. In the general freight market, domestic ship operators are confronted by two key challenges; competition with other transport modes (road, rail and air) and competition with international ship operators.

While coastal shipping provides slower transit times relative to other modes, it does deliver lower emissions. Only 1.6% of freight volumes within New Zealand are transported by coastal shipping, however coastal capacity can be readily expanded and requires limited additional port infrastructure.

By rail

Rail transports approximately 6% of freight volumes within New Zealand (2019 NFDS). Over the years, rail infrastructure has deteriorated with limited investment provided to the sector. Despite its comparatively lower transport emissions, moving freight via rail is slower than by road and greater volumes of cargo must be aggregated to maximise their utilisation on each journey. In 2021, 20 million tonnes of freight was moved by rail, which is on par with 2019 rail freight volumes and a slight increase from 18.4 million tonnes in 2020.

By road

The majority of the freight is moved by road, with 93% of the total tonnes moved with trucks. Road freight movements tend to be localised, with about 77% of freight (tonnes) remaining within the region from which it was sourced, and an additional 14% being transported to an adjacent region. [1] There is very little movement of freight by road between the North and South Islands. Road freight's core advantage is the ability to offer faster, more reliable, and flexible freight services.

Cargo can be delivered to most parts of the country by road within 24 hours, and to all parts of the country within 36 hours.

Despite heavy vehicles making up only 3.5% of vehicle fleet in New Zealand, they are significant contributors to our total transport emissions as highlighted in the Green Freight Strategic Working Paper.[1]

By air

Air freight makes up a significant proportion of value, 16% of export value and 24% of import value in 2019, for a comparatively small proportion of volume, 0.3% of export tonnage and 0.4% of import tonnage. Domestic air freight volumes were so small that they were not included in the 2019 NFDS figures.

New Zealand's Ports and Rail Network

[1] Ministry of Transport, *2020 Green Freight Strategic Working Paper*, 2020; accessible at: https://www.transport.govt.nz/assets/Uploads/Paper/Green-Freight-Strategic-Working-Paper_FINAL-May-2020.pdf

Developments affecting key transport modes

Rail

Rail has been a priority transport focus for the Government. In recent decades, the national rail network has deteriorated with limited investment provided to the system outside of the urban passenger networks. To address this, the Government released the New Zealand Rail Plan in 2021, which provides the vision for rail over the next decade and the investment priorities for the system, and has introduced a new long-term planning and funding framework for the rail network.

Since 2017, over $6 billion has been committed to rail to support investment and resilience in New Zealand's rail network. The Government's 2021 Budget reinforced the importance of rail investment, by providing $1.3 billion in funding for operating and capital expenditure.

The aspiration is for New Zealand's rail network to provide modern transit systems in our largest cities, and to enable increasing volumes of freight to be moved by rail. By 2052, freight tonnage moved by rail is expected to have increased by more than 40 percent. The rail network is projected to play a larger role in supporting this growth than in prior years. While rail's mode share was impacted by the 2016 Kaikōura earthquake and a reduction in coal traffic, the rolling 12 month tonnage total for rail is now well above 2016 levels.

Coastal Shipping

The Government Policy Statement on land transport 2021 established a coastal shipping activity class for the first time. Waka Kotahi New Zealand Transport Agency has released the 'Coastal Shipping Investment Approach State-of-Play' report, which will inform how the $30 million of funding for coastal shipping will be apportioned. Suggestions from the report include assisting or underwriting the deployment of additional coastal vessels, pilot projects for alternative fuels and a feasibility study of Manukau Harbour as a hub port. Waka Kotahi intend to engage with the coastal shipping sector in 2022 to discuss the next steps, including applications for funding.

In 2021, government-owned KiwiRail announced it had entered into contracts for two new inter-island ferries, anticipated to enter service in 2025. KiwiRail's competitor, StraitNZ, which owns the Bluebridge ferry, was recently sold to Morgan Stanley Infrastructure Partners. The ferry and freight company, was sold by CPE Capital in December 2021, and transacted for more than $500 million.

Aviation

Over the last two years, the Government has spent more than $700 million subsidising freight flights in and out of the country to ensure international trade links stay open. The current MAIC (Maintaining International Air Connectivity) scheme began in May 2021 and provides subsidies to airlines to continue to provide set routes.

Securing sufficient air freight capacity in 2022 is expected to be challenging. Estimated weekly demand for air freight is 4,400 – 4,800 tonnes, with an estimated weekly shortfall of 273 tonnes.[2] The MAIC scheme is set to cease in March 2022, however Cabinet is considering an extension at the time of writing. The planned reopening of the border will also help sustain capacity.

[2] RNZ, *Signs of few options for air freight to New Zealand next year - Govt officials*, December 2021; accessible at: https://www.rnz.co.nz/news/national/458483/signs-of-few-options-for-air-freight-to-new-zealand-next-year-govt-officials#:~:text=The%20MIAC%20%2D%20Maintaining%20International%20Air,2021%20to%20October%2031%202021.

Other policy initiatives

National Supply Chain Strategy

The Ministry of Transport is leading the development of the New Zealand Freight and Supply Chain Strategy focusing on the next 15-30 years. The strategy will provide an overview of the issues facing the sector and aims to identify the best possible mix of investment, regulation, and other approaches to address these issues. The main drivers for change that the strategy will address are:

- Decarbonisation – Net zero carbon emissions by 2050 to meet New Zealand's climate change mitigation obligations.
- Resilience – Prepared for future threats and events including extreme weather and other natural disasters, rising sea levels, national security, and disruption to supply lines.
- Productivity and innovation – While facing the challenges of decarbonisation and resilience, adopt new technologies, access skilled labour, ensure health and safety and support the economy to grow.
- Wellbeing – Freight investment and infrastructure provide broader benefits to people, communities, and the country.

The Ministry of Transport intends to release an issues paper in early 2022 for the Minister of Transport's consideration. It is expected to take two years for the strategy to be completed, with public and targeted consultation planned for 2022 / 2023.

Decarbonisation

Transport is the second largest source of greenhouse gas emissions and contributes 20% of total domestic CO^2 emissions. Achieving zero emissions in transport is fundamental to the 2050 emissions reduction targets.

The first New Zealand Emissions Reduction Plan, which will set out how the country will meet its first emissions budget, is due in May 2022. The first emissions budget covers the 2022-2025 period. A large component of the plan will focus on the supply chain and transport.

In October 2021, the Government released a discussion document on the Emissions Reduction Plan, which outlined two proposed targets for freight and the supply chain:

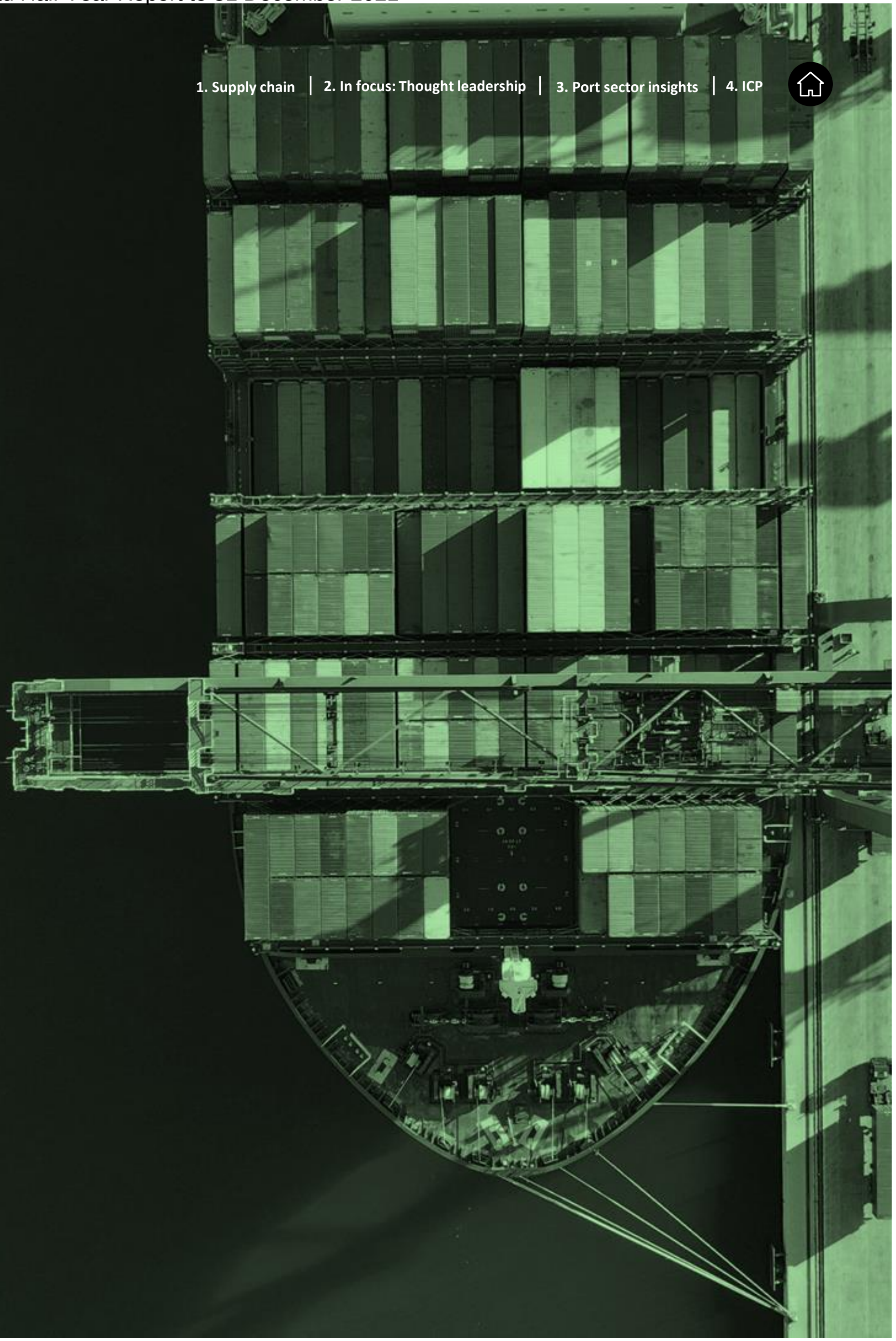
- reduce emissions from freight transport by 25 percent by 2035, and
- reduce the emissions intensity of transport fuel by 15 per cent by 2035.

Shifting some of the freight task to less carbon intensive modes will help reduce emissions, including to rail and coastal shipping. However, transitioning the heavy vehicle fleet to zero-emissions, which is the mainstay of the national supply chain, will be a significant challenge. In an interesting recent development, Fonterra announced it is deploying its first battery electric milk tanker as a pilot to help understand the potential for electric heavy transport.

For aviation, the Government is proposing to do the following during its first emissions budget:

- work with the air transport industry to investigate the feasibility of sustainable aviation fuels,
- support the establishment of an industry-led advisory body on decarbonising aviation, and
- develop policy and regulatory settings to support the development of zero-emission aircraft.

In focus
Thought leadership from across Deloitte



Supply chain resilience through digital technology

Businesses and society alike have truly felt the impact of COVID-19 through their respective supply chains and are constantly finding alternatives to alleviate increasing pressure. Growing concern from a broad set of stakeholders continue to influence organisations to adapt, respond and take corrective action. With freight volumes and cost predicted to increase in the coming years, fit for purpose port and wider supply chain infrastructure is critical to ensuring the supply chain performance meets expectations.

As we evolve into our new normal, focus should be placed on building not only the physical infrastructure but also technology solutions. Technology solutions like robotics and the IoT are needed to increase productivity, resulting in more automated, digitalised and connected supply chains. It helps the supply chain transform from a simple logistics and transport operation to an open and efficient community that can participate in the global landscape of integrated world trade.

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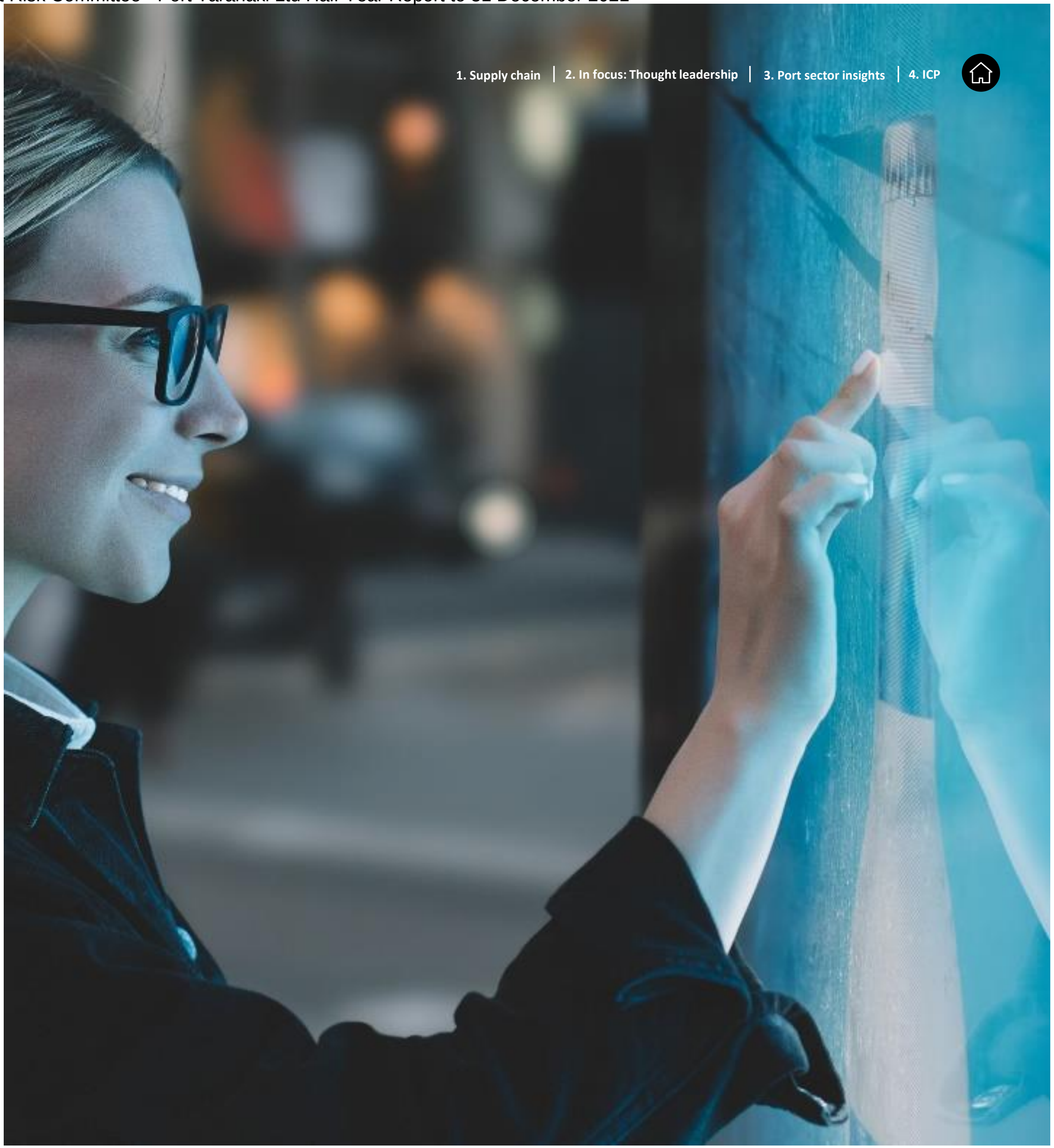


Digitisation of the supply chain is gaining momentum, both as a response to the pandemic and underlying structural forces

Responding to short term disruption

COVID-19 had a profound impact on our economy as the ports and freight industry became disrupted. The pandemic highlighted existing practices lacked resilience and the ability to adapt quickly. The challenge during the pandemic has been to effectively deploy the appropriate digital solutions (i.e. Internet of Things (IoT), blockchain, automation and artificial intelligence (AI)) to mitigate disruption and create resilience – while delivering value to all stakeholders.

The economic downturn took a huge toll on businesses and society as unemployment rates grew to new heights along with other major setbacks. Implications evolved as organisations searched for new alternatives to grow revenue while limiting their FTEs. At the demand end, retailers were severely impacted as consumers looked to create extra buffer stock due to the disruption caused, prompting organisations to rethink their fulfilment and inventory strategies. Protectionism added an additional layer of complexity and opportunity with many relocating supply inside their own borders closer to markets.

Shortages in resources is becoming a common theme across many countries as organisations look to optimise and build resilience into their supply chain. As we emerge into our new normal, supply chains are presented with a wide range of choices in which trade-offs between investment in physical capital and digital technology will need to be evaluated.

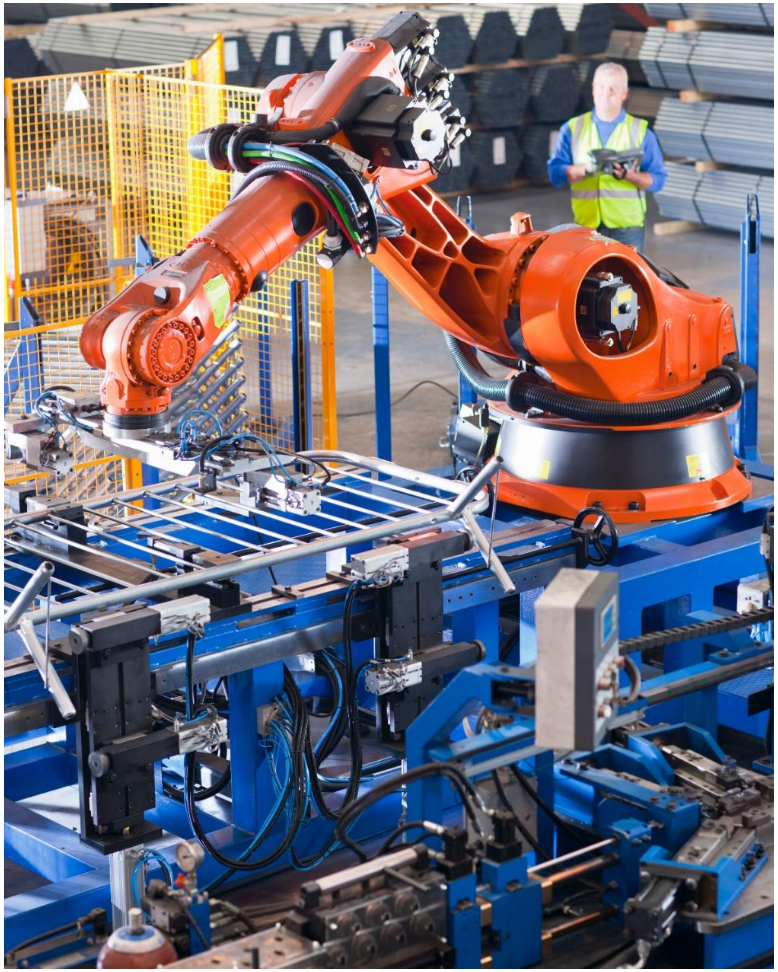
Renewed focus on building relationships through transparency has been a key catalyst for the success of many throughout the pandemic. Supply chains which were originally multi-tiered and complex have now shifted to become a tight knit supply chain that is capable of responding to unexpected/fluctuating demand shocks.

The closure of international and domestic borders, particularly at airports, meant that organisations had to revert to other flexible modes of transport to deliver goods across the entire value chain. Ports were handed greater responsibility to not only control the inbound and outbound flows but also rethink how to minimise the negative externalities.

Structural drivers of change

A focus on digitisation has been underway for many years now as the supply chain has sought to improve efficiency and reduce costs. The pandemic has highlighted the importance of digital technologies in also securing supply chain resilience.

Another key driver of change is the global transition to a cleaner and greener supply chain. In the maritime domain, increased international maritime environmental regulations for sulphur emissions, greenhouse gas emissions, and marine organisms and ship recycling will affect the industry. Ports are looking to minimise the environmental impacts of their operations, with land transport also under pressure to decarbonise.



Technologies supporting efficient, resilience supply chains

Momentum is likely to build as many begin to see the value technology can play in various touchpoints of the supply chain. We are seeing adoption of digital technologies such as artificial intelligence (AI), blockchain, automation and the Internet of Things (IoT) in pursuit of tackling some of the challenges highlighted by the COVID-19 pandemic, with organisations seeking to decrease lead times, reduce cost and minimise waste in the supply chain. As a result, investments in physical supply chain infrastructure are likely to decelerate as investment towards technological solutions increases.

Characteristics that can make a supply chain “smart” are the use of IoT, AI, blockchain and robotics to improve processes. These four solutions can deliver value to stakeholders in the following ways:

- **Internet of Things (IoT) –** to connect key assets and data to enable the development of smart processes using a variety of software and hardware.
- **Artificial Intelligence (AI) –** uses machine learning to analyse big data, including historical data, images and voice recognition.
- **Blockchain –** an emerging tool in supply chains. A critical enabler for supply chain digitalisation, to transform the typical analogue nature of the industry.
- **Automation –** not a new concept to the industry; a good example is the Ports of Auckland implementing an automated container terminal.

The figure below also identifies where digital technology can enhance each step of the supply chain.

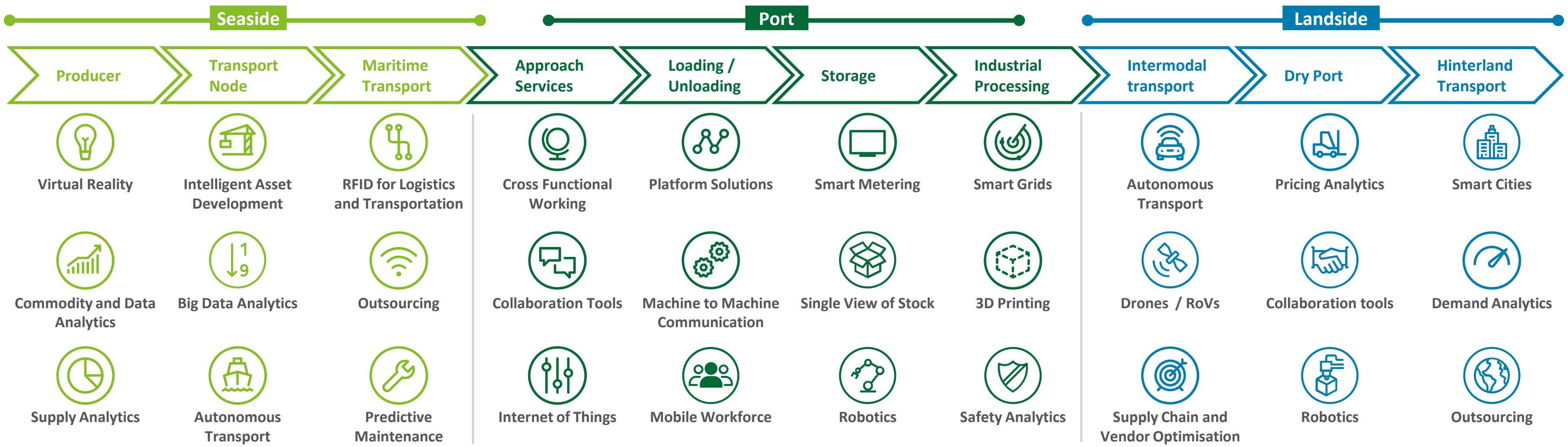
Collaboration from all parties will be pivotal to the realisation of a digitally integrated value chain allowing the wider ecosystem to withstand future shocks but also limit their carbon footprint. The rise of technology and adoption in many countries means investments must be made carefully considering the trade-offs to ensure the intended outcomes are achieved.

While New Zealand to date has kept pace with the advancement, it does not want to be left behind due to the benefits associated with digital technologies. For organisations to be successful with their digital supply chain strategy over the coming years, key areas for focus are likely to be:

- Smart warehousing and logistics that are safe & secure for all employees.
- Investment in the right technology advancements to enable holistic outcomes,
- Greater transparency across multi-tiered networks allowing for greater collaboration, and
- The right level of security to protect business data.

Deloitte has deep experience in helping businesses understand their challenges in relation to digitisation and we regularly help business around the globe deploy these solutions across the supply chain.

Innovations across the value chain



ESG: Beyond relevance and risk to materiality and value

ESG; these three letters have commanded attention in the business community in recent years. ESG simply stands for Environmental, Social, and Governance considerations. These traditionally non-financial factors have increased in importance, due to changing expectations among consumers, investors, corporate boards, regulators, and employees.

In this article, we explore how ESG thinking has matured beyond discussion of relevance and risk, to materiality and value. We unpack what is meant by value, as ESG exposes opportunities for value preservation and generation.

In the logistics industry, there are a raft of material ESG considerations. Organisations that understand there is value to be found through ESG thinking will make well informed business decisions, creating resilient businesses. Decision makers can fulfil their duties with certainty – knowing they have considered everything material to their stakeholders and their organisation.

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ESG: Beyond relevance and risk to materiality and value

The incorporation of Environment, Social and Governance – ESG – factors into strategic decision making is fast becoming best practice. Organisations are seeking to define ESG ***materiality*** to maximise ***value*** opportunities.

These two concepts – materiality and value – are central to understanding the importance of ESG and its multiple avenues of application.

ESG materiality and value hold strategic importance for the logistics industry. By defining which ESG factors are material to a particular business, we can then understand where risk resides and consequently build resilience and unlock opportunity.

How to determine ESG materiality

There is a common misconception that ESG considerations are just "E" (Environmental) considerations. While the environment is in focus because of the pressing issues of climate change, there is an array of ESG issues. These range from modern slavery in the supply chain to climate risk exposure. When assessing any business acquisition, transaction, or project, it is crucial to have a good understanding of the **material** ESG issues. In other words, what ESG issues are most vital to your stakeholders?

ESG materiality assessment is critical to the establishment of any piece of ESG work, whether advising on a transaction, guiding a project, or advising on overall strategy. Usually, an experienced ESG professional is required to assess the external and at minimum guide the internal piece.

In the logistics industry, there are many ESG considerations. To the right we have identified some common considerations.

What is materiality?

ESG materiality means the E,S or G factors that are the most significant to your organisation. They are ESG factors that are critical to the continuation of business-as-usual and are also factors that could be critical to growth. Materiality assessment requires thorough stakeholder engagement and an understanding of the external environment, to identify what is critical to the present and future state of the organisation. In the logistics sector, identification of those stakeholders, and an understanding of many externalities that can affect the complex supply chains from an ESG perspective are critical to determining materiality.

Environmental considerations include:

- Greenhouse gas emissions
- Climate change
- Physical risks – *Locations of ports, freight routes and other supply chain disruptions affected by sea level rise,*
- Transition risks – *Regulatory, reputation, technology, and market risks*
- Energy efficiency in operations
- Pollution
- Biodiversity
- Waste management

Social considerations include:

- Labour standards and supply chain management
- Employee wellbeing
- Community involvement and social license to operate
- Health and safety
- Diversity and Inclusion
- Cyber security

Governance considerations include:

- Remuneration structures
- Board composition, structure and independence
- Risk management frameworks
- Supply chain transparency
- Quality control

ESG: Beyond relevance and risk to materiality and value

Think about value

ESG is often thought about in terms of risk. While assessment of ESG issues certainly highlight risks, ESG also provides significant opportunity to unlock value. At Deloitte, we go beyond risk and think in terms of value for our clients; value preservation and value generation.

Our value assessment of ESG is aligned to that of many New Zealand Chief Financial Officers (CFOs). Last year, we surveyed CFOs on the drivers behind pursuing sustainability initiatives in their organisation (see below for additional information).

Our survey revealed that regulatory and reporting compliance reasons are not the primary driving factor of sustainability action. By contrast, organisations are driven by motivating factors such as maintaining or gaining competitive advantage, responding to consumer demands, or feeling it is the "right thing to do". We describe this as "having a value lens".

Deloitte firmly believes that the degree to which businesses view sustainability through a value lens will unlock performance enhancement opportunities. This is because ESG value-driven organisations are more likely to integrate sustainability (and ESG more broadly) into their strategy and business model, enhancing their long-term performance and resilience.

In the logistics sector, value preservation and value generation presents considerable opportunity.

The following pages provide examples of the potential for value preservation and generation, bringing the ESG framework to life and demonstrating how organisations are now placing ESG considerations at the heart of their business strategy.

ESG thinking is now at the forefront of business decision making.

Deloitte CFO Survey: Deeper dive

The inaugural Deloitte CFO Sustainability Survey was designed to capture a snapshot of the CFO in regard to sustainability, to understand their perspectives on their role, their progress, barriers to action and more.

[Time to take the lead: Focusing CFO efforts on the journey to a sustainable future | Deloitte New Zealand]

ESG: Beyond relevance and risk to materiality and value

Value preservation opportunities

Value preservation activities are those that are essential to business-as-usual. Regulatory and reporting requirements play an important role in incentivising and accelerating the rate of change to a lower carbon world and mitigating environmental and social harm. We expect that as regulations and reporting requirements increase, a compliance lens – or value preservation lens - will play a larger role. We detail two preservation activities relevant to logistics below.

- **Governance** – enables strong direction and appropriate application of ESG strategy. Governance processes, board oversight of ESG issues, executive understanding of ESG risk in operations, and an understanding of policy headwinds are vital.
- **Reporting and disclosure**– ensures that data is gathered, baselines for improvement calibrated, and stakeholders informed.

Greenhouse Gas Emissions assessment, tracking, and reporting is one of the most important disclosure actions an organisation can instigate as a first step in their emissions reduction strategy. While this may prove complex in the logistics sector, we advise organisations to begin tracking their emissions profile as soon as possible.

Correct and timely disclosure ensures stakeholders are informed and, when done well, avoids greenwashing claims. With increasing expectations and requirements around disclosure, many organisations are now establishing roadmaps to ensure they are firmly across ESG-related issues, from emissions inventory, to supply chain ethics, through to climate risk exposure.

Spotlight on shipping

The shipping industry is increasing its disclosure and response to a range of ESG issues. Shipping is no different to any other industry insofar as it needs to continually innovate, develop and report on ESG matters as principles evolve into standards, and investors increasingly demand transparent accountability. However, specific ways the shipping industry is responding to various ESG issues, include:

Reporting: *A value preservation activity*
The shipping sector is captured by multiple reporting standards. These include the Sustainability Accounting Standards Board, or SASB, which has standards for the transportation sector, Global Reporting Initiative (GRI) and Integrated Reporting (IR). The International Maritime Organisation (IMO) also has set strategic objectives regarding the maritime carbon footprint: reduction of CO^2 emissions by 40% by the end of 2030 and reduction of total GHG emissions by 50% (both compared to 2008 levels). There are also the UN Sustainable Development Goals, and other local reporting standards and frameworks.

Energy Transition: *Both a value preservation and generation activity*
Despite the inherent challenges of decarbonisation, shipping is innovating to emit less. While silver bullet solutions like electrification and hydrogen fuel cells remain elusive in the near term, other efficiency measures are already in play. Alfa Laval, a Swedish company, sees significant opportunities in providing sustainable solutions in the areas of water treatment, energy efficiency, emissions curbs, and broader pollution reduction. Klaveness Combination Carriers are an example of innovative vessel design; ships can operate as both bulk ships and product tankers.

Sustainable Financing: *A value generation activity*
Investors are also creating pressure – and opportunity - for change. As with many other sectors, improved ESG performance can improve access to capital presented by growing ESG investor pools providing sustainable finance. As noted in a recent Deloitte report "According to Clarkson's, ESG financing already accounts for a considerable part of the overall financing portfolio (in the order of around $281 billion as of October 2021) of the leading financial institutions offering shipping finance. In addition, out of the 27 banking institutions which co-signed the Poseidon Principles, 15 of them manage 56% of the total shipping portfolio whilst also being the leaders in shipping finance."

ESG: Beyond relevance and risk to materiality and value

Value generation opportunities

Capital raising – Can expand demand pools:

By understanding and communicating ESG attributes of a company correctly, different investor pools may be accessed.

As evidenced by the growth of ESG and impact investing, there is growing appetite from investors to explore ESG megatrends[1].

Investors seeking to diversify their portfolios often look for best-in-class ESG performance across the sectors they invest in. It is worth your while to acknowledge the ESG investor. Not only do they provide access to alternative demand, but by applying ESG analysis in a capital raising process, your strategy can be sharpened and added-value can be unlocked. In an ideal world, organisations should consider their ESG attributes and strategy prior to a capital raising event.

Sustainable Debt solutions – Can expand financing options:

There is a range of sustainable financing options, or ESG financing options, currently little are explored in New Zealand relative to the rest of the world. Deloitte sees strong opportunity for the logistics sector to adopt these options. We detail a few of these debt instruments to the right.

As banks look to align their debt portfolios with their sustainable financing goals, more organisations will be approached to convert their loans to sustainability linked loans. We see value in early consideration and advice on sustainable debt options, to ensure organisations fully harness the opportunities presented by establishing strategic ESG targets and KPIs.

The true value of ESG for any organisation goes beyond the interest savings the sustainability-linked loans provide, to the performance and reputation gains to be had through achieving your ESG KPIs.

Debt Instrument	How it works
Sustainability-linked Loan (SLL)	These loans have one or more KPIs that the debt taker must meet at varying stages of the loan to enjoy interest rate benefits. It is possible to design the loan with a penalty mechanism for failing to meet the KPIs. The proceeds can be used for anything. Existing loans can be rolled over into SLLs.
Green Loan	A green loan is where the use of proceeds are directly tied to the green project. They may enjoy interest rate benefits.
Green Bond	Just like any bond instrument, however its proceeds are directly tied to a green project. They usually enjoy a coupon benefit, called "greenium".
Social Bond	Just like any bond instrument, however its proceeds are directly tied to a project with socially positive outcomes. They usually enjoy a coupon benefit.
Sustainability-linked Bond	Like the sustainability-linked loans, the bond proceeds can be used for anything, however certain KPIs are established and if it fails to meet the KPI, a coupon step-up results.

[1] Survey shows an increase in ESG investments in funds.

ESG: Beyond relevance and risk to materiality and value

Other areas where ESG plays a role

In the table below, we detail some other specific ESG areas we are often involved with, which organisations in the logistics sector would likely consider. In each of these specific offerings, materiality assessments and value preservation/generation assessment are critical.

Other ESG activities

Mergers & Acquisitions (M&A) – ESG embedded through the deal lifecycle.	ESG through the M&A lifecycle is becoming a norm. At Deloitte we have expanded our role in M&A. We now offer ESG support through the deal lifecycle including: • Transaction preparation (including IPO readiness, Vendor Assist, Investigative Accountant roles) • Transaction Due Diligence, (including link to value) • Post-Transaction (including a 100 day plan, performance monitoring) The decision to embed ESG within a deal is because of both a demand from investors and due to our role as trusted advisors understanding the intrinsic importance of ESG issues is in the deal process.
Project assessment – Expansion	Individual projects can be assessed to understand the ESG impact of the project in relation to the core business. As industries grow, mature and scale, they each experience a series of ESG-related challenges, and as such assessment of these challenges can make-or-break a project. Many companies are looking to expand their scope of services to take advantage of some of these ESG or sustainability megatrends, however, careful assessment is required as there are many moving parts.
Strategy alignment – Set-up to succeed	Aligning the operating model with ESG ambition and goals creates synergies within an organisation that supports planning and investment decisions. It can often unveil investment opportunities and ensure that pursuits align with strategic decision making.
Operations Efficiencies – Easy wins	Embedding ESG decision making into the operating model can lead to operational efficiencies, for example waste reduction policy, directly impacting the bottom line.

Final word

The case for ESG has moved on from questions of if it is relevant and how it serves as a framework for highlighting risks, to what ESG factors are material and where can value be found. As we have identified in this article, there are many opportunities for value preservation and value generation. ESG is an opportunity to think beyond the traditional and an invitation to think about the bigger picture. It is through proper consideration of ESG factors that truly thorough business decisions can be made, and robust resilient organisations, that contribute to a better world, can rise.

Decarbonising Aviation: Cleared for take-off

Decarbonisation has become a global imperative and a priority for governments, companies, and society at large

Aviation is fundamental to the world economy and keeping people connected. While the pandemic may have dented demand for air passenger services, aviation plays a vital role in expanding horizons and broadening opportunities to work, live and learn for people all around the world. If even more people, communities and businesses are to enjoy these benefits, the aviation sector must grow responsibly and play its part in a net-zero future.

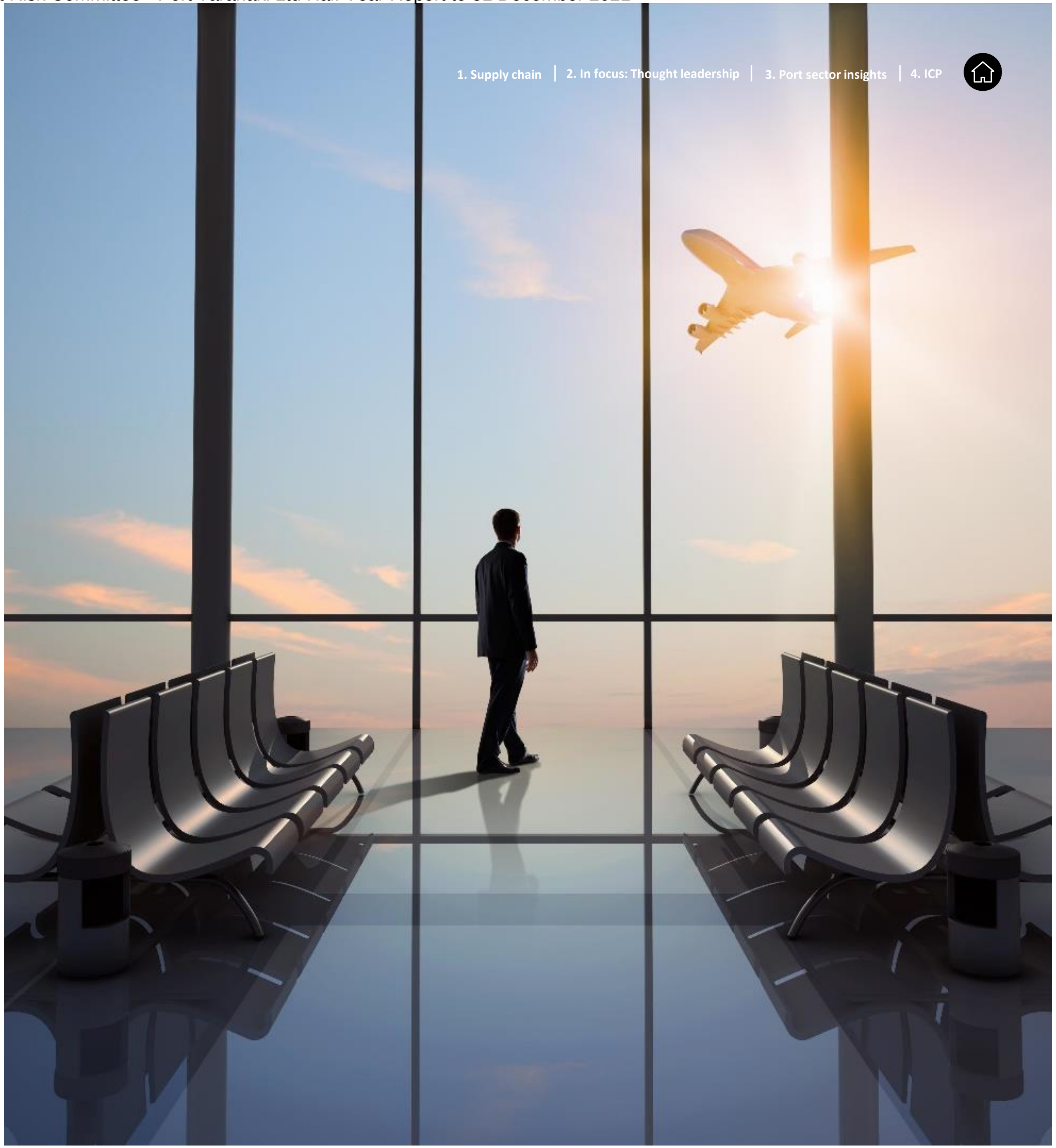
Decarbonisation readiness: Where are we today?

Before the COVID-19 pandemic, aviation produced around one billion tonnes of carbon emissions in 2019**, accounting for 3% of total emissions released into the atmosphere globally.** And yet, aviation has been relatively neglected when it comes to decarbonisation. Action now is critical if society is to meet the Paris Agreement's target to limit global warming to 1.5°C.

In collaboration with Shell, Deloitte has developed a report sharing insights from leaders around the world on a pathway towards decarbonisation of aviation – often considered a sector that will decarbonise later than others. In this 'in focus' piece, we highlight key findings from this report.

"While the pathway to decarbonize the sector is clear, it should be more ambitious and efforts should be front-loaded. Collaboration between ecosystem players in the sector, and more importantly across sectors, is essential to scale up demand and production of Sustainable Aviation Fuel (SAF)."

Tarek Helmi, Partner, Deloitte Netherlands.

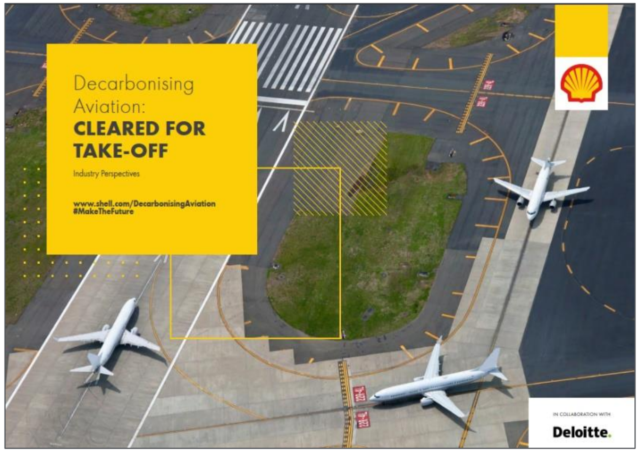


Decarbonising Aviation: Cleared for take-off

Deloitte and Shell interviewed over 100 aviation executives and experts representing more than 60 organisations across the global aviation ecosystem to identify the key barriers to decarbonising aviation and practical solutions to accelerate the industry's transition towards net zero.

Highlights from this research include:

- Aviation has often been considered a sector that will **decarbonise later than others**, because of the complexity involved and the view that aviation accounts for "**just 3%** of global emissions". But there is a **need to act now**.
- The sector is facing several barriers to decarbonisation – these include reluctance of passengers to accept the cost of low-emission solutions, lack of regulatory support and the prohibitively high cost of sustainable aviation fuel.
- **Long-term customer demand**, enabled by recognition mechanisms and **differentiated propositions**, will play a fundamental role in providing the **funding and incentives** for airlines to invest in lowering their emissions.
- **Country and region-based policy incentives** relating to supply and demand will **accelerate the adoption of sustainable aviation fuel** and regulation at regional and global level.
- **Offsets can play an essential role** in funding the early stages of decarbonisation. But for this to happen, they must be made **more transparent and verifiable**. They need to be more **emotionally appealing** to passengers, and their impact should be clearer.
- **Choosing sustainable aviation fuel as the primary means** of decarbonisation will have a disproportionate impact on lowering emissions, because there is no need to redesign aircraft. As a result, **investments and R&D efforts can focus** mainly on scaling production and lowering cost.
- **Collaboration with other sectors** is essential to the successful deployment of sustainable aviation fuel. It can **drive down the cost of required technologies**, such as hydrogen production, direct air capture and biomass conversion, and ensure **effective use of scarce resources.**
- **The pathway to decarbonisation needs to be more ambitious** and investments need to start sooner to address societal expectations, reach sufficient sustainable aviation fuel volumes and bring down cost to the levels required for large-scale adoption within 15 years.
- **Individual initiatives** should be **integrated into comprehensive plans** representing all points along the value chain – from energy producers to end-customers. These plans should be **systematically deployed** in areas with favourable policies, market conditions, and access to sustainable aviation fuels.



To learn more, download the Decarbonising Aviation: Cleared for Take-Off report.

Wellbeing: Not a matter of luck, but design

Good mental health is a state of wellbeing where individuals can realise their own potential, work productively, cope with the normal stresses of life and make a positive contribution to the community. It's just like physical health – we all have it. It is on a continuum, ranging from people thriving and going ok to people struggling and being unwell.

Positive mental wellbeing is not a matter of luck but a matter of design. In any workplace there are factors that protect wellbeing as well as factors that risk wellbeing.

In this article, we explore the topic of wellbeing in the workplace, alongside Doctor Hillary Bennett.

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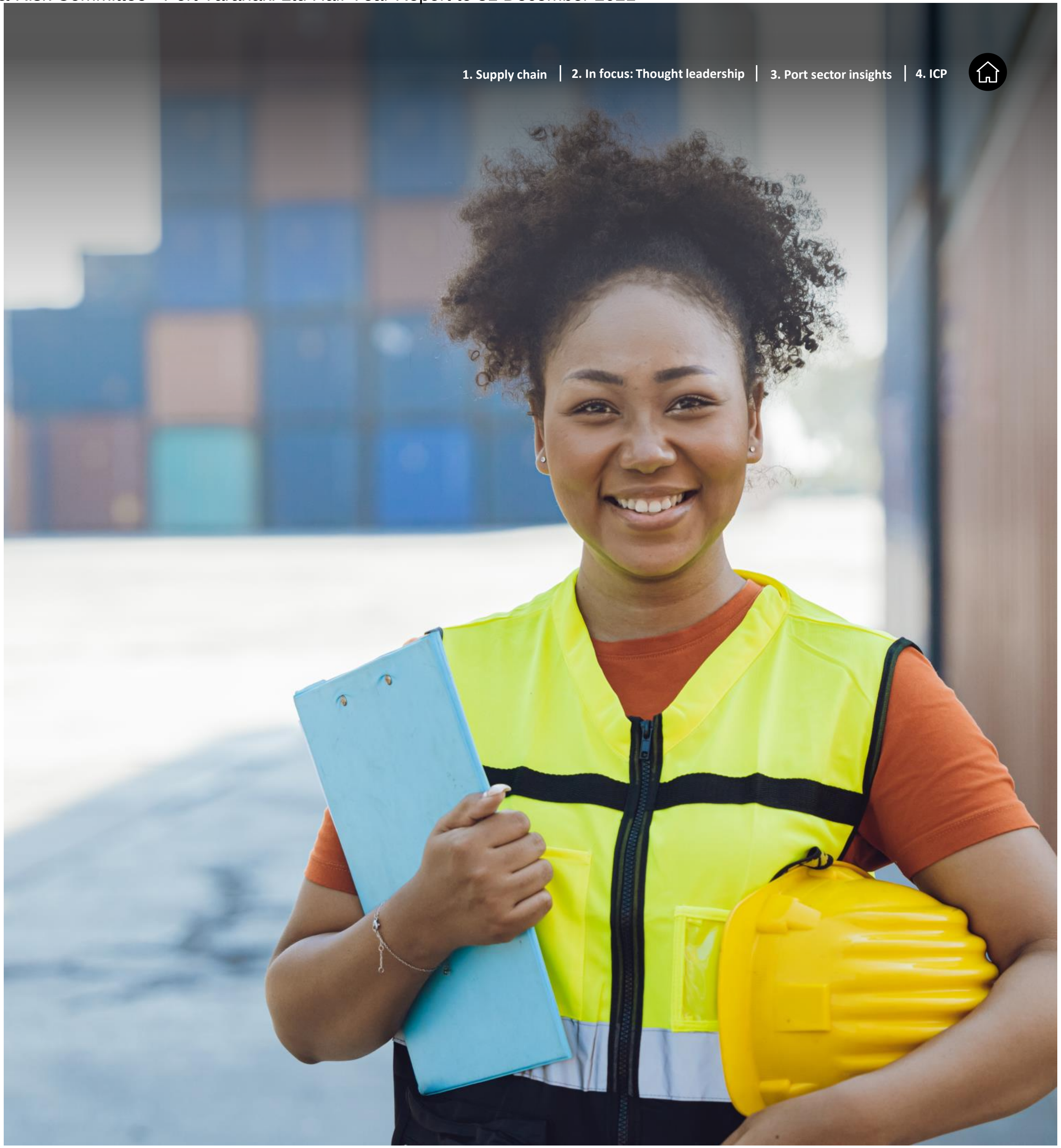


Wellbeing: Not a matter of luck, but design

Duty to protect

The duty to protect workers lies with those who create the risks. Understanding and managing the risk of harm to mental wellbeing is critical for an organisation to meet its duty of care under the Health and Safety at Work Act 2015 (HSWA), which states that workers and other persons should be given the highest level of protection against harm to their health, safety, and welfare from work risk, by eliminating or minimising these risks, as is reasonably practicable. The HSWA defines health as both a person's physical and mental health.

It requires a deliberate effort to identify the psychosocial hazards that risk the wellbeing of everyone associated with the work. According to the ISO guidelines on psychological health and safety at work, psychosocial hazards relate to how work is organised, social factors at work and aspects of the work environment, equipment, and hazardous tasks. Psychosocial hazards are present in all jobs in all organisations.

These risks can cause mental harm, which is costly to both individuals and organisations. The harm can be acute or chronic, result from a single or repeated exposure to risk(s) factors, and range from mild psychological difficulties to severe psychological disorders (e.g. depression and anxiety). It is estimated that mental health problems cost New Zealand businesses at least $1.65 billion per annum. The WorkSafe Segmentation and Insights Programme Research (2019) found that in the last 12 months, 20% of respondents experienced depression, 31% anxiety, and 60% stress. The New Zealand Workplace Barometer (2020) reported that 70% of respondents reported an absence from work during the last 12 months due to 'physical or mental health'.

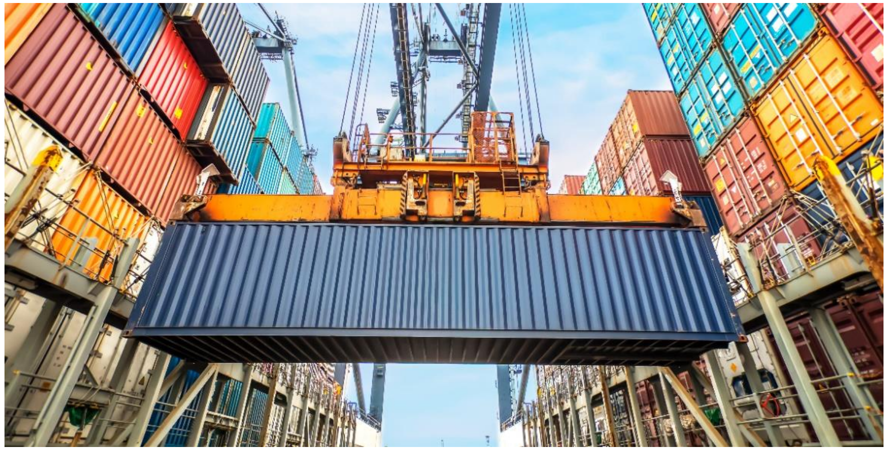
Wellbeing by design

In addition to identifying and controlling risks to mental health and wellbeing, organisations can proactively build in the protective factors associated with 'good work'. It considers the physical work environment, work roles and tasks, and the physical, emotional, and psychological wellbeing of workers to improve health and wellbeing and has benefits for employees and employers. Good work contains protective factors that can:

- Keep workers from harm to their health, safety and welfare
- Improve worker health and wellbeing, and
- Improve business success through higher worker productivity

Examples of protective factors include but are not limited to manageable work demands, well-paced work, clear expectations about work duties, varied learning opportunities, positive respectful working relations, feeling safe to speak up and challenge, and appropriate monitoring of work.

In other words, good work is well designed, organised, and managed to proactively protect mental wellbeing, preventing physical and mental harm to the people doing the work, allowing people to thrive. Thriving is associated with good work and mental harm with 'toxic work'. Toxic work contains one or more factors that can significantly harm wellbeing.



Wellbeing: Not a matter of luck, but design

A strategic approach to wellbeing

Recent years have seen positive changes towards normalising mental health as a key part of workplace wellbeing. For most organisations, the question of 'why' mental health is important, at least from a legal perspective, is no longer the question.

For many organisations, COVID-19 has bought the conversation of wellbeing to the executive table. With increased, and changing, demands on workers, and the pressure associated with delivering essential services in a pandemic environment, many organisations are now wanting to know if they are doing everything they can. They understand their duty of care – the question organisations, big and small, are asking is "What needs to be done to demonstrate we care with a workplace that not only meets its legal obligations but also creates opportunities for people to thrive?" The answer is simple – success requires a clear wellbeing strategy that aims to protect workers from harm. The strategy must take a risk based approach to wellbeing, treating wellbeing in the same regard as other identified health and safety risks.

More often than not, this is where we find organisations struggle. Many lack a clear wellbeing strategy which results in them delivering a wellbeing programme with a scattergun approach. This leads to organisations often implementing initiatives that are not directly designed to mitigate actual wellbeing risks the organisation and its people face. As a result, wellbeing programmes are not able to directly address the wellbeing issues facing their workers.

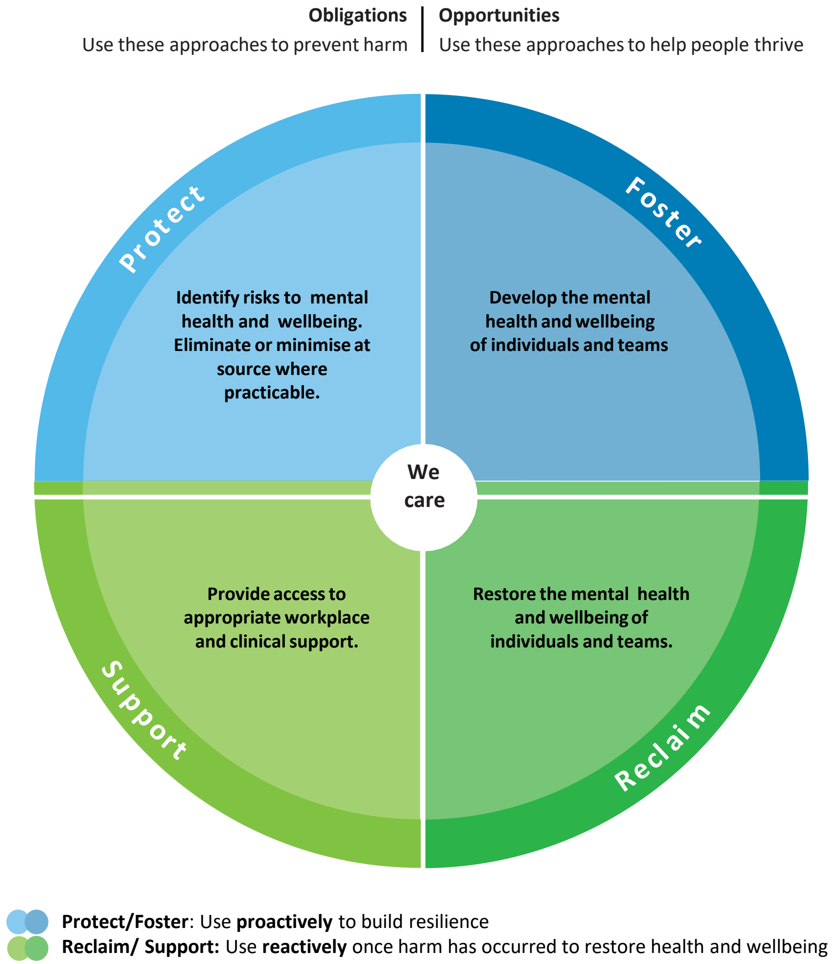
Recognised good practice

We often apply the Business Leaders' Health and Safety Forum's framework for managing mental health and wellbeing at work*, which was developed alongside Dr. Hillary Bennett. This framework identifies four approaches that enable an organisation to meet its legal obligations, to protect people from harm as well as support people to thrive (not simply survive) at work.

The four approaches are structured to address the full range of the mental health continuum from both an 'obligations / opportunities' and 'proactive / reactive' perspective. The 'Protect' and 'Support' approaches enable an organisation to meet its obligations to prevent harm or help a person who is unwell. The 'Foster' and 'Reclaim' approaches provide opportunities for an organisation to proactively develop the mental health and capability of workers or reactively help workers who are struggling to restore their wellbeing.

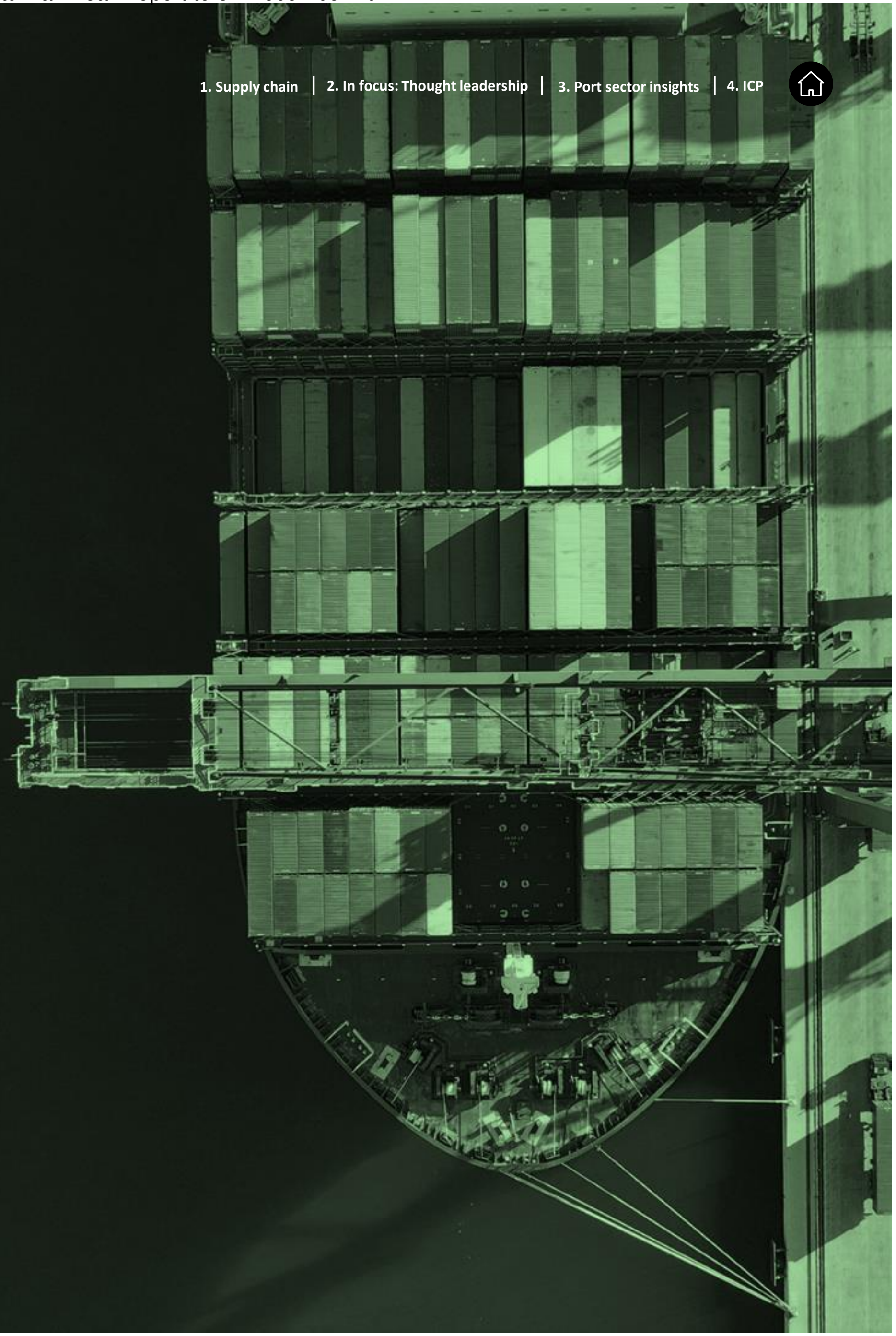
Below are some questions to reflect on for your organisation:

- Do you have an approach to wellbeing that's driven by a clear strategy?
- Are the risks to wellbeing in your organisation referred to as a risk or a set of risks?
- Have the risks that will significantly harm wellbeing been identified? How and who was involved?
- Have the different risks to wellbeing across different parts of the organisation been identified?
- Have the initiatives and programme of work you deliver for your wellbeing programme been designed to mitigate your identified risks?
- What are the challenges to assessing mental wellbeing risks in your organisation?



*(CEO Guide to Mental Health Wellbeing at Work, April 2021)

Port sector insights
Financial and operational trends



Port ownership

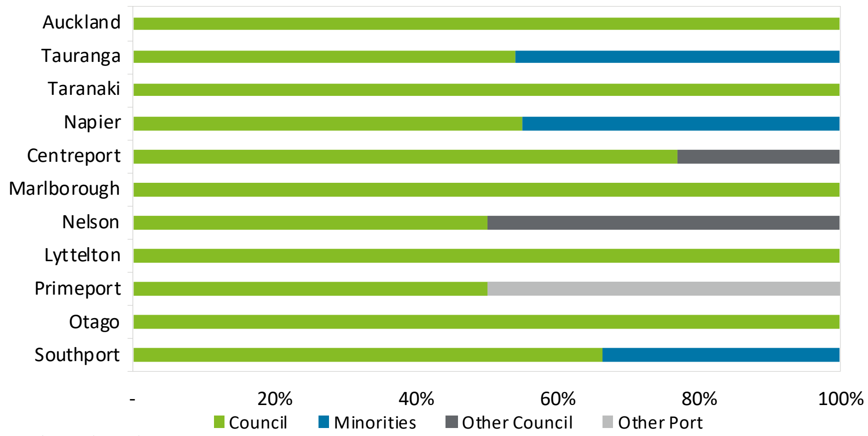
Ownership of New Zealand ports

Within New Zealand, there is a high level of local government port ownership.

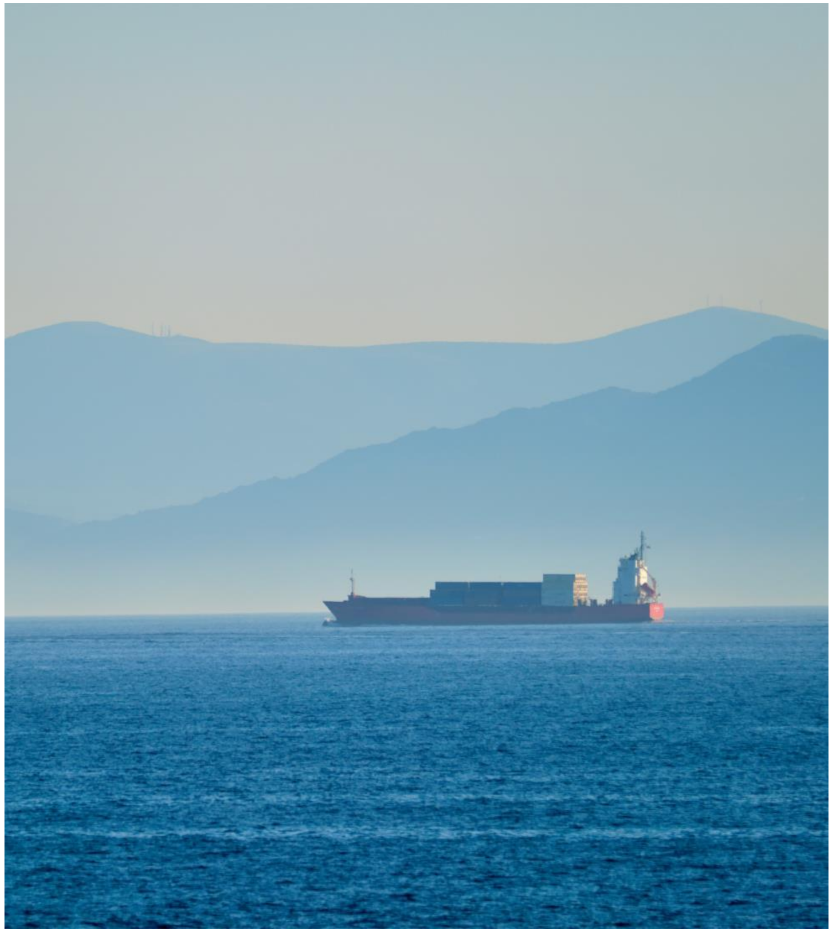
Of the 11 ports presented in the following chart, five are wholly owned by a single council and two ports are owned by two councils.

Three ports are listed with minority interests, with one 50% owned by another port.

Ownership structure of New Zealand ports



Source: Companies Register



TEU capacity of ships visiting New Zealand

Commentary and highlights are drawn from the Freight Information Gathering System (FIGS) release for the period to September 2021.

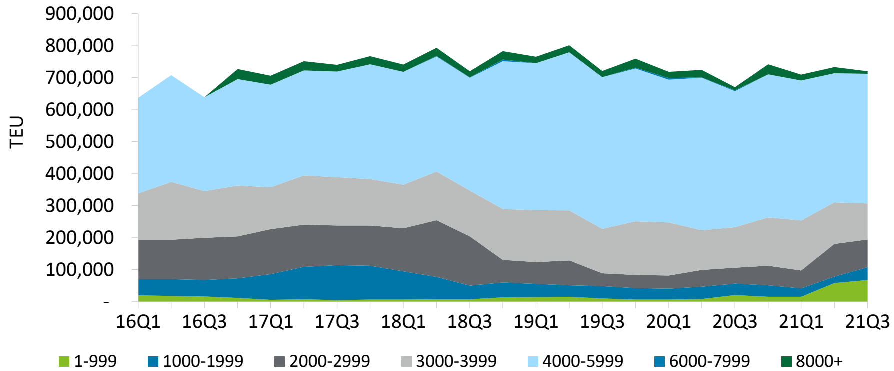
For several decades, container ships have been getting progressively larger. However, since the onset of the pandemic in late 2019, the composition of total TEUs by ship size has changed.

While aggregate TEU capacity has remained relatively constant when compared to prior years, with total TEU capacity at 720,000 in Q3 2021, there are fewer ships visiting greater than 3,000 TEU or more, and there has been an increase in ships that carry less than 3,000 TEU.

While over half of ships visiting New Zealand have between 4,000 – 5,999 TEU capacity, this has reduced from 64% in Q3 2020 to 56% in Q3 2021.

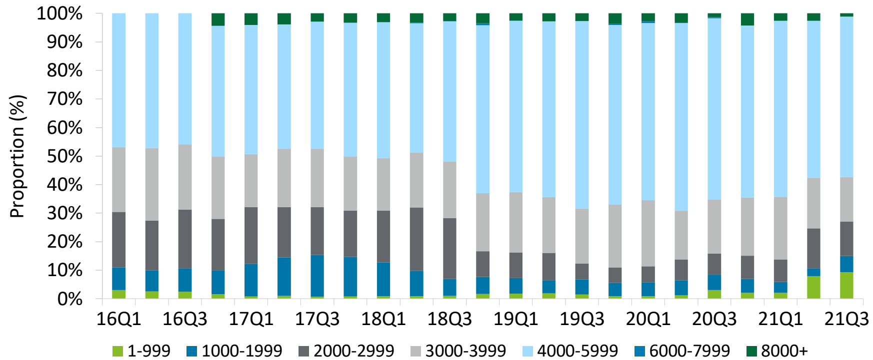
Since Q3 2020, the proportion of ships with 1 – 999 TEU capacity visiting New Zealand tripled from 3% to 9%. Prior to this, between 2017 to 2019, these ships made up between 1% - 2% of total TEUs. Ships that have between 2,000 – 2,999 TEU capacity have increased to 12% for Q3 2021, from 7% in Q3 2020.

Total TEU capacity of ships visiting New Zealand



Source: FIGS, Deloitte analysis

Proportion of total TEUs by ship size



Source: FIGS, Deloitte analysis

TEU capacity of ships visiting main ports

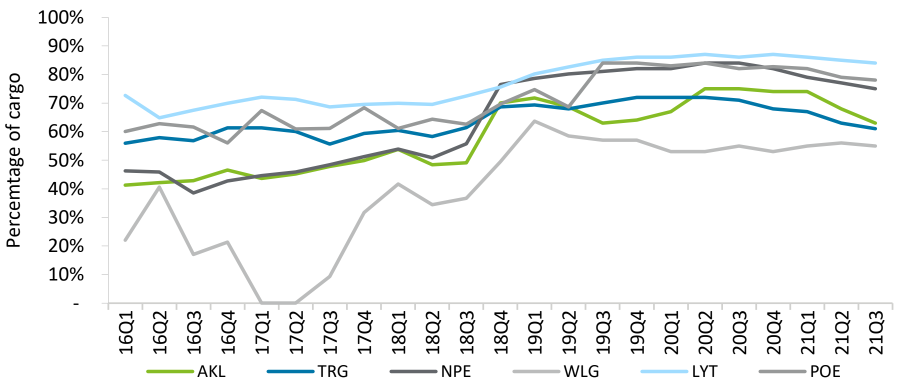
Commentary and highlights are drawn from the FIGS release for the period to September 2021.

Ships of 4,000 TEU or more handle a significant share of the import and export containers at the following ports: Ports of Auckland (AKL), Port of Tauranga (TRG), Napier Port (NPE), CentrePort (WLG), Lyttelton Port (LYT) and Port of Otago (POE).

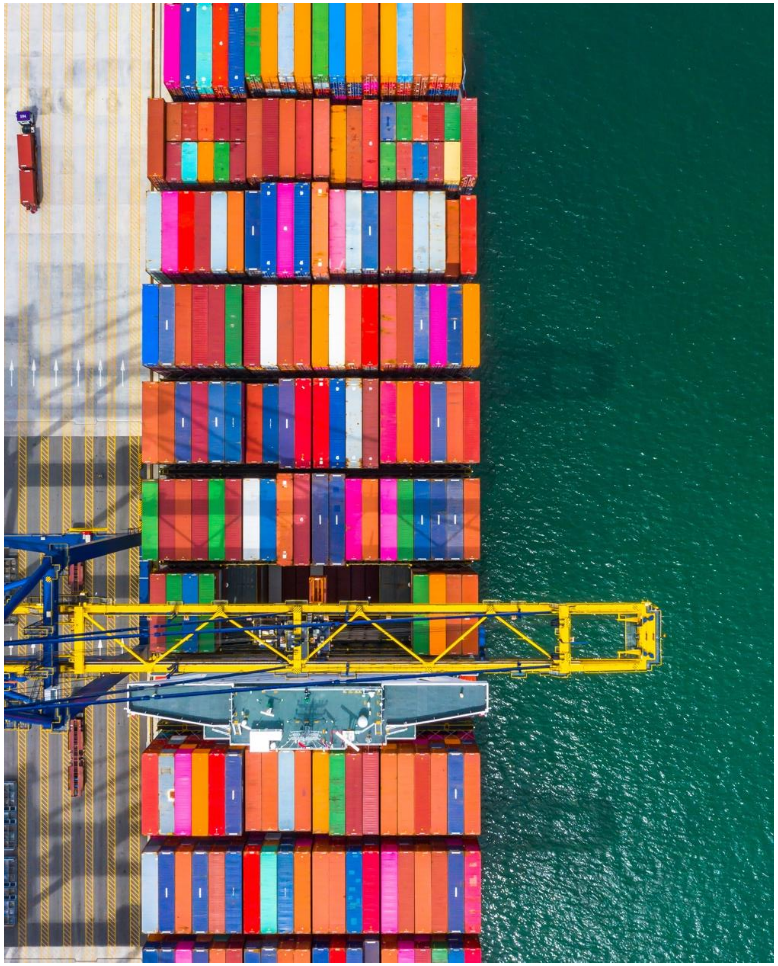
As shown in the graph below, the percentage of ships able to carry 4,000 TEU or more has decreased in the year to September 2021 across all ports. AKL, TRG and NPE experienced a reduction in the percentage of cargo carried on ships 4,000 TEU or more by 16%, 14% and 11% respectively.

LYT continues to have the highest percentage of 4,000 TEU or more ships of all the ports, with over 84% of its cargo falling into that category in Q3 2021. This is a slight decrease of 2% from Q3 2020, where LYT had 86% of its cargo on ships of 4,000 TEU or more.

Cargo on ships 4,000 TEU or more



Source: FIGS, Deloitte analysis



Operations

Container handling

TRG and AKL continue to be the dominant players in the market with a combined market share of 62% of all containers handled in 2021 (compared with 63% in 2020).

TRG – Since 2017, TRG has maintained its position as New Zealand's largest port by container throughput. In 2017, the port became the first in New Zealand to handle more than 1 million TEU, and in 2021 the Port handled 1.20 million TEU, a decrease of 4.1% on 2020 volumes.

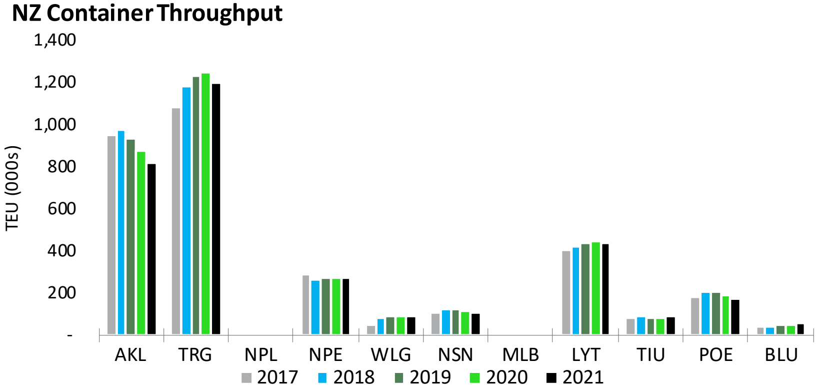
AKL – AKL remains New Zealand's second largest port and handled 818k TEU in 2021, a decrease of 7.1% on 2020 volumes.

Highest growth

Given the impacts of the COVID-19 pandemic during 2021, container growth has been more muted compared to prior years. However, significant growth was observed at:

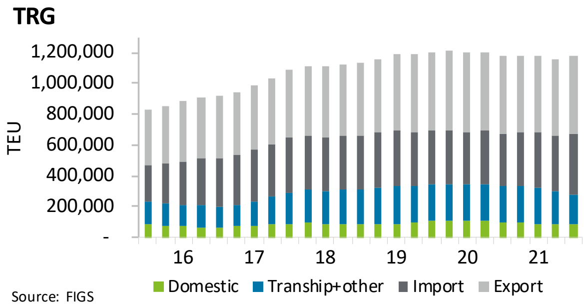
South Port (BLU) – Container volumes grew 13.3% from FY20 to FY21, rising from 48k TEU to circa 54k TEU, continuing a trend of steady growth over recent years (with the exception of 2020).

PrimePort Timaru (TIU) – TIU also experienced an increase in container volumes from FY20 to FY21, with a 17.4% increase from 80k TEU to 94k TEU.



Source: Annual reports

TEU breakdown (rolling 12 months to Q3 2021)



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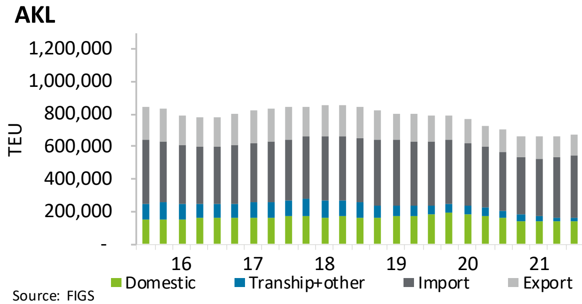

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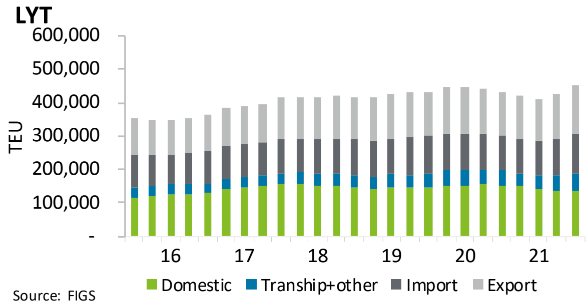

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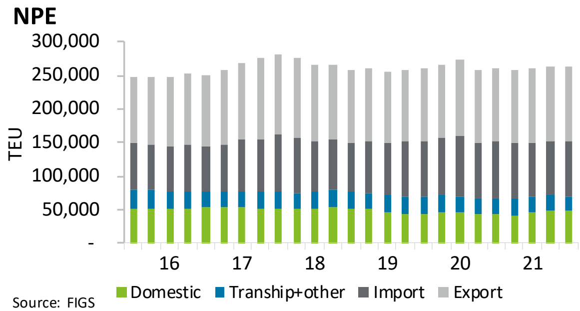

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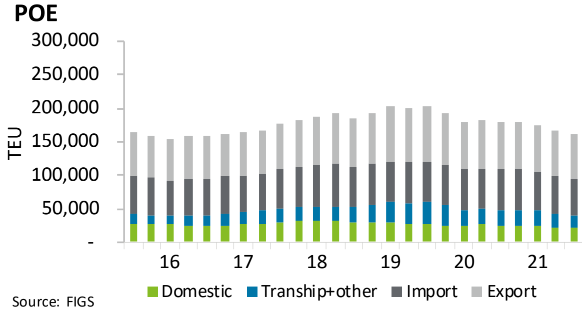

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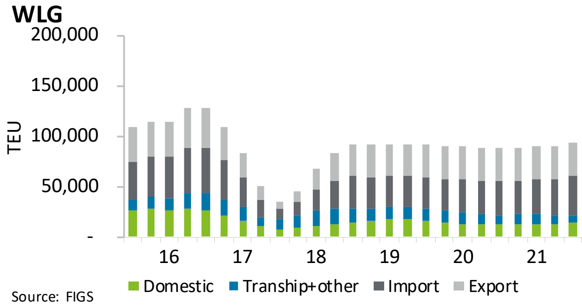

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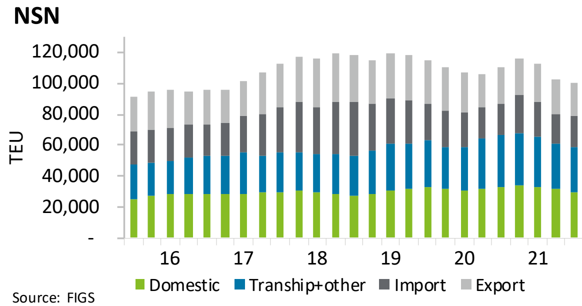

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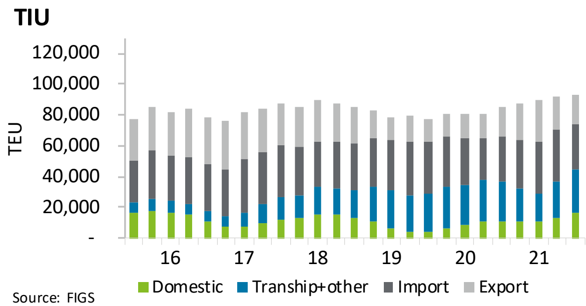

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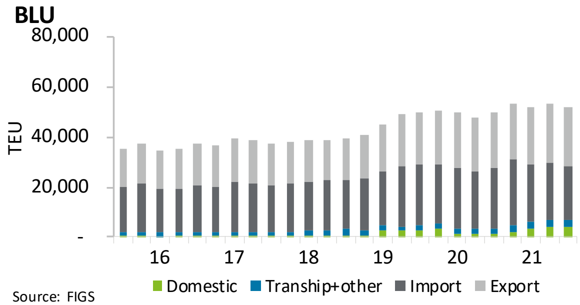


Source: FIGS

TEU composition

Commentary and highlights are drawn from the FIGS release for the period to September 2021.

Containerised import and export volumes have trended upwards in 2021. This is following a dip in container volumes experienced in 2020.

Import volumes have increased from 1,050,000 TEU in Q3 2020 to 1,131,000 TEU in Q3 2021. Similarly, export volumes have followed the same trend and have increased from 1,050,000 TEU in Q3 2020 to 1,068,000 TEU in Q3 2021.

Transshipment containerised volumes have continued to trend downwards since 2019. The volume has decreased 14% since Q3 2020.

Domestic TEU volumes (coastal shipping) have decreased 7% since Q3 2020. Coastal volumes are at 503,000 TEU for Q3 2021, a slight increase from 447,000 TEU in Q2 2021.

Import volumes

AKL and TRG had the highest import volumes in the country and in the year ending September 2021. Each accounted for 33% and 34% respectively of total import volumes.

The proportion of imports that arrive in TRG have increased from approximately 24% of import volumes in 2014 to 34% in the year ending September 2021. The third largest container port, LYT, processed 10% of import volumes in the year ending Q3 2021.

Export volumes

TRG is the largest export port in New Zealand by TEU with approximately 48% of total export volumes. LYT is the second largest export port by TEU at approx. 14% of national volumes, closely followed by AKL with a 13% share.

Domestic

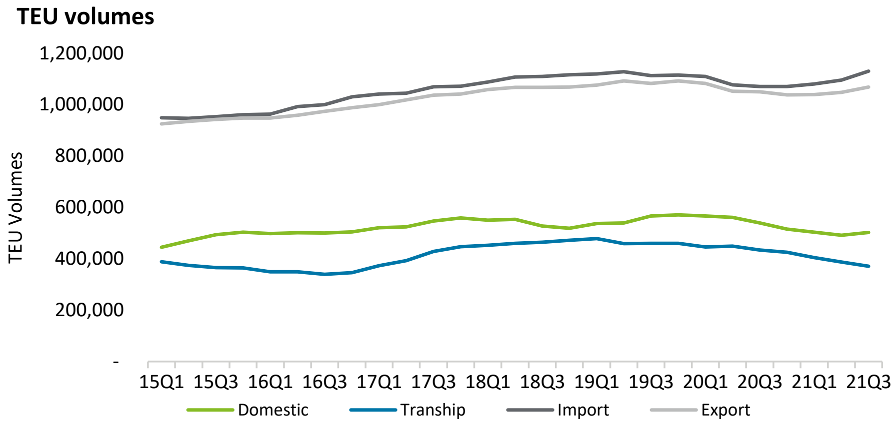
AKL and LYT have the highest share of domestic volumes, at 29% and 27% respectively.

Transshipment

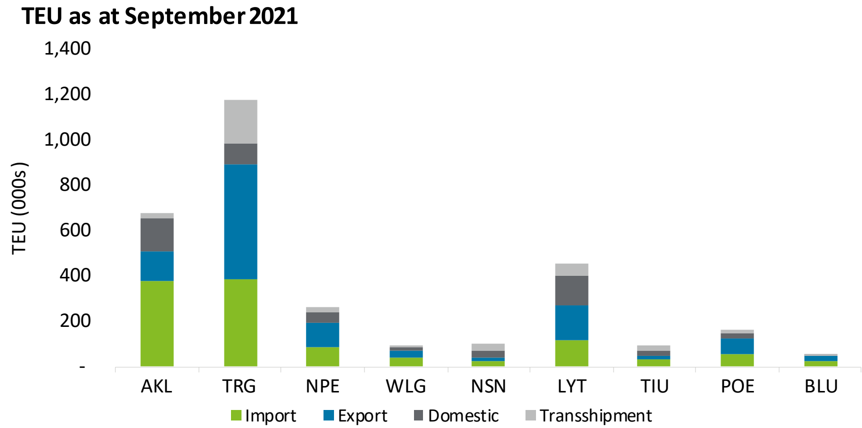
TRG has the highest transshipment volumes among New Zealand ports with over 52% of total volume. LYT has the second highest proportion at 14%.

Import - export mix

AKL is weighted towards imports, with TRG and NPE weighted towards exports. AKL container imports make up 55% of total container movements at the port, with container exports forming 20% of total container movements. TRG and NPE container imports are 33% and 31% respectively of total container movements. Container export movements for TRG and NPE are 43% and 42% respectively of total container movements.



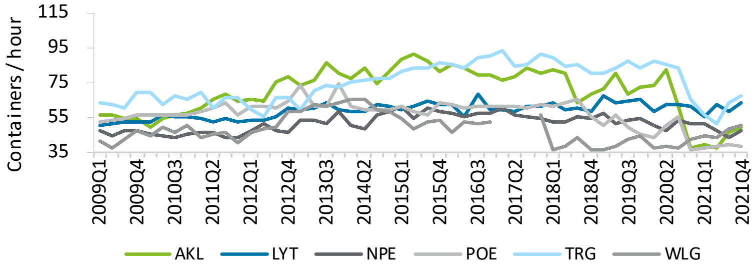
Source: FIGS, Deloitte analysis



Source: FIGS, Deloitte analysis

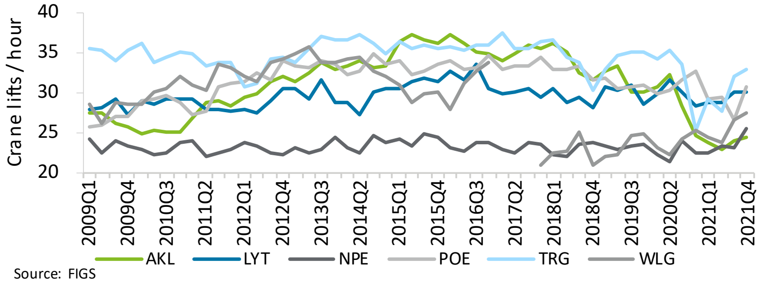
Container terminal efficiency

NZ port ship rates



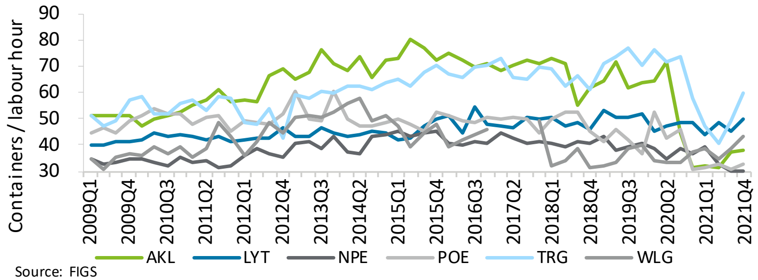
Source: FIGS

NZ port crane rate



Source: FIGS

NZ port vessel rates



Source: FIGS

NZ port ship rates - containers/hour

	2019				2020				2021			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
AKL	71.6	80.5	68.4	72.1	72.7	82.0	60.9	37.5	38.6	37.2	45.7	49.1
LYT	67.0	63.6	63.8	64.7	57.8	61.9	61.7	61.6	54.9	62.0	57.7	63.0
NPE	57.5	51.5	53.5	54.2	50.0	46.9	53.5	50.6	51.4	47.3	42.6	46.6
POE	50.0	56.1	48.8	44.9	42.8	50.1	54.9	35.7	36.6	38.0	38.6	38.3
TRG	80.1	83.4	87.1	83.1	87.6	84.8	82.9	65.4	55.7	51.4	63.0	67.6
WLG	36.4	37.8	42.3	43.8	36.7	37.8	36.6	41.6	44.2	42.6	48.2	50.0

Source: FIGS

NZ port crane rates - crane lifts/hour

	2019				2020				2021			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
AKL	32.6	33.4	30.0	30.0	30.8	32.3	28.4	24.6	23.8	22.8	24.0	24.4
LYT	30.8	30.2	30.9	28.5	29.9	31.5	30.1	28.4	28.8	28.8	30.1	30.1
NPE	23.2	22.9	23.3	23.5	22.1	21.4	23.9	22.5	22.5	23.2	23.0	25.5
POE	31.9	30.6	30.8	30.9	29.8	30.3	31.7	32.6	29.3	29.5	26.6	30.7
TRG	32.8	34.6	35.1	35.0	34.2	35.2	33.5	25.2	29.2	27.6	32.1	32.8
WLG	22.0	22.2	24.7	24.9	23.1	22.2	24.1	25.3	24.3	23.7	26.6	27.4

Source: FIGS

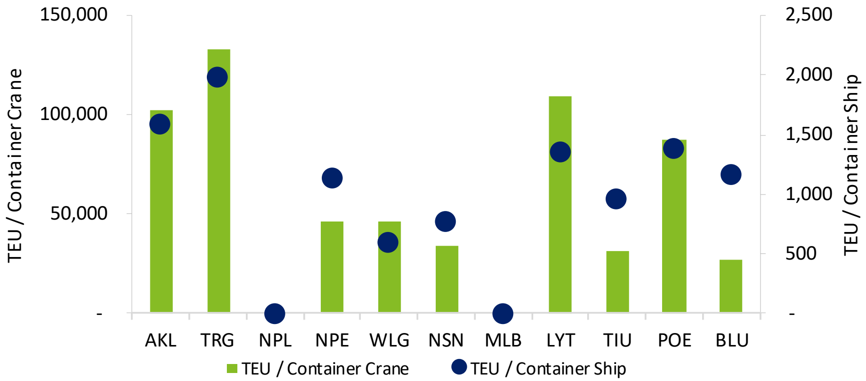
NZ port vessel rates - containers/labour hour

	2019				2020				2021			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
AKL	64.5	72.0	62.0	63.8	64.3	71.7	44.6	31.2	32.2	31.3	37.6	38.3
LYT	53.3	50.4	50.5	51.7	45.6	47.2	48.4	48.7	44.2	48.7	45.3	49.9
NPE	43.2	38.3	39.5	40.9	38.8	34.7	38.6	36.5	39.5	32.9	30.0	29.9
POE	41.0	46.1	41.8	36.8	52.3	42.8	46.0	30.4	31.4	32.4	31.0	32.7
TRG	71.3	73.7	77.4	70.2	76.2	71.6	73.8	57.9	47.2	40.7	49.2	59.6
WLG	32.1	33.6	39.0	40.0	34.0	33.6	33.2	37.5	38.9	34.9	38.9	43.2

Source: FIGS

Port utilisation

Container Ship/Crane Utilisation



Source: Management information, Deloitte analysis

Container ship utilisation

The three ports with the highest container ship utilisation were TRG, AKL and POE respectively.

TRG recorded the highest container crane utilisation, followed by LYT and AKL.

NPL and MLB do not operate container wharves.

Bulk terminal utilisation

AKL had the highest bulk terminal utilisation (bulk tonnes / bulk terminal ha).

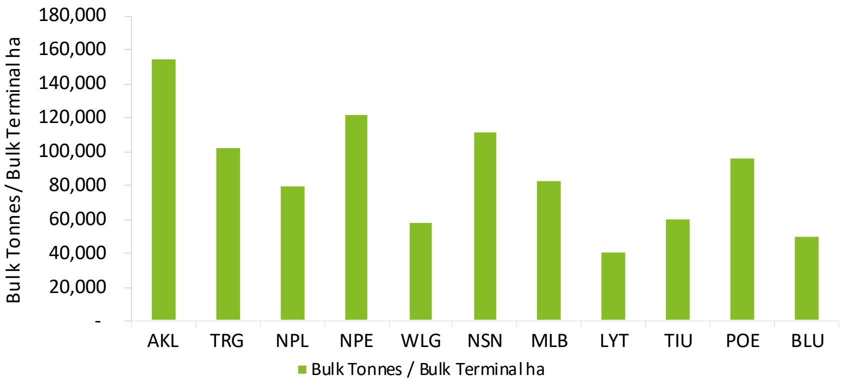
Container terminal utilisation

LYT and AKL had the highest container terminal utilisation (TEU/terminal ha), keeping their respective #1 and #2 ranks from 2020.

TRG had the highest TEU throughput per container wharf metre, again holding their #1 position from 2020.

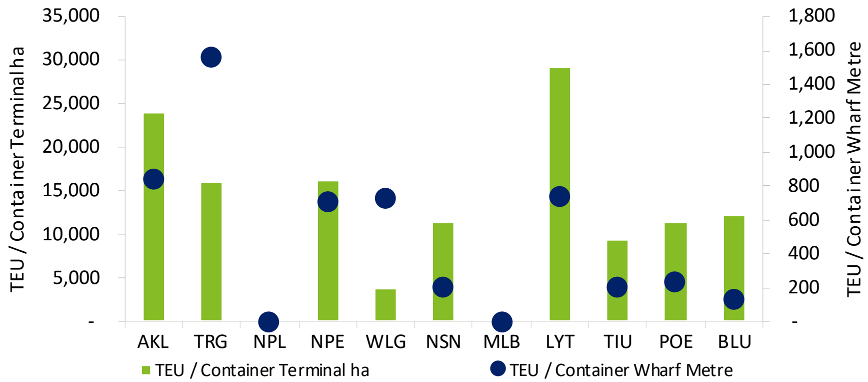
NPL (Port Taranaki) and MLB (Port Marlborough) do not operate container wharves.

Bulk Terminal Utilisation



Source: Management information, Deloitte analysis

Container Terminal Utilisation



Source: Management information, Deloitte analysis

Financials

Revenue

TRG reported the highest revenue in FY21 at $338.3 million, an increase of 12.0% on FY20. Followed by AKL with $226.3 million in reported revenue.

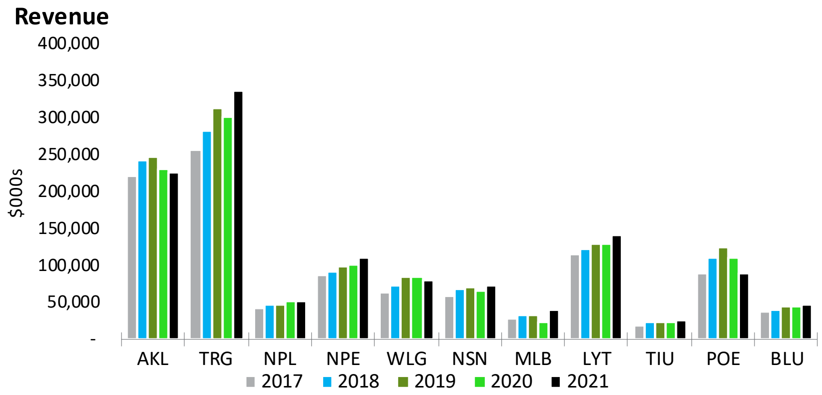
Overall revenue in FY21 increased from that reported in FY20 for most ports, with only four ports reporting decreases. Revenue growth and declines were attributed to a number of different drivers, however most experienced improved figures on 2020 as parts of the economy recovered from the initial impacts of the pandemic.

Profitability

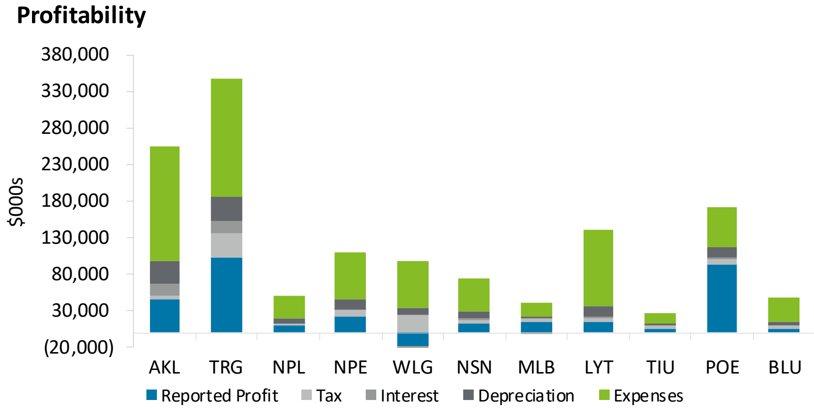
Nine of the 11 ports recorded increases in their NPAT, with NPL and WLG showing decreases. These decreases were attributed to a range of factors.

WLG – experienced the largest decrease in NPAT of any port (111.2%) attributable to a large reduction in EBITDA from 2020 after WLG received one-off insurance income of $172.5m.

NPL – NPAT in the financial statements was recorded as a $9 million gain, this was a 25% decrease from $12m in 2020. This was attributable to a large increase in expenses.



Source: Annual Reports



Source: Annual Reports

Financials

Dividends

All 11 ports paid dividends to shareholders in 2021.

TRG paid the largest dividend, $84.4 million. This dividend comprised the FY21 interim dividend ($40.8 million), and FY20 final dividend ($43.5 million).

WLG paid a dividend of $20.0 million in FY21, the second highest when compared to other ports. However, WLG's total dividend included a special dividend of $15 million.

Capital expenditure

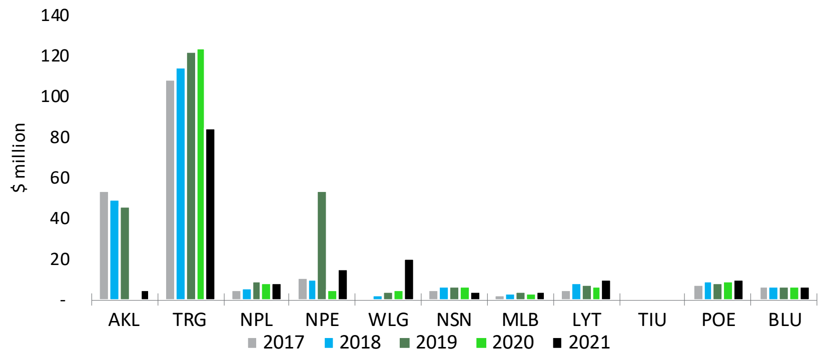
A number of ports engaged in significant capital investment to further develop port capacity and capability during FY21.

NPE invested $104 million in capital projects during 2021. A key driver of this expenditure being the 350m-long wharf to allow NPE to handle more, and larger ships to improve operational performance. The wharf is now scheduled to be operational in the second half of the 2022 financial year. The final cost of this project is now estimated to range between $173m and $179m, lower than earlier estimates.

WLG had the second largest capital expenditure figure over the FY21 period, with a figure of $56 million. Activities included the continued Thorndon Container Wharf reinstatement project, the Seaview Wharf renewal project, expansion of the Waingawa log yard as well as other improvements.

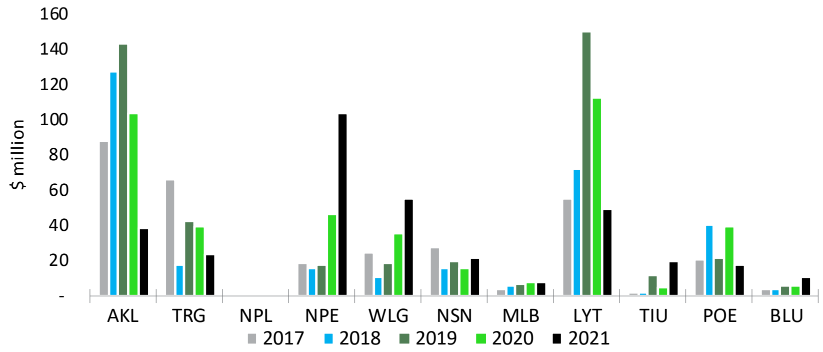
LYT had the third largest capital expenditure figure over the FY21 period, with a figure of $49 million.

Cash Dividends Paid



Source: Annual Reports

Capital Expenditure Investing Activities



Source: Annual Reports

Financials

Debt covenants

The ratios below provide an indication of a port's capacity to borrow additional debt and to service existing debt.

Gearing is calculated as debt divided by debt plus equity.

Average gearing across all ports in FY21 was 21.6%, a slight increase from 19.5% in FY20.

Interest cover is calculated as EBIT divided by net interest expense.

WLG and MLB had a negative interest cover ratio for FY21.

Note: given the scale of the graph not all ports are included to show interest cover.

Cash net debt

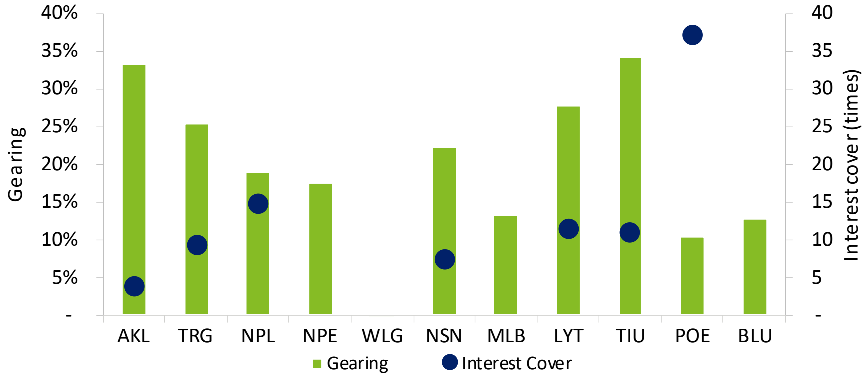
Cash net debt is calculated as interest bearing liabilities less cash and equivalents. Total net debt for all ports in FY21 was $1.2 billion, an increase from $1.1 billion in FY20.

Net debt for the two largest ports, TRG and AKL, decreased 0.6% and 1.6% respectively.

However, it was NPE and WLG who had the largest movement in dollar terms, with net debt increasing by $84 million and $65 million respectively.

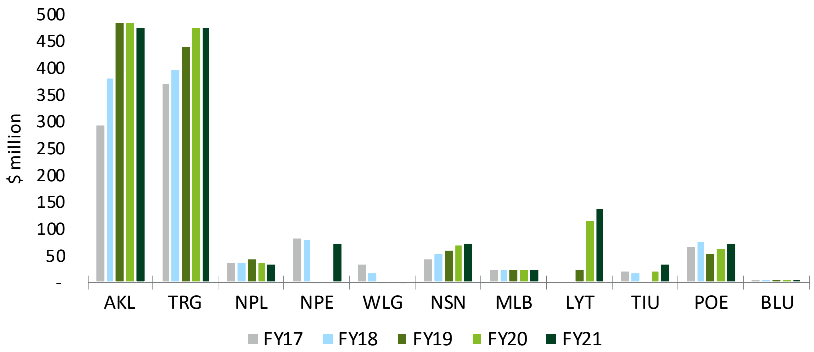
The largest reduction in net debt was reported by AKL, falling by $7.8m. This was largely attributable to a fall in interest bearing liabilities by $10.8 million in FY2021.

Debt Covenants



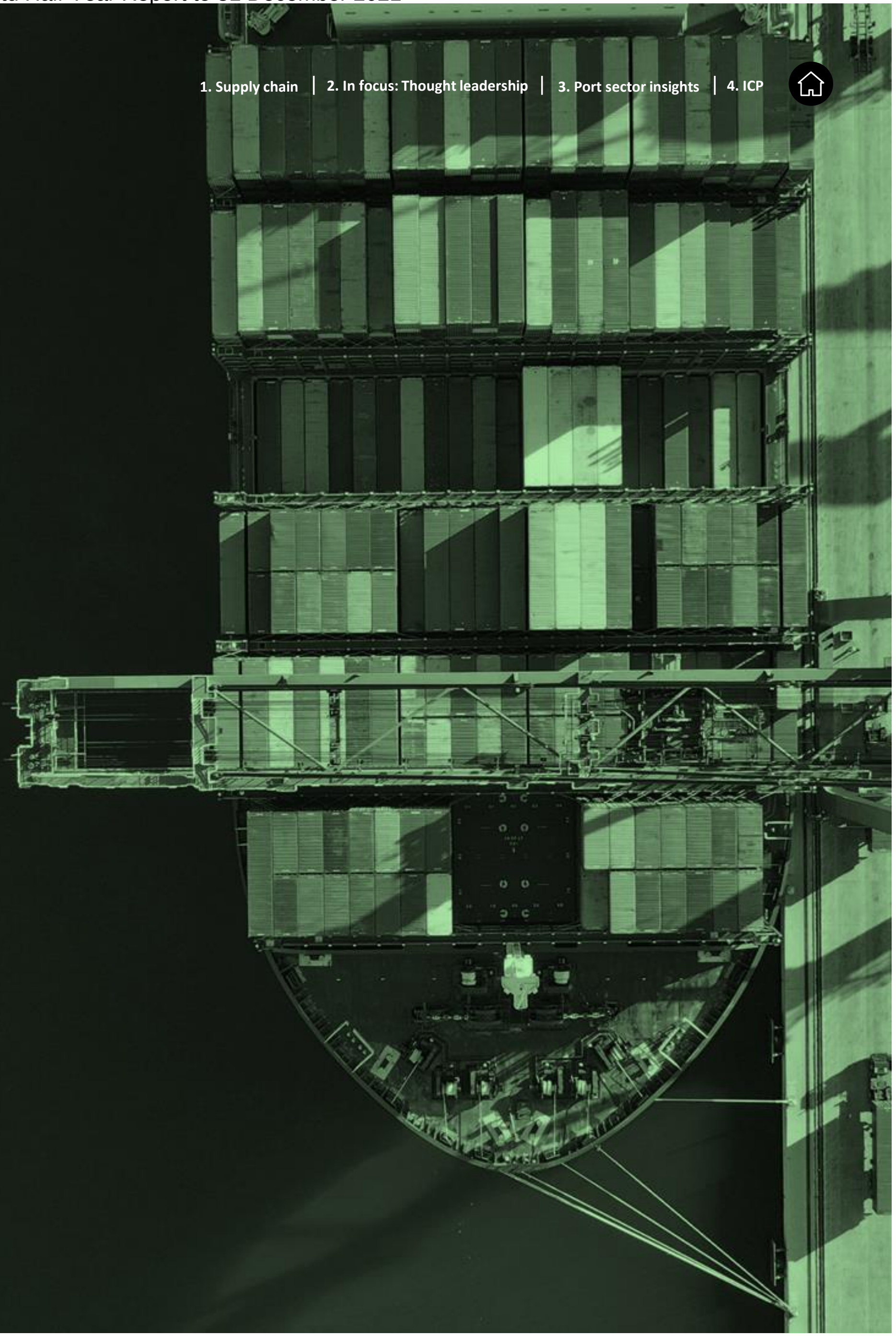
Source: Annual Reports

Cash Net Debt



Source: Annual Reports

Port sector insights
Comparator tables and analytics



Comparator Tables

Port Facilities & Capacity Comparison FY21	AKL	TRG	NPL	NPE	WLG	NSN	MLB	LYT	TIU	POE	BLU
Port Harbour Type	Natural	Natural	Breakwater	Breakwater	Natural	Natural	Natural	Natural	Breakwater	Natural	Natural
Draught (m) (min)	12.5	14.5	12.5	12.4	11.1	10.3	13.5	13.3	11.6	14.0	7.0
Port Operating Land (ha)	77.0	190.3	65.3	49.3	75.0	26.0	10.0	103.4	40.0	34.5	58.0
Container Terminal Area (ha)	34.0	74.6	2.0	17.0	24.3	9.0	-	15.0	10.0	15.4	4.4
Total Wharf Length (km)	3.6	2.8	1.7	1.6	2.9	1.2	0.6	2.3	1.7	2.1	1.9
Container Wharf Length (km)	1.0	0.8	0.4	0.4	0.1	0.5	-	0.6	0.5	0.7	0.4
Quay Cranes	8	9	-	-	2	-	-	4	-	2	-
Mobile Cranes	-	-	2	6	-	3	-	-	3	-	2
Forklifts/Stackers	14	-	2	38	18	28	-	19	14	7	9
Straddles	62	53	-	-	-	1	-	27	-	15	-
Reefer Slots	945	3,426	192	1,123	315	900	-	996	650	1,850	300
Tugs	3	3	3	3	2	3	2	2	2	3	2
Pilot Launches	2	2	2	1	2	1	1	1	1	3	1
Rail Connection	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Bulk Tonnes Handled (millions)	6.7	11.9	5.1	4.0	2.9	1.9	0.8	3.6	1.8	1.9	2.7
Rank	2	1	3	4	6	8	11	5	10	9	7
Bulk Ship Calls (est)	343	687	265	343	303	649	48	515	342	277	285
TEU Throughput (000)	818.2	1,200.8	-	276.0	91.9	102.9	-	438.3	93.9	175.0	53.8
Rank	2	1	-	4	8	6	-	3	7	5	9
Container Ship Calls (est)	864	607	-	242	155	132	-	324	98	126	46
Bulk Tonnes/ Bulk Terminal ha	154,884	102,852	80,569	122,159	58,209	112,094	82,988	40,706	60,900	96,914	50,373
TEU / Container Terminal ha	24,065	16,097	-	16,235	3,782	11,433	-	29,220	9,389	11,364	12,227
Bulk Tonnes / Total Wharf Metre	1,850	4,212	2,965	2,461	1,003	1,618	1,339	1,565	1,062	881	1,408
TEU / Container Wharf Metre	844	1,560	-	708	729	206	-	739	198	236	126
Bulk Tonnes / Bulk Ship	19,417	17,322	19,245	11,516	9,733	2,928	17,289	6,990	5,342	6,690	9,474
TEU / Container Ship	947	1,978	-	1,140	593	780	-	1,353	958	1,389	1,170
TEU / Container Crane	102,275	133,426	-	46,000	45,950	34,300	-	109,575	31,297	87,500	26,900
Ship Rate	81.7	68.9	-	50.6	41.0	-	-	62.0	35.6	41.3	-
Vessel Rate	72.3	60.2	-	37.3	36.0	-	-	48.8	-	35.1	-
Crane Rate	25.0	27.0	-	22.6	24.4	-	-	24.0	17.8	31.6	-
Rail utilisation - from export volumes											
% of TEU volumes transported to port on rail	-	21.0%	-	14.9%	40.0%	-	-	18.0%	1.1%	57.0%	10.0%
% of bulk volumes transported to port on rail	-	56.4%	0.7%	5.0%	29.0%	-	-	29.6%	-	-	-
Rail utilisation - from import volumes											
% of TEU volumes transported from port on rail	-	28.4%	-	2.0%	15.0%	-	-	12.0%	0.0%	15.0%	1.0%
% of bulk volumes transported from port on rail	-	14.2%	-	-	-	-	-	-	-	-	-

[1] AKL unable to split rail utilisation. 14.4% rail utilisation across import and export volumes.

Comparator Tables

New Zealand Port Summary - NZ$ million FY21	AKL	TRG	NPL	NPE	WLG	NSN	MLB	LYT	TIU	POE	BLU
Income Statement											
Revenue	226.3	338.3	50.8	109.5	80.2	73.5	40.2	142.2	26.3	90.0	47.3
Revenue - Port	*212.8*	*306.4*	*50.8*	*107.1*	*61.9*	*63.6*	*11.2*	*138.6*	*23.6*	*60.4*	*47.3*
Expenses	(158.1)	(161.1)	(30.9)	(65.7)	(66.1)	(44.9)	(17.0)	(103.4)	(13.2)	(56.2)	(28.5)
Gross Profit	68.2	177.1	19.9	43.8	14.1	28.6	23.2	38.9	13.1	33.9	18.8
Associate Earnings	-	13.5	-	-	-	-	-	-	-	-	-
One-Offs	29.1	(0.7)	-	1.1	(2.3)	-	-	(1.9)	-	82.7	0.0
EBITDA	97.3	189.9	19.9	44.9	11.8	28.6	23.2	37.0	13.1	116.6	18.8
Deprn&Amort	(30.6)	(36.3)	(6.2)	(13.1)	(7.9)	(9.3)	(3.7)	(14.1)	(2.4)	(12.4)	(4.1)
EBIT	66.7	153.6	13.7	31.8	3.9	19.3	19.5	22.9	10.7	104.2	14.7
Net Interest Expense	(17.0)	(16.6)	(0.9)	(0.0)	3.8	(2.6)	0.1	(2.0)	(1.0)	(2.8)	(0.0)
Taxation Expense	(4.2)	(34.6)	(3.6)	(8.6)	(25.5)	(3.7)	(3.7)	(5.0)	(3.2)	(6.9)	(4.0)
Reported Profit	45.6	102.4	9.2	23.2	(17.8)	13.0	16.0	16.0	6.5	94.5	10.7
Other Comprehensive Income	100.0	180.9	6.8	0.8	14.9	2.3	-	2.2	0.7	1.6	-
Comprehensive Income	145.5	283.3	16.0	24.0	(2.9)	15.3	16.0	18.1	7.1	96.1	10.7
Cashflow Statement summary											
Net Operating CF	56.4	99.7	15.6	34.8	13.5	21.2	12.9	37.1	10.0	21.7	15.8
Balance Sheet											
Port Fixed Assets	1,243.6	1,758.1	194.0	448.6	218.4	327.6	101.5	469.8	104.2	223.1	57.2
Total Assets	1,591.2	2,081.3	203.7	480.0	512.2	371.4	217.0	589.9	108.5	746.6	68.7
Net Debt	480.0	477.1	36.7	75.7	(184.6)	75.3	25.0	141.4	34.7	73.6	7.4
Total Equity	963.6	1,397.0	156.8	354.8	432.7	261.7	163.1	364.2	66.8	634.6	49.5
Ratios											
Share of NZ Revenue	*18.5%*	*27.6%*	*4.2%*	*8.9%*	*6.5%*	*6.0%*	*3.3%*	*11.6%*	*2.1%*	*7.4%*	*3.9%*
Gearing (D/D+E)	*33.2%*	*25.5%*	*19.0%*	*17.6%*	*(74.4%)*	*22.3%*	*13.3%*	*28.0%*	*34.2%*	*10.4%*	*13.0%*
EBIT Margin	*29.5%*	*45.4%*	*27.0%*	*29.1%*	*4.9%*	*26.3%*	*48.6%*	*16.1%*	*40.7%*	*115.8%*	*31.1%*
ROE	*4.7%*	*7.3%*	*5.9%*	*6.5%*	*(4.1%)*	*5.0%*	*9.8%*	*4.4%*	*9.7%*	*14.9%*	*21.6%*
ROA	*2.9%*	*4.9%*	*4.5%*	*4.8%*	*(3.5%)*	*3.5%*	*7.4%*	*2.7%*	*6.0%*	*12.7%*	*15.6%*

Port performance

Interactive data analytics

This year we are pleased to continue with our interactive data analytics tool, the 'Ports and Freight Yearbook Analytics Dashboard'.

This dashboard provides you with the ability to dynamically view and test the relationship between a number of financial and operational variables, using data covering a three-year period.

This year we have also introduced new interactive geographic, operational, and scale overview elements to the dashboard.

To access the dashboard, please visit our website:

www2.deloitte.com/nz/ports-and-freight

Our analytics capability

Deloitte.

Analytics competence

- Our **proven tools and methods** can be **efficiently adapted** to different system environments.
- Our experts are familiar with a range of general and advanced analytics methods, which are **combined in an integrated approach**.
- Our analytics experts with advanced data science expertise cover data extraction, cleansing as well as data model and dashboard customization.

tableau alteryx ORACLE SAP xero myob Microsoft

Performance improvement

Our analytics led approach enables us to:

- Look beyond standard financial reports and deeper into operational data;
- Quickly identify granular issues and opportunities; and
- Highlight relevant operational focus areas through interactive drill-down analytical dashboards.

In an engaging and collaborative manner that obtains alignment across stakeholders and enables **better decisions, more often**.

Benchmarking

Through benchmarking customer, supplier and competitor data we can assist you on a wide range of analysis, including:

- Interactively drilling down into customer groups to identify material variability in profitability across a product group or division.
- Comparing financial metrics against your competitors or other industry players to identify opportunities for value enhancement and quantify the 'gap'.
- Drilling down into transaction level receivables, payables and inventory data to identify opportunities to improve working capital performance.

Financial expertise

Our team is comprised of highly experienced financial advisors.
We pride ourselves on our ability to use data to inform financial decisions.

We have an in-depth understanding of the drivers of financial value and have a proven record success of operationalising the insights gained through analytics into sustaining financial results.

Key contacts

Rob Campbell
Director
Financial Advisory
Auckland, New Zealand

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Manager
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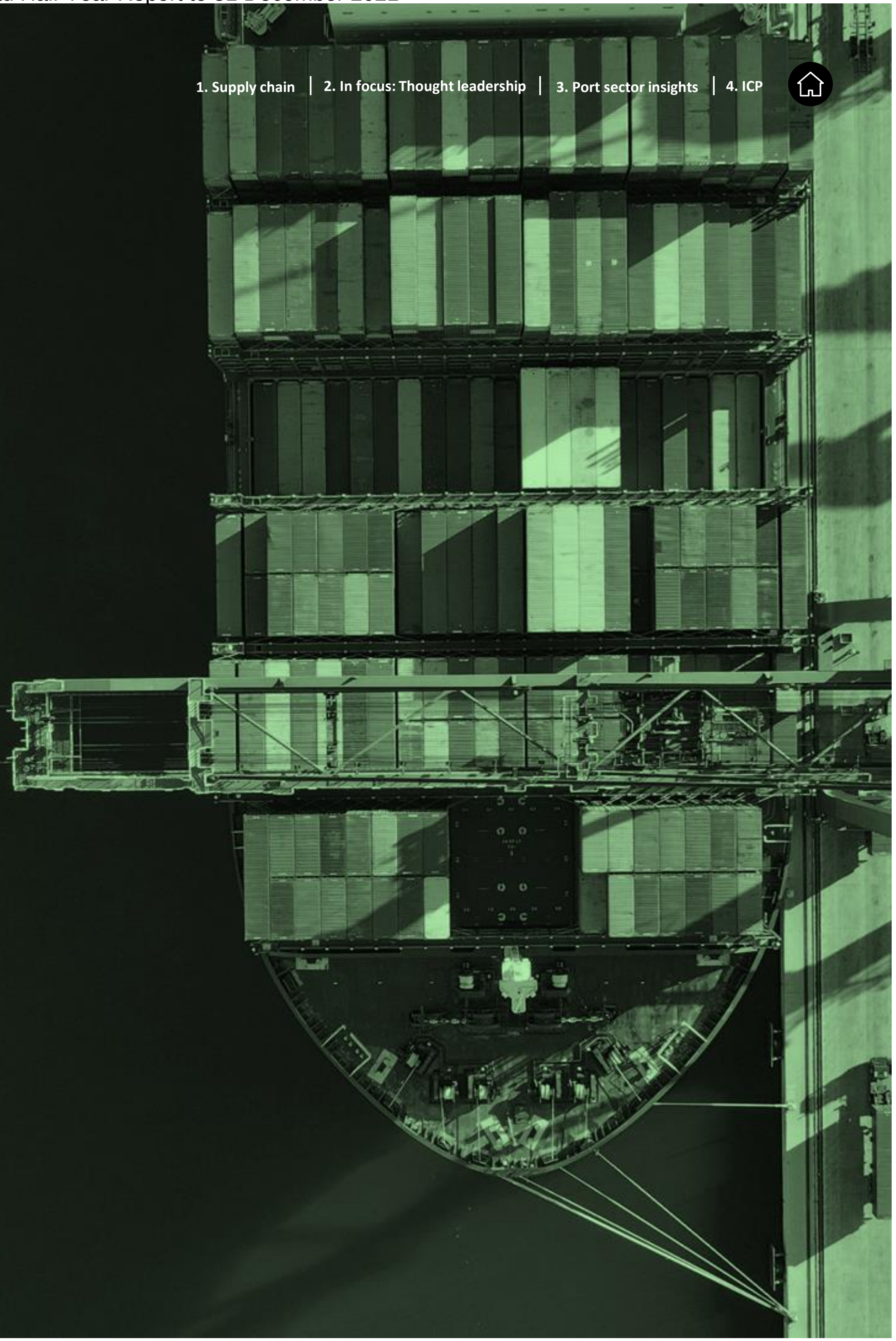
Auckland, New Zealand

Port sector insights

Port summaries



Ports of Auckland – AKL

Overview

AKL's key facilities comprise its container and multi-purpose cargo terminals on the Waitematā Harbour (adjacent to Auckland's CBD). AKL operates regional freight hubs in South Auckland and Waikato, including a container trucking operation from South Auckland, and has joint interests in a Manawatū freight hub, marine towage at Northport, and an online cargo management system. AKL is the first port of call for a number of international services, receiving full import containers and generating a strong flow of empty containers destined for export.

Port development

- The port is making progress on their 30-year master plan and its associated investment programme. A new car handling facility was completed in 2020. The port also received resource consent to deepen Auckland's shipping channel. However, this consent is under appeal and work will not start until 2022 at the earliest. The port's automation programme has been reset, with the port aiming for completion in late June 2022.
- The port expects to take delivery of the world's first full-size, electric ship-handling tug by early 2022. The port is also working on building Auckland's first hydrogen production and refuelling facility.
- The port has also successfully made the transition to a new vehicle booking system – Containerchain.

Trade

- Bulk tonnes handled of 6.67m tonnes, a 15.2% increase on FY20.
- TEU throughput of 818,238, a 7.1% decrease on FY20.
- Vehicles: 236,260 cars and light commercial vehicles unloaded and processed, a 9.2% increase on FY20.

Financial performance

- Revenue: $226.3 million, a 2.2% decrease on FY20.
- Operating expenses: $158.1 million, a 1.1% increase on FY20.
- EBITDA: $97.3 million, a 29.2% increase on FY20.
- NPAT: $45.6 million, a 98.1% increase on FY20.

Ports of Auckland - AKL

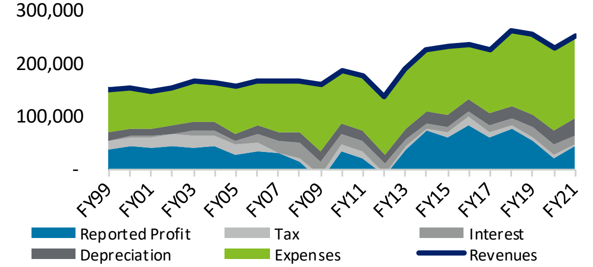
Income Statement ($m)	FY21	FY20
Revenue	226.3	231.4
Revenue from Port Operations	212.8	219.6
Operating Expenses	(158.1)	(156.4)
Gross Profit	**68.2**	**75.0**
Associate / JV Earnings	-	-
One Offs / Other Items	29.1	0.3
EBITDA	**97.3**	**75.3**
Depreciation and Amortisation	(30.6)	(27.0)
EBIT	**66.7**	**48.3**
Net Interest Expense	(17.0)	(18.0)
Taxation	(4.2)	(7.3)
NPAT	**45.6**	**23.0**
Other Comprehensive Income	100.0	(11.2)
Comprehensive Income	**145.5**	**11.8**

Balance Sheet ($m)	FY21	FY20
Current Assets	49.0	45.8
Fixed Assets	1,243.6	1,113.5
Intangibles	74.2	88.8
Deferred Tax Benefit	-	-
Investments	158.3	130.2
Other Assets	66.1	73.3
Total Assets	**1,591.2**	**1,451.5**
Current Liabilities	48.8	48.1
Debt	475.9	486.7
Other Non-Current Liabilities	102.8	95.5
Shareholders' Funds	963.6	821.2
Total Liabilities / SHF	**1,591.2**	**1,451.5**

Cash Flow Statement ($m)	FY21	FY20
Operating Cash Received	251.6	280.8
Operating Cash Paid	(195.2)	(224.2)
Net Operating Cash Flow	**56.4**	**56.6**
Less: Asset Purchases	(42.2)	(108.1)
Less: Advances to Related Parties	(0.1)	(0.2)
Less: Dividends Paid	(4.9)	-
Funding Surplus (Deficit)	**9.3**	**(51.7)**
Insurance Proceeds	-	-
Proceeds of Asset Sales	0.5	54.0
Dividends from Associates	-	-
Increase in Net Debt	(9.8)	(2.3)
Equity Raised	-	-
Funding Provided	**(9.3)**	**51.7**

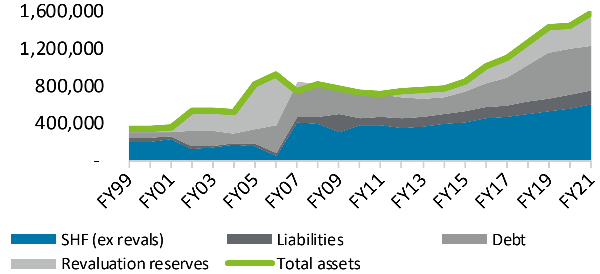
Source: Annual Report, Deloitte Analysis

Income Statement - AKL (000)



Source: Annual Reports

Balance Sheet - AKL (000)



Source: Annual Reports

Port of Tauranga - TRG

Overview

TRG's key facilities include the Mount Maunganui bulk terminal, Tauranga container terminal, MetroPort and its South Auckland inland container port. The port has a high degree of vertical integration with interests in other ports, stevedoring, and freight transport.

Port development

- TRG began development of the Ruakura Superhub inland port near Hamilton, which is a joint venture with Tainui Group Holdings. This facility will open in mid-2022.
- The port has applied for resource consent to extend the container berths to the south of the existing wharves. The $68.5m project will create an estimated 368 jobs through the construction phase and more than 81 permanent jobs after completion.

Trade

- Total trade increased 3.8% to 25.7 million tonnes (up from 24.8 million tonnes).
- Container volumes decreased 4.1% to 1,200,831 TEUs (down from 1,251,741 TEUs)
- Imports increased 4.0% to 9.4 million tonnes.
- Exports increased 3.6% to 16.3 million tonnes.
- Log export volumes bounced back from the 2020 lockdown, increasing 14.3% to 6.3 million tonnes. Sawn timber and wood panel exports decreased 12.4% in volume.
- Dairy product exports decreased 1.9% to just over 2.3 million tonnes, reflecting a later-than-usual season and a reduction in tranship volumes.
- Kiwifruit exports increased 10.1% in volume.
- Oil product imports increased 11.6% in volume, and cement imports increased 42.4% in volume, reflecting the strength in the local economy.
- Fertiliser imports decreased 16.9% in volume, grain volumes decreased 8.9% and protein and stock feed imports decreased 10.4%.
- Coal imports increased significantly as a result of lower hydro energy production and declining gas production.

Financial performance

- Revenue: $338.3 million, a 12% increase from FY20.
- Operating expenses: $161.1 million, a 15.3% increase from FY20.
- EBITDA: $189.9 million, a 15% increase from FY20.
- NPAT: $102.4 million in FY21, a 15.4% increase from FY20.

Port of Tauranga - TRG

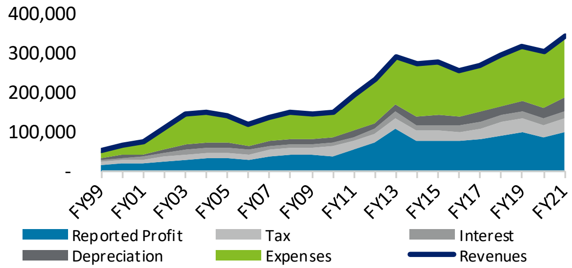
Income Statement ($m)	FY21	FY20
Revenue	338.3	302.0
Revenue from Port Operations	306.4	271.3
Operating Expenses	(161.1)	(139.8)
Gross Profit	**177.1**	**162.2**
Associate / JV Earnings	13.5	10.0
One Offs / Other Items	(0.7)	(7.0)
EBITDA	**189.9**	**165.2**
Depreciation and Amortisation	(36.3)	(29.6)
EBIT	**153.6**	**135.6**
Net Interest Expense	(16.6)	(18.5)
Taxation	(34.6)	(28.4)
NPAT	**102.4**	**88.7**
Other Comprehensive Income	180.9	31.7
Comprehensive Income	**283.3**	**120.4**

Balance Sheet ($m)	FY21	FY20
Current Assets	74.2	61.3
Fixed Assets	1,758.1	1,584.9
Intangibles	64.8	44.0
Deferred Tax Benefit	-	-
Investments	167.7	158.6
Other Assets	16.6	-
Total Assets	**2,081.3**	**1,848.8**
Current Liabilities	323.7	301.5
Debt	215.0	229.5
Other Non-Current Liabilities	145.6	122.7
Shareholders' Funds	1,397.0	1,195.2
Total Liabilities / SHF	**2,081.3**	**1,848.8**

Cash Flow Statement ($m)	FY21	FY20
Operating Cash Received	333.3	321.5
Operating Cash Paid	(233.6)	(204.4)
Net Operating Cash Flow	**99.7**	**117.1**
Less: Asset Purchases	(23.3)	(39.3)
Less: Dividends Paid	(84.4)	(124.5)
Funding Surplus (Deficit)	**(8.0)**	**(46.6)**
Insurance Proceeds	-	-
Proceeds of Asset Sales	0.7	0.1
Dividends from Associates	-	-
Dividends Equity Accounted Investments	9.6	10.1
Increase in Net Debt	(2.5)	36.4
Equity Raised	-	-
Funding Provided	**7.9**	**46.6**

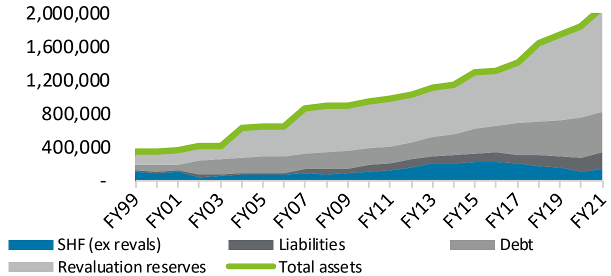
Source: Annual Report, Deloitte Analysis

Income Statement - TRG (000)



Source: Annual Reports

Balance Sheet - TRG (000)



Source: Annual Reports

Port Taranaki – NPL

Overview

NPL is the only deep-water port on the west coast of New Zealand and services bulk liquids (serving the region's oil and gas industry), dry bulk (logs, fertiliser, stock feed and cement) and general cargo.

Port development

- The 2020-21 year was the first full year of operation of an on-site debarker at Port Taranaki. The debarker has attracted logs from further afield, helping to increase the port's hinterland both north and south of Taranaki.
- The port removed several structures from the 1980s from the port, costing $3.5m.
- The port completed the first two stages of a four-stage programme to upgrade and fully digitalise their Newton King Tanker Terminal operating system.
- The port has a large capital programme outlined for the next three years, which includes upgrading their fire water to the Tanker Terminal and investment in new dry bulk hoppers.

Trade

- Trade volumes were down 6.7%, or 363,400 tonnes, on the previous year. The port noted this was a strong result given bulk liquids, which are Port Taranaki's predominant trade, were down 19.9%, from 3.7m tonnes to 2.9m tonnes in FY21. Reduced bulk liquids trade also resulted in a slight reduction in vessel visits – from 273 to 265.
- The port's log trade jumped 41.7%, or 334,000 JAS, to 1.1m JAS. It was the first time in the port's history that log exports had passed the 1m JAS milestone in a single year.

Financial performance

- Revenue: $50.8 million, a 1.8% decrease from FY20.
- Operating expenses: $30.9 million, a 10.2% increase from FY20.*
- EBITDA: $19.9 million, a 16% decrease from FY20.
- NPAT: $9.2 million, a 25.1% decrease from FY20.

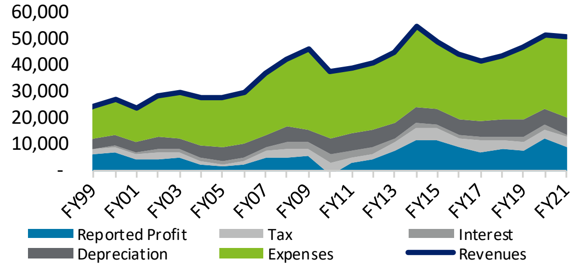
*inclusive of maintenance dredging

Port Taranaki - NPL

Income Statement ($m)	FY21	FY20
Revenue	50.8	51.8
Revenue from Port Operations	50.8	51.8
Operating Expenses	(30.9)	(28.1)
Gross Profit	**19.9**	**23.7**
Associate / JV Earnings	-	-
One Offs / Other Items	-	-
EBITDA	**19.9**	**23.7**
Depreciation and Amortisation	(6.2)	(6.2)
EBIT	**13.7**	**17.5**
Net Interest Expense	(0.9)	(2.0)
Taxation	(3.6)	(3.3)
NPAT	**9.2**	**12.2**
Other Comprehensive Income	6.8	0.8
Comprehensive Income	**16.0**	**13.0**
Balance Sheet ($m)	**FY21**	**FY20**
Current Assets	8.0	8.3
Fixed Assets	194.0	188.6
Intangibles	0.6	0.6
Right of Use Assets	0.7	0.8
Investments	-	-
Other Assets	0.4	-
Total Assets	**203.7**	**198.2**
Current Liabilities	7.8	8.5
Debt	36.9	39.1
Other Non-Current Liabilities	2.2	1.7
Shareholders' Funds	156.8	148.8
Total Liabilities / SHF	**203.7**	**198.2**
Cash Flow Statement ($m)	**FY21**	**FY20**
Operating Cash Received	58.4	59.2
Operating Cash Paid	(42.8)	(38.2)
Net Operating Cash Flow	**15.6**	**21.0**
Less: Asset Purchases	(5.9)	(5.8)
Less: Dividends Paid	(8.0)	(8.0)
Funding Surplus (Deficit)	**1.7**	**7.2**
Insurance Proceeds	-	-
Proceeds of Asset Sales	(0.1)	0.0
Dividends from Associates	-	-
Increase in Net Debt	(1.7)	(7.2)
Equity Raised	-	-
Funding Provided	**(1.7)**	**(7.2)**

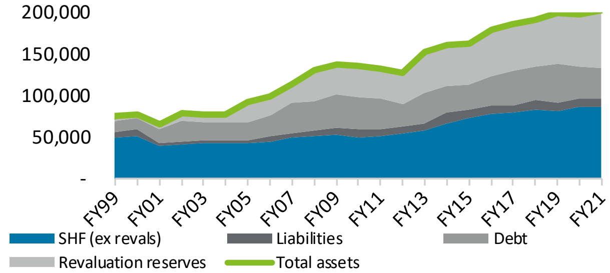
Source: Annual Report, Deloitte Analysis

Income Statement - NPL (000)



Source: Annual Reports

Balance Sheet - NPL (000)



Source: Annual Reports

Napier Port – NPE

Overview

NPE is New Zealand's fourth largest container terminal by total TEUs. The port's productive hinterland and outreach initiatives drive its throughput with key trades including horticultural and agricultural produce and forestry. The port is a joint venture partner in the Manawatū Inland Port.

Port development

- The port made significant progress on the development of its new 350-metre long wharf. The wharf project is expected to be operational in the second half of the port's 2022 financial year, earlier than originally planned and at a lower cost than estimated. The new wharf will be able to accommodate much larger vessels, including 320m long x 50m beam container ships, as well as increasing berth availability across all wharves and associated productivity gains arising from expected increases in container exchange, crane rates and ship exchange capability.
- Other developments include investment in additional reefer capacity, an on-port log debarker and a new plant to enable mobile harbour cranes to load logs.
- NPE launched a new landside logistics service in February 2021, providing an increased range of rail and road cargo options for both export and import customers, moving cargo within region and out of region.

Trade

- Container services revenue increased by 4.8% to $65.3 million from $62.3 million due to a 2.9% increase in container volumes to 276k TEU and improved average revenue per TEU.
- Bulk cargo revenue rose 32.7% to $41.5 million from $31.3 million principally due to higher log volumes, which increased 27.6% to a record 3.02 million tonnes. Average revenue per tonne improved due to tariff increases, one off cost recoveries, and an improved cargo mix.

Financial performance

- Revenue: $109.5 million, a 9.0% increase from FY20.
- Operating expenses: $65.7 million, a 10.8% increase from FY20.
- EBITDA: $44.9 million, a 6.6% increase from FY20.
- NPAT: $23.2 million, a 5.2% increase from FY20.

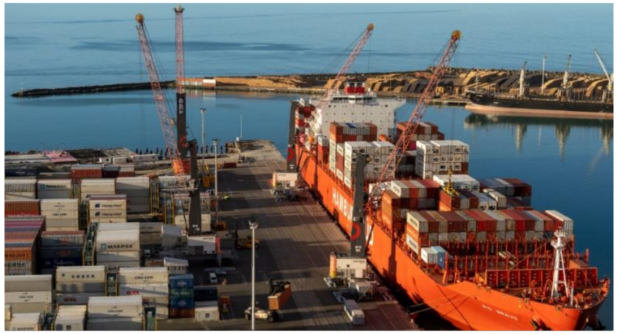
Napier Port

Income Statement ($m)	FY21	FY20
Revenue	109.5	100.4
Revenue from Port Operations	107.1	98.2
Operating Expenses	(65.7)	(59.3)
Gross Profit	**43.8**	**41.2**
Associate / JV Earnings	-	(0.1)
One Offs / Other Items	1.1	0.8
IPO transaction and related costs	-	0.3
EBITDA	**44.9**	**42.2**
Depreciation and Amortisation	(13.1)	(13.0)
EBIT	**31.8**	**29.2**
Net Interest Expense	(0.0)	0.1
Taxation	(8.6)	(7.3)
NPAT	**23.2**	**22.0**
Other Comprehensive Income	0.8	(5.3)
Comprehensive Income	**24.0**	**16.7**

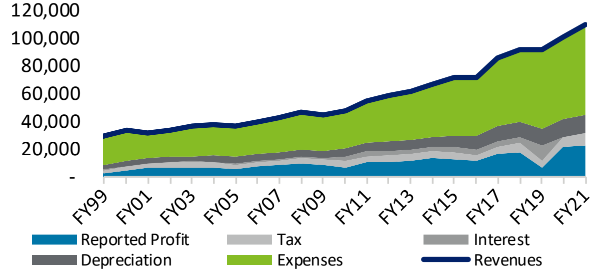
Balance Sheet ($m)	FY21	FY20
Current Assets	19.3	23.6
Fixed Assets	448.6	351.2
Intangibles	1.1	1.4
Deferred Tax Benefit	-	-
Investments	10.4	9.2
Other Assets	0.5	-
Total Assets	**480.0**	**385.4**
Current Liabilities	29.4	21.4
Debt	77.1	-
Other Non-Current Liabilities	18.7	17.8
Shareholders' Funds	354.8	346.2
Total Liabilities / SHF	**480.0**	**385.4**

Cash Flow Statement ($m)	FY21	FY20
Operating Cash Received	108.0	99.1
Operating Cash Paid	(73.2)	(69.7)
Net Operating Cash Flow	**34.8**	**29.3**
Less: Asset Purchases	(103.7)	(46.1)
Less:IPO proceeds transfer / others	(0.2)	(1.7)
Less: Dividends Paid	(15.6)	(5.0)
Funding Surplus (Deficit)	**(84.7)**	**(23.4)**
Insurance Proceeds	-	-
Proceeds of Asset Sales	0.1	0.1
Dividends from Associates	-	-
Increase in Net Debt	84.6	23.4
Equity Raised		
Funding Provided	**84.7**	**23.4**

Source: Annual Report, Deloitte Analysis

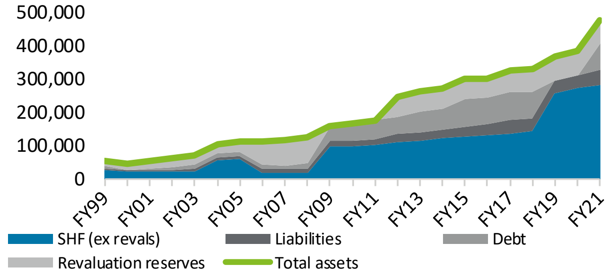


Income Statement - NPE (000)



Source: Annual Reports

Balance Sheet - NPE (000)



Source: Annual Reports

CentrePort – WLG

Overview

WLG services a diversified cargo base spanning containers, bulk trades (logs, petroleum, vehicles, cement and other bulk cargo), cruise, and interisland ferries.

Port development

- The port made good progress on the $38.6 million Thorndon Container Wharf reinstatement project, which will increase the operational length of the gantry cranes from 126 metres to 261 metres. The project is due for completion in early 2022.
- Ground-resilience improvements throughout the port continued while damaged and redundant structures were removed, creating thousands of square metres of additional operational space.
- The implementation of the port's carbon emissions reduction strategy has seen the introduction of electric forklifts and light vehicles, and an ongoing LED lighting programme. These initiatives have been in partnership with New Zealand Green Investment Finance.
- Detailed planning is underway for a new multi-user ferry precinct at Kaiwharawhara.

Trade

- 1.8 million JAS of logs exported was the highest in CentrePort's history and a 21 percent increase on the previous year.
- Container throughput of 91,900 TEU, an increase of 1% from FY20.
- Vehicles was another area of growth, up 21 percent on FY20, with more than 24,000 units processed through the port.

Financial performance

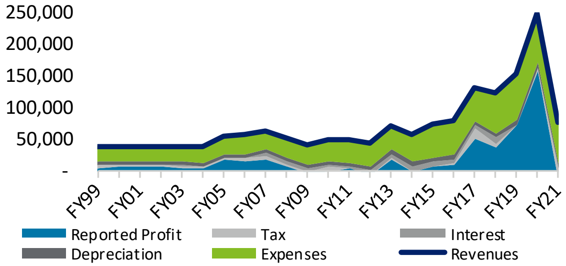
- Revenue: $80.2 million, a 5.5% decrease from FY20.
- Operating expenses: $66.1 million, a 16.9% decrease from FY20.
- EBITDA: $11.8 million, a $160.3 million decrease from FY20.
- NPAT: A $17.8 million loss, a $176.1 million decrease from FY20.

Centreport - WLG

Income Statement ($m)	FY21	FY20
Revenue	80.2	84.9
Revenue from Port Operations	61.9	65.5
Operating Expenses	(66.1)	(79.5)
Gross Profit	**14.1**	**5.4**
Associate / JV Earnings	-	-
One Offs / Other Items	(2.3)	(0.6)
Earthquake Related Items	-	167.3
EBITDA	**11.8**	**172.1**
Depreciation and Amortisation	(7.9)	(8.0)
EBIT	**3.9**	**164.1**
Net Interest Expense	3.8	5.0
Taxation	(25.5)	(10.8)
NPAT	**(17.8)**	**158.3**
Other Comprehensive Income	14.9	(1.2)
Comprehensive Income	**(2.9)**	**157.1**
Balance Sheet ($m)	**FY21**	**FY20**
Current Assets	225.2	288.8
Fixed Assets	218.4	152.5
Intangibles	3.2	3.4
Deferred Tax Benefit	-	-
Investments	55.5	59.9
Other Assets	9.9	1.7
Total Assets	**512.2**	**506.3**
Current Liabilities	16.7	17.3
Debt	7.5	-
Non-Current Liabilities	55.3	33.6
Shareholders' Funds	432.7	455.5
Total Liabilities / SHF	**512.2**	**506.3**
Cash Flow Statement	**FY21**	**FY20**
Operating Cash Received	86.9	103.1
Operating Cash Paid	(73.4)	(91.3)
Net Operating Cash Flow	**13.5**	**11.8**
Less: Earthquake Costs	-	-
Less: Asset Purchases	(63.5)	(35.6)
Less: Dividends Paid	(20.0)	(5.0)
Less: Investments	(0.2)	(19.7)
Funding Surplus (Deficit)	**(70.2)**	**(48.5)**
Insurance Proceeds	-	207.0
Proceeds of Asset Sales	4.9	-
Dividends from Associates	-	-
Decrease in Net Debt	65.3	(158.5)
Equity Raised	-	-
Funding Provided	**70.2**	**48.5**

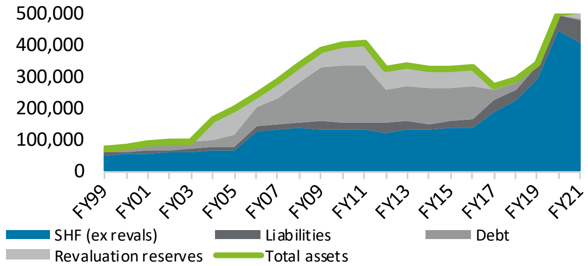
Source: Annual Report, Deloitte Analysis

Income Statement - WLG (000)



Source: Annual Reports

Balance Sheet - WLG (000)



Source: Annual Reports

Port Nelson – NSN

Overview

NSN occupies a sheltered corner of New Zealand, secured by a productive hinterland, topographical isolation and the absence of a rail link. It owns a portfolio of properties within the port area, with ongoing demand for industrial development. The port is heavily focussed on export of the region's primary production, with key trades being wine, fish, fruit and forestry. Reflecting limited import demand, most import containers are empty. While its key trades are international export, Nelson records a high level of transhipments.

Port development

- The Main Wharf Upgrade was completed in July 2021, which saw the previous wooden structure replaced with a concrete berthing facility. The port also purchased a new Liebherr Crane, an investment of nearly $9 million and the port's first Reach Stacker.
- The port has focused on several cost-saving and cost deferment initiatives to mitigate lower revenue in FY20, including a deferral in wharf maintenance costs and a slowdown in capital investments. These costs will now be spread over future years.
- The port is scoping out the potential for a new Science & Technology Precinct commercial property development.

Trade

- The port's cargo volumes for 2020/21 were 3.25 million tonnes, down 3% on budget, and 1% on the previous year.
- Container throughput was 102,995 TEUs, down 13% on budget and 11% on last year.
- Log exports were up 8% on budget, reflecting strong demand and prices in China.

Financial performance

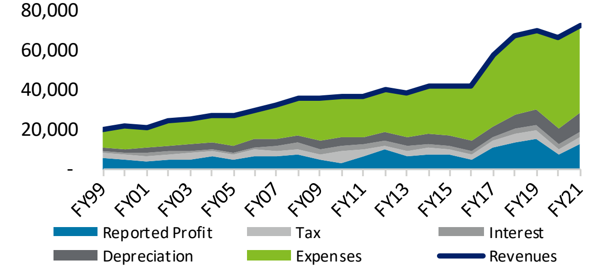
- Revenue: $73.5 million, a 10.1% increase from FY20.
- Operating expenses: $44.9 million, a 2.0% decrease from FY20.
- EBITDA: $28.6 million, a 36.9% increase from FY20.
- NPAT: $13.0 million, a 59.8% increase from FY20.

Port Nelson - NSN

Income Statement ($m)	FY21	FY20
Revenue	73.5	66.7
Revenue from Port Operations	63.6	61.0
Operating Expenses	(44.9)	(45.8)
Gross Profit	**28.6**	**20.9**
Associate / JV Earnings	-	-
One Offs / Other Items	-	-
EBITDA	**28.6**	**20.9**
Depreciation and Amortisation	(9.3)	(8.0)
EBIT	**19.3**	**12.9**
Net Interest Expense	(2.6)	(2.7)
Taxation	(3.7)	(2.0)
NPAT	**13.0**	**8.2**
Other Comprehensive Income	2.3	56.6
Comprehensive Income	**15.3**	**64.8**
Balance Sheet ($m)	**FY21**	**FY20**
Current Assets	11.2	12.2
Fixed Assets	327.6	316.7
Intangibles	2.9	2.5
Deferred Tax Benefit	-	-
Investments	29.4	25.5
Other Assets	0.3	-
Total Assets	**371.4**	**356.8**
Current Liabilities	11.9	10.8
Debt	75.7	70.5
Other Non-Current Liabilities	22.2	25.1
Shareholders' Funds	261.7	250.4
Total Liabilities / SHF	**371.4**	**356.8**
Cash Flow Statement ($m)	**FY21**	**FY20**
Operating Cash Received	70.3	65.4
Operating Cash Paid	(49.1)	(52.1)
Net Operating Cash Flow	**21.2**	**13.4**
Less: Asset Purchases	(22.0)	(16.1)
Less: Dividends Paid	(4.0)	(6.3)
Less: Payment of Lease Liabilities	(0)	(0)
Funding Surplus (Deficit)	**(5.1)**	**(9.1)**
Proceeds of Asset Sales	0.1	0.2
Dividends from Associates	-	-
Increase in Net Debt	5.0	8.9
Equity Raised	-	-
Funding Provided	**5.1**	**9.1**

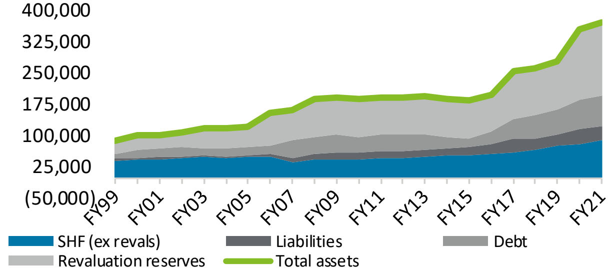
Source: Annual Reports, Deloitte Analysis

Income Statement - NSN (000)



Source: Annual Reports

Balance Sheet - NSN (000)



Source: Annual Reports

Port Marlborough – MLB

Overview

MLB has a diverse array of activities, spanning property, an interisland ferry terminal, general wharves, a deep-water bulk terminal, marinas and aquaculture. Notably, MLB does not have a container terminal. The port's primary trade is log exports.

Port development

- The first physical works for the Waitohi Picton Ferry Redevelopment, which is a response to new, larger ferries, will begin in 2022.
- The port currently has 250 berths under construction in the new Waikawa North West Marina, which is set for completion during 2022.

Trade

- Log volumes increased from 555,182 in FY20 to 769,800 JAS in FY21.
- No cruise ships visited the port in FY21.
- Total ship visits increased slightly from 3,126 in FY20 to 3,233 in FY21, with Cook Strait ferry commercial volumes increasing to record levels.
- Total non-ferry cargo increased from 617,997 in FY20 to 829,876 in FY21.

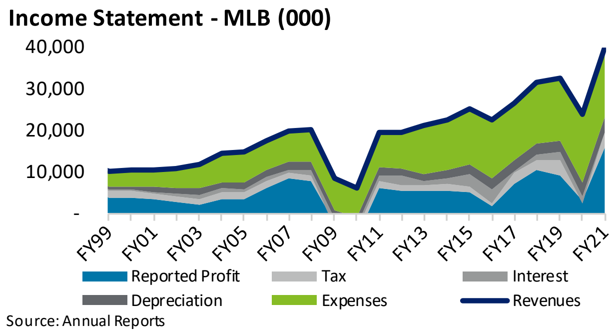
Financial performance

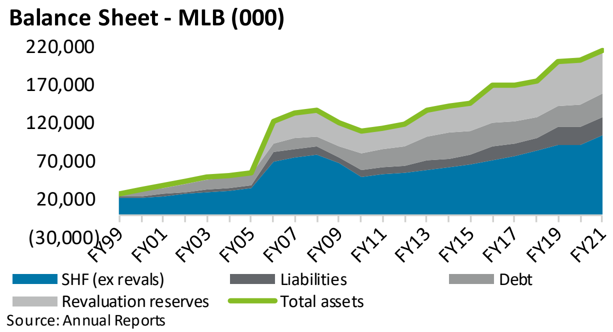
- Revenue: $40.2 million, a 67.9% increase from FY20.
- Operating expenses: $17 million, a 3.2% increase from FY20.
- EBITDA: $23.2 million, a 210.1% increase from FY20.
- NPAT: $16 million, a 393.3% increase from FY20.

Marlborough - MLB

Income Statement ($m)	FY21	FY20
Revenue	40.2	23.9
Revenue from Port Operations	11.2	11.3
Operating Expenses	(17.0)	(16.4)
Gross Profit	**23.2**	**7.5**
Associate / JV Earnings	-	-
One Offs / Other Items	-	-
EBITDA	**23.2**	**7.5**
Depreciation and Amortisation	(3.7)	(3.4)
EBIT	**19.5**	**4.0**
Net Interest Expense	0.1	(1.4)
Taxation	(3.7)	0.6
NPAT	**16.0**	**3.2**
Other Comprehensive Income	-	-
Comprehensive Income	**16.0**	**3.2**
Balance Sheet ($m)	**FY21**	**FY20**
Current Assets	9.5	8.3
Fixed Assets	101.5	103.1
Intangibles	0.3	0.4
Deferred Tax Benefit	-	
Investments	105.6	91.4
Other Assets	0.0	
Total Assets	**217.0**	**203.2**
Current Liabilities	4.0	5.4
Debt	31.0	29.0
Other Non-Current Liabilities	18.9	18.0
Shareholders' Funds	163.1	150.8
Total Liabilities / SHF	**217.0**	**203.2**
Cash Flow Statement ($m)	**FY21**	**FY20**
Operating Cash Received	32.5	29.6
Operating Cash Paid	(19.6)	(18.7)
Net Operating Cash Flow	**12.9**	**10.9**
Less: Asset Purchases	(7.8)	(7.9)
Less: Dividends Paid	(3.6)	(3.4)
Funding Surplus (Deficit)	**1.5**	**(0.5)**
Insurance Proceeds	-	-
Proceeds of Asset Sales	0.0	0.0
Dividends from Associates	-	-
Increase in Net Debt	(1.5)	0.6
Payments for lease	-	(0)
Equity Raised	-	-
Funding Provided	**(1.5)**	**0.5**

Source: Annual Report, Deloitte Analysis





Lyttelton Port Company – LYT

Overview

LYT is positioned as the South Island gateway port, facilitating bulk trades, vehicle imports, and containerised trade. Lyttelton Port has a container storage and repair facility, CityDepot, which is a few kilometres away in Woolston. CityDepot is the South Island's largest container facility. Lyttelton Port's other inland port MidlandPort, at Rolleston, provides a rail connection to the 14 shipping lines and nine shipping services that access the port.

Port development

- Lyttelton Port is proceeding with an $85 million development of reclamation area in Te Awaparahi Bay into a container terminal to be completed in the next three years. This development will see capacity expand by around 100,000 TEUs.
- Other works have included the completion of a purpose-built cruise berth, relocation of the backroad at Lyttelton Port, completion of an additional rail siding and track extension on their existing line and developing new areas for import vehicle storage.
- As a result of the growth in transhipments, the port rapidly developed capacity for more than 300 reefer containers on port in March 2021. The port has built four new reefer towers which have allowed for an increased quantity of temperature-sensitive goods to be passed through the port.

Trade

- Log exports increased by 47% from 393,563 JAS in FY20 to 500,129 JAS in FY21.
- 45,614 vehicles arrived at the port during the year, a 17% increase on FY20.
- 1.051 million tonnes of bulk fuel were imported via the port, a 3% increase from FY20.
- 438,343 TEUs were handled by the port in FY21, a decrease of 1.7%.
- 0.9% decrease in value of exports and 3.9% increase in value of imports was experienced by the port in FY21 from FY20.

Financial performance

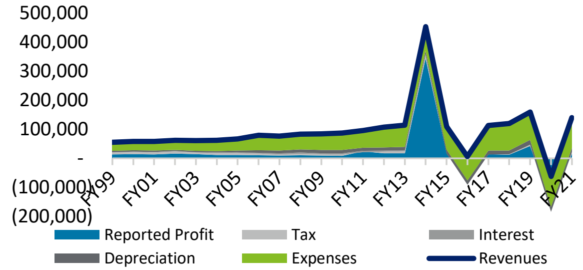
- Revenue from port operations: $138.6 million, a 11.8% increase from FY20.
- Operating expenses: $103.4 million, a 0.6% decrease from FY20.
- EBITDA: $37 million, an increase from the $166.3 million loss in FY20.
- NPAT: $16.0 million, an increase from $152.8 million loss in FY20.

Lyttelton Port Company - LYT

Income Statement ($m)	FY21	FY20
Revenue	142.2	128.3
Revenue from Port Operations	138.6	124.0
Operating Expenses	(103.4)	(104.0)
Gross Profit	**38.9**	**24.2**
Associate / JV Earnings	-	-
One Offs / Other Items	(1.9)	(190.5)
EBITDA	**37.0**	**(166.3)**
Depreciation and Amortisation	(14.1)	(16.2)
EBIT	**22.9**	**(182.5)**
Net Interest Expense	(2.0)	(1.4)
Taxation	(5.0)	31.2
NPAT	**16.0**	**(152.8)**
Other Comprehensive Income	2.2	(1.3)
Comprehensive Income	**18.1**	**(154.1)**
Balance Sheet ($m)	**FY21**	**FY20**
Current Assets	39.9	31.9
Fixed Assets	469.8	442.0
Intangibles	4.0	4.8
Prepayments	0.1	1.8
Investments	-	-
Deferred Tax Asset	32.2	31.9
Other non-current assets	44	44
Total Assets	**589.9**	**555.9**
Current Liabilities	31.4	29.0
Loans and Borrowings	150.0	124.0
Other Non-Current Liabilities	44.3	46.9
Shareholders' Funds	364.2	356.1
Total Liabilities / SHF	**589.9**	**555.9**
Cash Flow Statement ($m)	**FY21**	**FY20**
Operating Cash Received	141.1	131.6
Operating Cash Paid	(104.0)	(104.4)
Net Operating Cash Flow	**37.1**	**27.2**
Less: Asset Purchases	(49.1)	(112.8)
Less: Dividends Paid	(10.0)	(6.8)
Less: Capitalised interest	(1)	(1)
Funding Surplus (Deficit)	**(22.9)**	**(93.7)**
Insurance Proceeds	-	-
Proceeds of Asset Sales	0.4	0.3
Proceeds from borrowings	26.0	89.0
Dividends from Associates	-	-
Increase in Net Debt	(3.5)	4.4
Equity Raised	-	-
Funding Provided	**22.9**	**93.7**

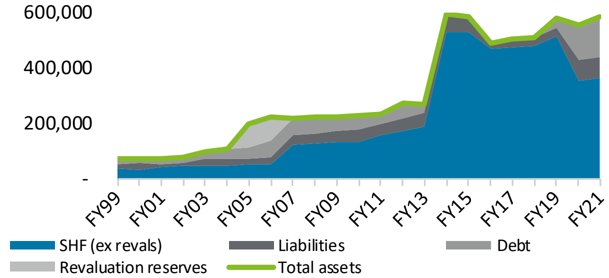
Source: Annual Report, Deloitte Analysis

Income Statement - LYT (000)



Source: Annual Report

Balance Sheet - LYT (000)



Source: Annual Reports

PrimePort Timaru – TIU

Overview

TIU is owned 50:50 by Timaru District Holdings Limited (TDHL) and Port of Tauranga Limited (POTL). POTL acquired its stake for $21.6 million in 2013 to implement a hub and spoke model. The sale included a 35-year lease of the container terminal to Timaru Container Terminal Limited (TCTL). The port services a range of regional primary industries including dairy, meat, fish and forestry exports, as well as imports of fertiliser, stock feed, petroleum and cement. The port's transition to a feeder and hub model continued in FY21, with Maersk's Southern Star service replaced with the Sirius feeder service during the year.

Port development

- The port completed a $5.2 million rebuild of its No. 1 Wharf in July 2021. A $9 million upgrade of the Evans Bay log yard was almost completed in June 2021, which has involved sealing 4.5 hectares with asphalt, stormwater upgrades, and installing six light towers.
- The port has applied for resource consent to build a new wharf at Evans Bay.
- The Port also took ownership of a new tug.

Trade

- Ship visits experienced a 5.0% decrease from FY20.
- Bulk trade volumes reached 1.83 million tonnes, a 17.6% increase from FY20.
- 93,891 TEU were handled by the port, an 16% increase from FY20.

Financial performance

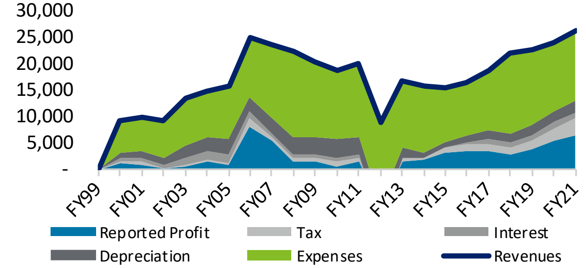
- Revenue: $26.3 million, an 8.7% increase from FY20.
- Operating Expenses: $13.2 million, a 1.6% increase from FY20.
- EBITDA: $13.1 million, a 16.9% increase from FY20.
- NPAT: $6.5 million, a 15.4% increase from FY20.

PrimePort Timaru - TIU

Income Statement ($m)	FY21	FY20
Revenue	26.3	24.2
Revenue from Port Operations	23.6	21.7
Operating Expenses	(13.2)	(13.0)
Gross Profit	**13.1**	**11.2**
Associate / JV Earnings	-	-
One Offs / Other Items	-	-
EBITDA	**13.1**	**11.2**
Depreciation and Amortisation	(2.4)	(2.2)
EBIT	**10.7**	**9.0**
Net Interest Expense	(1.0)	(1.0)
Taxation	(3.2)	(2.4)
NPAT	**6.5**	**5.6**
Other Comprehensive Income	0.7	(0.5)
Comprehensive Income	**7.1**	**5.1**
Balance Sheet ($m)	**FY21**	**FY20**
Current Assets	4.1	5.0
Fixed Assets	104.2	85.7
Intangibles	-	0.0
Deferred Tax Benefit	0.1	1.0
Investments	-	-
Other Assets	0.1	0.1
Total Assets	**108.5**	**91.9**
Current Liabilities	5.5	3.9
Debt	35.4	25.0
Other Non-Current Liabilities	0.8	1.7
Shareholders' Funds	66.8	61.3
Total Liabilities / SHF	**108.5**	**91.9**
Cash Flow Statement ($m)	**FY21**	**FY20**
Operating Cash Received	26.8	23.7
Operating Cash Paid	(16.8)	(16.5)
Net Operating Cash Flow	**10.0**	**7.2**
Less: Asset Purchases	(19.6)	(4.5)
Less: Dividends Paid	(1.7)	(1.7)
Funding Surplus (Deficit)	**(11.2)**	**1.1**
Insurance Proceeds	-	-
Proceeds of Asset Sales	-	2.0
Loans Raised	11.7	2.5
Dividends from Associates	-	-
Increase in Net Debt	(0.5)	(5.5)
Equity Raised	-	-
Funding Provided	**11.2**	**(1.1)**

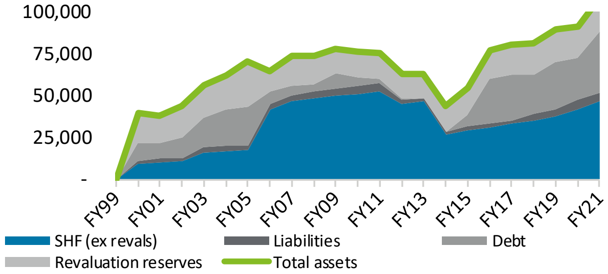
Source: Annual Report, Deloitte Analysis

Income Statement - TIU (000)



Source: Annual Reports

Balance Sheet - TIU (000)



Source: Annual Reports

Port Otago – POE

Overview

POE operates two ports; Port Chalmers, which primarily handles containers, logs, cruise vessels and warehousing storage of dairy and timber products; and Dunedin Bulk Port, which handles bulk cargos and cold storage. The region's catchment enables primary products for export from much of Otago and Southland through to market, particularly dairy, meat, fish, apples and processed timber. POE has a significant $500 million industrial and commercial property portfolio spanning Auckland, Hamilton and Dunedin.

Port development

- Deepening of the 8.5 metre chart datum channel from Port Chalmers to Dunedin has been completed with widening work advancing.
- POE continues to work on design, build and lease opportunities in Auckland, Hamilton and Dunedin.
- The port is examining opportunities to reduce greenhouse gas emissions, first identifying where they can have the most impact – which is the port's diesel-fuelled port and marine plant – and is working towards strategic equipment replacements over time. They are also making many smaller changes across the business, such as the introduction of LED lighting and have moved the light vehicle fleet to electric.

Trade

- Container throughput was down 9% on FY20, as global shipping volatility led to last minute schedule changes and disrupted container availability.
- Bulk cargo: 1.85 tonnes in FY21, an increase on 1.47 million tonnes in FY20.
- Log Exports: 1.2 million tonnes in FY21 up on 0.89 million tonnes in FY20.
- Cruise was absent for the year. Not a single cruise ship entered the Otago Harbour during FY21, down from 112 vessels in FY20.

Financial performance

- Revenue: $90 million, a 18.1% decrease from FY20.
- Operating expenses: $56.2 million, a 14.9% decrease from FY20.
- EBITDA: $116.6 million, a 62.5% increase from FY20.
- NPAT: $94.5 million, an 87.2% increase from FY20.

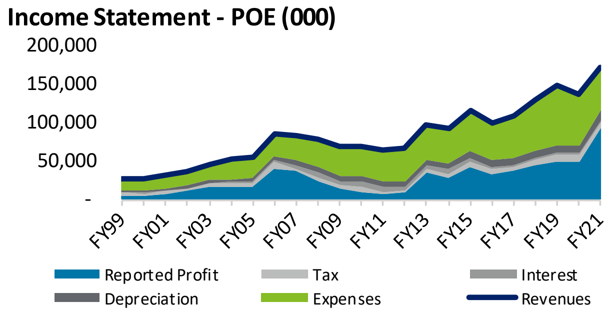
Port Otago - POE

Income Statement ($m)	FY21	FY20
Revenue	90.0	110.0
Revenue from Port Operations	60.4	70.5
Operating Expenses	(56.2)	(66.0)
Gross Profit	**33.9**	**43.9**
Associate / JV Earnings	-	-
One Offs / Other Items	82.7	27.8
EBITDA	**116.6**	**71.8**
Depreciation and Amortisation	(12.4)	(11.3)
EBIT	**104.2**	**60.5**
Net Interest Expense	(2.8)	(2.4)
Taxation	(6.9)	(7.5)
NPAT	**94.5**	**50.5**
Other Comprehensive Income	1.6	(0.5)
Comprehensive Income	**96.1**	**50.0**

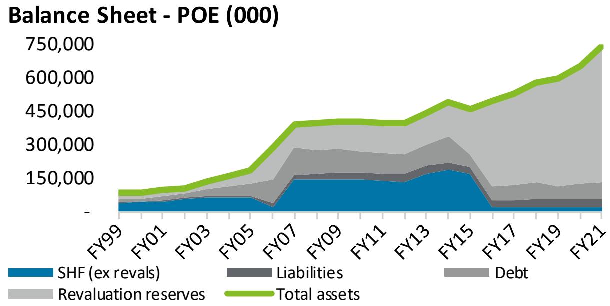
Balance Sheet	FY21	FY20
Current Assets	37.8	44.4
Fixed Assets	223.1	227.6
Intangibles	5.4	5.3
Deferred Tax Benefit	-	-
Investments	479.3	378.5
Other Assets	1.0	-
Total Assets	**746.6**	**655.8**
Current Liabilities	12.1	15.9
Debt	79.1	72.3
Other Non-Current Liabilities	20.8	18.9
Shareholders' Funds	634.6	548.6
Total Liabilities / SHF	**746.6**	**655.8**

Cash Flow Statement	FY21	FY20
Operating Cash Received	90.8	108.4
Operating Cash Paid	69.1	80.3
Net Operating Cash Flow	**21.7**	**28.2**
Less: Asset Purchases	18.3	40.3
Less: Dividends Paid	10.1	9.5
Funding Surplus (Deficit)	**(6.7)**	**(21.7)**
Insurance Proceeds	-	-
Proceeds of Asset Sales	0.1	5.4
Dividends from Associates	-	-
Increase in Net Debt	6.6	16.2
Equity Raised	-	-
Funding Provided	**6.7**	**21.7**

Source: Annual Report, Deloitte Analysis



Source: Annual Report



Source: Annual Reports

South Port – BLU

Overview

BLU is New Zealand's southernmost commercial port. Operating from a 40ha man-made island in Bluff Harbour serving a productive hinterland yielding forestry, fish and meat exports. BLU services imports of oil, fertiliser and stock feed, as well as NZAS's aluminium smelter (imports of alumina and exports of aluminium). BLU is listed on the NZX and is majority owned by the Southland Regional Council.

Port development

- The port recently received its new $10 million, 65-tonne bollard pull Azimuth Tractor Drive Tug, the 'Rakiwai'.
- The port has commenced a consent process to deepen the channel, swinging basin and berth pockets from 9.7 metres to 10.7 metres. Provided the consent can be processed in the coming 12 months, the project will commence in early 2023 and is estimated to cost between $15 to $20 million.
- The development of an $11 million accessway, pipeline corridor and discharge platform for the Town Wharf Fuel Berth is underway and due to be completed in early 2022, and work is also underway to expand the container terminal.

Trade

- Total cargo of 3.45 million tonnes in FY21, a 5.5% increase from FY20.
- Log exports increased 54% from 473,000 tonnes in FY20 to 730,000 tonnes in FY21.
- Despite a reduction in vessel calls, total container volumes increased by 13.3% on FY20 to 53,750 TEU.

Financial performance

- Operating revenue: $47.3 million, a 6.1% increase from FY20.
- Operating expenses: $28.5 million, a 6.2% decrease from FY20.
- EBITDA: $18.8, million a 35.1% increase from FY20.
- NPAT: $10.7 million, a 96.7% increase from FY20.

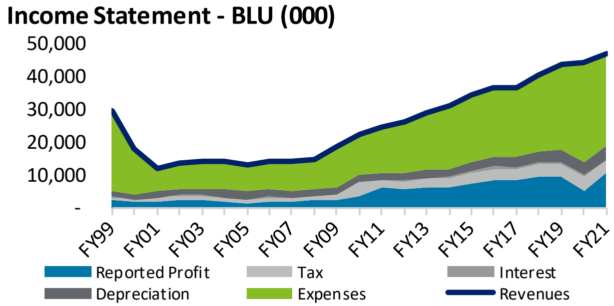
Southport - BLU

Income Statement ($m)	FY21	FY20
Revenue	47.3	44.6
Revenue from Port Operations	47.3	44.6
Operating Expenses	(28.5)	(26.9)
Gross Profit	**18.8**	**17.7**
Associate / JV Earnings	-	-
One Offs / Other Items	0.0	0.0
EBITDA	**18.8**	**17.7**
Depreciation and Amortisation	(4.1)	(3.8)
EBIT	**14.7**	**13.9**
Net Interest Expense	(0.0)	(0.6)
Taxation	(4.0)	(4.1)
NPAT	**10.7**	**9.3**
Other Comprehensive Income	-	-
Comprehensive Income	**10.7**	**9.3**

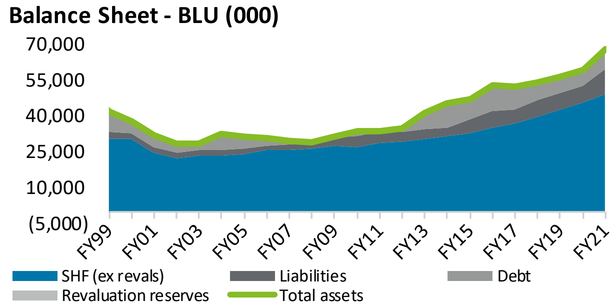
Balance Sheet ($m)	FY21	FY20
Current Assets	10.7	7.7
Fixed Assets	57.2	51.2
Intangibles	-	-
Deferred Tax Benefit	0.5	0.2
Investments	-	-
Other Assets	0.3	0.4
Total Assets	**68.7**	**59.4**
Current Liabilities	9.6	7.8
Debt	9.0	5.0
Other Non-Current Liabilities	0.5	0.9
Shareholders' Funds	49.5	45.6
Total Liabilities / SHF	**68.7**	**59.4**

Cash Flow Statement ($m)	FY21	FY20
Operating Cash Received	47.6	43.4
Operating Cash Paid	(31.7)	(31.1)
Net Operating Cash Flow	**15.8**	**12.3**
Less: Asset Purchases	(11.1)	(5.2)
Less: Dividends Paid	(6.8)	(6.8)
Funding Surplus (Deficit)	**(2.1)**	**0.3**
Insurance Proceeds	-	
Proceeds of Asset Sales	0.1	0.1
Dividends from Associates	-	
Increase in Net Debt	2.1	(0.3)
Equity Raised	-	
Funding Provided	**2.1**	**(0.3)**

Source: Annual Report, Deloitte Analysis



Source: Annual Reports



Source: Annual Reports

Eastland Port – EST

Overview

Located in the heart of Gisborne city, EST is New Zealand's second largest log exporter and is the most easterly commercial shipping port in New Zealand.

Port development

- The port is currently working on a multi-million dollar construction plan for a twin berth development, which will enable a 200-metre ship and a 185-metre ship to berth alongside at once. This will allow for greater log handling and eventually containerisation through coastal shipping. Resource consent has been granted for stage one of this project, which will involve rebuilding Wharf 7 and the slipway.
- The port is currently strengthening the Waikahua seawall, which protects the southern log yard.
- The port is working with Gisborne District Council and the local community to develop a master plan for the inner harbour precinct.

Trade

- 2.999 million tonnes of cargo exported through Eastland Port of which 2.985 million tonnes were logs. This was a slight increase on FY20's export volumes. Other commodities exported included kiwifruit and squash.

Financial performance

- Operating Revenue: $42.9 million, a 9.5% decrease from FY20.
- Operating Expenses: $16.6 million, a 3.8% increase from FY20.
- EBITDA: $26.3 million, a 16.5% decrease from FY20.

Eastland Port - EST

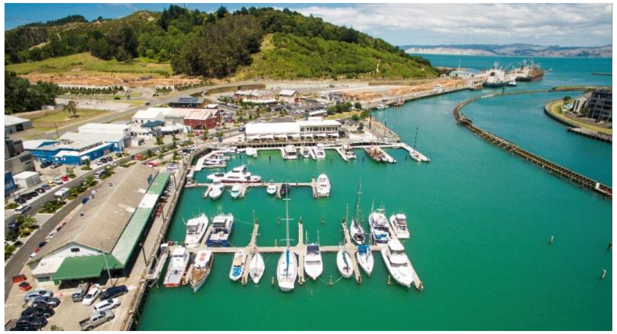
Income Statement ($m)	FY21	FY20
Revenue	42.9	47.4
Revenue from Port Operations	42.9	47.4
Operating Expenses	(16.6)	(16.0)
Gross Profit	**26.3**	**31.5**
Associate / JV Earnings	-	-
One Offs / Other Items	-	-
EBITDA	**26.3**	**31.5**
Depreciation and Amortisation	(6.2)	(6.2)
EBIT	**20.1**	**25.3**

Balance Sheet ($m)	FY21	FY20
Assets	303.4	220.8
Liabilities	44.5	29.9
Borrowings	99.1	92.4
Segment Capital Expenditure	17.3	22.1

Source: Annual Report, Deloitte Analysis

Port Facilities & Capacity Comparison	FY21
Port Harbour Type	Natural
Draught (m) (min)	10.2m
Port Operating Land (ha)	13.0
Container Terminal Area (ha)	-
Total Wharf Length (km)	0.4
Tugs	2.0
Pilot Launches	1.0
Bulk Tonnes Handled (millions)	2.9
NZ Cargo Volume Rank	
Bulk Ship Calls (est)	124.0
Bulk tonnes/ bulk terminal ha	223,076.9
Bulk Tonnes / Total Wharf Metre	7,967.0
Bulk Tonnes / Bulk Ship	23,387.1

Source: Management Information, Deloitte Analysis



Northport – NTH

Overview

NTH is co-owned by NZX-listed company Marsden Maritime Holdings (MMH), formerly Northland Port Corporation, and TRG in a 50:50 joint-venture. Northport also owns an interest in North Tugz which is a 50:50 joint-venture with AKL. The MMH group also owns 185ha of contiguous industrial zoned land adjacent to the port, and the Marsden Cove Marina.

Port development

- In June 2021, the government announced that it would fund construction of a new 19km rail link between the port and the North Auckland Line.
- The port is investing $8 million in further container handling capacity, including two new reach stackers and a simulator to train staff.
- The port has outlined its 'Vision for Growth' plan, which includes proposals for a significantly expanded harbour frontage and a dry dock. The port is currently developing relevant studies to support a future resource consent application.

Trade

- Bulk cargo throughput at Northport grew by 18.3% over FY21 to 3,546,744 tonnes.
- Log exports were 2,836,602 tonnes, up from 2,250,002 tonnes in FY20, accounted for 80% of volume, up from 75% of volume in 2020.
- Annual container volumes were up slightly on FY20 with 13,451 TEU handled.

Financial performance

- Revenue: $44.6 million, a 12.1% increase from FY20.
- NPAT: $17.5 million, an 8.7% increase from FY20.
- NPAT margin percentage was 39.2% in FY21.

Northport - NTH

Income Statement ($m)	FY21	FY20
Revenue	44.6	39.8
NPAT	**17.5**	**16.1**
Other Comprehensive Income	18.8	(1.0)
Comprehensive Income	**36.3**	**15.0**

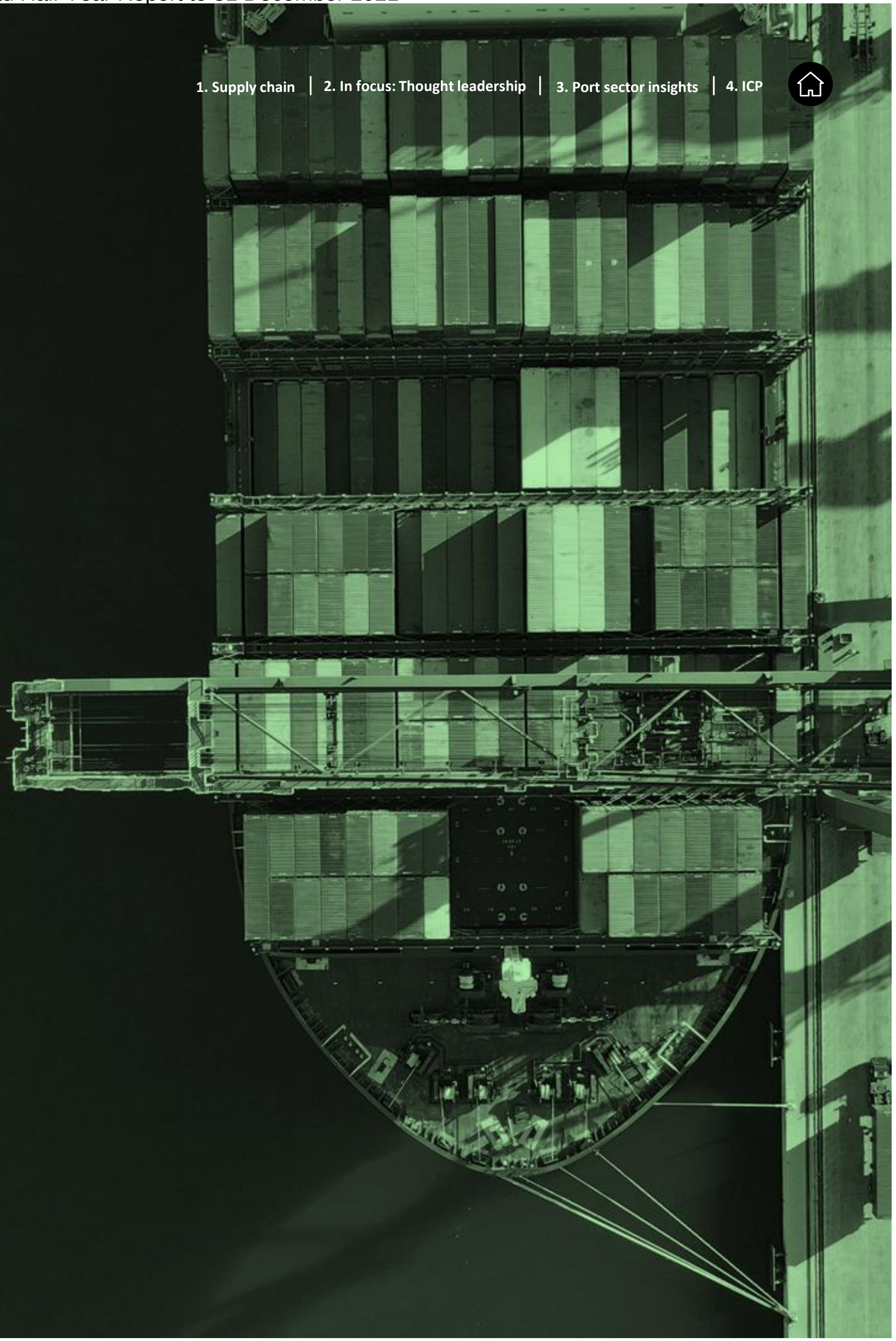
Balance Sheet ($m)	FY21	FY20
Assets	204.6	190.8
Liabilities	46.0	51.8
Net Assets	158.6	139.0

Source: Annual Report, Deloitte Analysis

Port Facilities & Capacity	FY21
Port Harbour Type	Natural
Draught (m) (min)	14.5
Port Operating Land (ha)	48
Container Terminal Area (ha)	10
Total Wharf Length (km)	0.57
Container Wharf Length (km)	0.30
Mobile Cranes	2
Forklifts/Stackers	5
Reefer Slots	120
Tugs	4
Pilot Launches	1
Rail Connection	No
Bulk Tonnes Handled (millions)	3.55
Bulk Ship Calls (est)	257
TEU Throughput (000)	13.5
Container Ship Calls (est)	31

Source: Management Information, Deloitte Analysis

Deloitte's Infrastructure and Capital Projects offering



Our Integrated Infrastructure Offering

We help infrastructure owners, investors, and operators by bringing the full breadth of our capability and applying it across the asset lifecycle.

Utilising the breadth of expertise within Deloitte, we can configure and mobilise a team with the skillsets to meet your specific needs.

We can leverage our experience across the asset lifecycle – in public, private and PPP environments – to help organisations deliver and manage complex investments and assets more effectively. Our extensive range of services in management consulting, corporate finance, risk, tax and audit, enables our Infrastructure and Capital Projects (ICP) team to support clients in the planning, financing, procurement, delivery, operation and transaction of infrastructure assets and other capital projects.

Strategy and planning

We provide advice, tools and analytical skills to assist clients in developing their investment and delivery strategies.

Finance and procurement

Our specialists can advise on developing more cost-efficient project financing plans and help clients establish and manage the procurement process.

Project organisation, execution and construction

We assist clients in executing high-profile programmes with greater confidence.

Operations and maintenance

We advise on optimising the performance and value of assets in operation.

Asset recycling and concession maturity

We provide transition advisory support for investors in infrastructure assets.

Asset decommissioning

We provide recommendations on when and how to discontinue investing in an asset.

Our Integrated Infrastructure Offering

Our Infrastructure and Capital Projects (ICP) offering is grouped around five core pillars, with each focusing on a different aspect of our clients' infrastructure challenges.

Our ICP team draws its expertise from across our national practice and service lines. It is part of Deloitte Asia Pacific and the Global ICP network, providing seamless access to skills across the world, enabling us to apply global knowledge to our local projects.

Investment Confidence – Finance, Funding and Procurement: Providing confidence that the organization's value is maximised and investment decisions align with objectives.

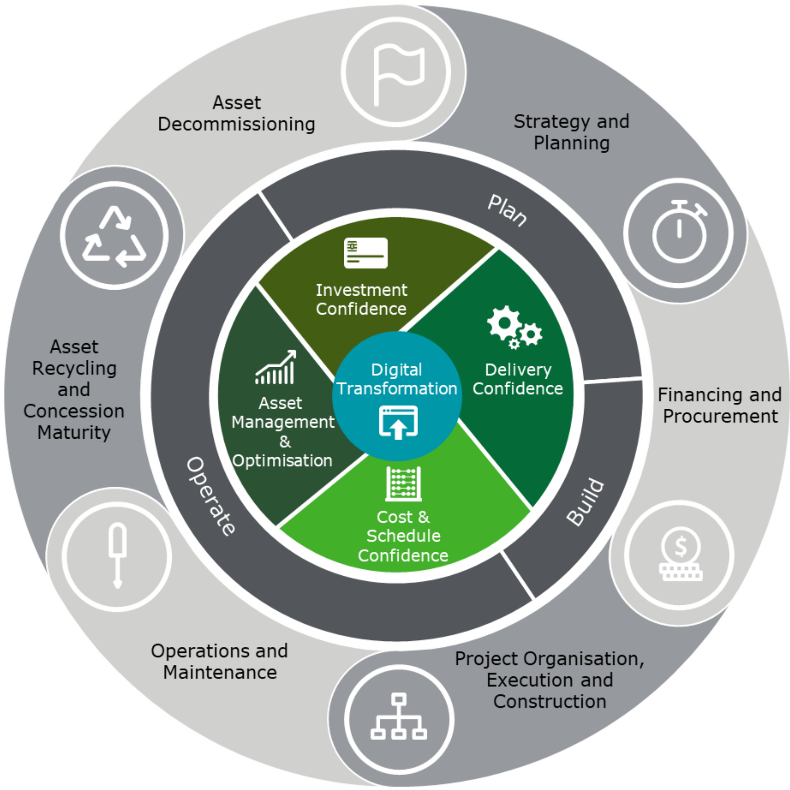
Delivery Confidence – Governance, People and Organization: Building an efficient and scalable organisation, with robust systems and controls for delivery confidence.

Cost & Schedule Confidence: Providing the confidence that project's cost and schedule during the project are effectively planned, managed and controlled.

Asset Management & Optimisation: Maximising asset availability, life and value for customers, shareholders and asset users.

Digital Transformation: Enabling organisations to adopt the latest technology to use data insights and analytics for better control and efficiency during a project.

We take a lifecycle approach to improve capability and performance across the Infrastructure and Capital Projects lifecycle



Contact us

We have an established track record in the ports and logistics sectors, offering real value by combining specialist skills with deep sector knowledge

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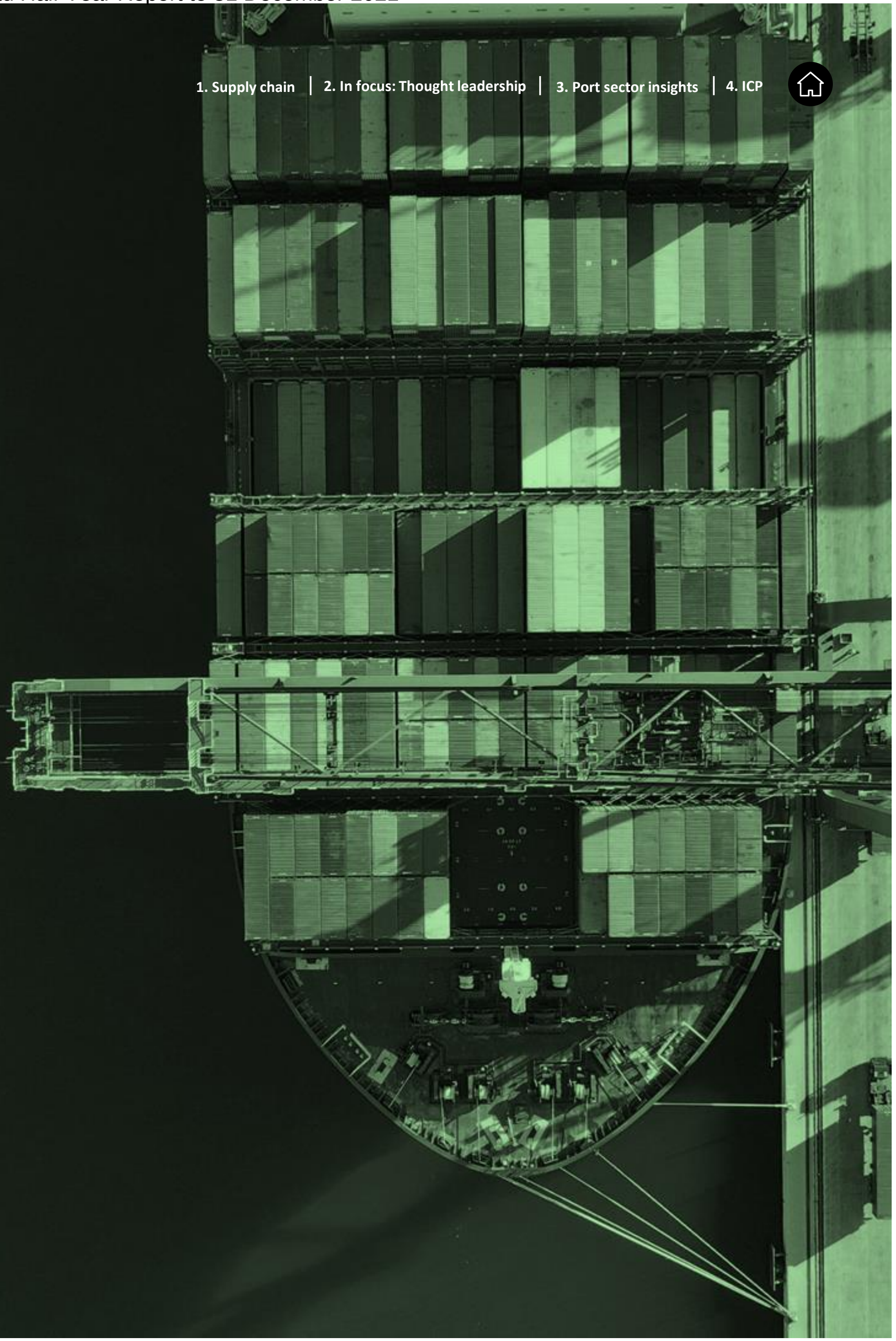
Glossary



Glossary

Glossary	
AE	Advanced economies
AI	Artificial Intelligence
CFO	Chief Financial Officer
CPI	Consumer Price Index
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EDA	Emerging and Developing Asia
EDE	Emerging and developing Europe
EDME	Emerging market and developing economies
EIA	Energy Information Administration
ESG	Environmental, Social and Governance Considerations
FEU	Forty-foot Equivalent Unit
FIGS	Freight Information Gathering System
FTE	Full-time equivalent
GDP	Gross Domestic Product
GLP	Global Liner Performance
GRI	Global Reporting Initiative
GST	Goods and Services Tax
HSWA	Health and Safety at Work Act 2015
ICP	Infrastructure & Capital Projects
IMF	International Monetary Fund

Glossary	
IMF	International Monetary Fund
IMO	International Maritime Organisation
IR	Integrated Reporting
IoT	Internet of Things
LAC	Latin America and the Caribbean
M&A	Mergers and Acquisitions
MAIC	Maintaining International Air Connectivity
MECA	Middle East and Central Asia
MoT	Ministry of Transport
NFDS	National Freight Demand Study
NPAT	Net Profit after Tax
NZ	New Zealand
OCR	Official Cash Rate
PMO	Project Management Office
PPP	Public Private Partnership
QSBO	Quarterly Survey of Business Opinion
RBNZ	Reserve Bank of New Zealand
R&D	Research and Development
RORO	Roll-on Roll-off
SAF	Sustainable Aviation Fuel
SASB	Sustainability Accounting Standards Board
SLL	Sustainability-linked loan

Glossary	
SSA	Sub-Saharan Africa
TEAP	Transport Emissions Action Plan
TEU	Twenty-foot Equivalent Unit
UN	United Nations
US	United States of America
WEO	World Economic Outlook

Ports	
AKL	Ports of Auckland
BLU	South Port (Bluff)
EST	Eastland Port
LYT	Lyttelton Port Company (Christchurch)
MLB	Port Marlborough
NPE	Napier Port
NPL	Port Taranaki
NSN	Port Nelson
NTH	Northport
POE	Port Otago
TIU	PrimePort Timaru
TRG	Port of Tauranga
WLG	CentrePort (Wellington)

Taranaki Regional Council

MEMORANDUM
Executive, Audit & Risk

Date 28 March 2022

Subject: **Procurement of Laboratory Services**

Approved by: M J Nield, Director - Corporate Services

S J Ruru, Chief Executive

Document: 3018925

Purpose

1. The purpose of this memorandum is to update Members on the requirement for a new contract for laboratory services valued at approximately $500,000 per annum.

Recommendations

That the Taranaki Regional Council:

a) receives the memorandum *Procurement of Laboratory Services.*

Background

2. Taranaki Regional Council (TRC) undertake significant volumes of environmental sampling throughout the Taranaki region, primarily for the purpose of State of Environment (SoE) and compliance monitoring in association with the exercise of resource consents.

3. The majority of water and soil sample laboratory analysis is provided by Hill Laboratories (Hills). The current laboratory services contract with Hills was negotiated via a closed RFP process. The initial contract was for two years with the option to extend for a further two years. The option to extend was utilised in 2020.

Discussion

4. The contract for services with Hill Laboratories ends 1 July 2022. A new contract must be in place prior to this date to ensure that business continuity is maintained.

5. With multiple analytical laboratories in the market, a request for proposal maintains cost competitiveness for the ratepayer. A closed RFP ensures a high level of quality and service as only businesses, which meet the procurement preconditions are invited to submit a tender.

Financial considerations—LTP/Annual Plan

6. This memorandum and the associated recommendations are consistent with the Council's adopted Long-Term Plan and estimates. Any financial information included in this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

7. This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Local Government Official Information and Meetings Act 1987*.

Iwi considerations

8. This memorandum and the associated recommendations are consistent with the Council's policy for the development of Māori capacity to contribute to decision-making processes (schedule 10 of the *Local Government Act 2002*) as outlined in the adopted long-term plan and/or annual plan. Similarly, iwi involvement in adopted work programmes has been recognised in the preparation of this memorandum.

Community considerations

9. This memorandum and the associated recommendations have considered the views of the community, interested and affected parties and those views have been recognised in the preparation of this memorandum.

Legal considerations

10. This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

MEMORANDUM
Executive, Audit & Risk

Taranaki Regional Council

Date	28 March 2022
Subject:	**New Fare Zones and Patronage**
Approved by:	M J Nield, Director - Corporate Services
	S J Ruru, Chief Executive
Document:	3013806

Purpose

1. The purpose of this memorandum is to update Members on the execution of the revised fare zones and routes in Taranaki that were launched in February 2022.

Executive summary

2. The new fare zones simplification project was implemented on 1 February 2022.
3. Three new routes were implemented to improve efficiency and meet demographic shift demand - covering South and Central Taranaki through to New Plymouth twice daily.
4. Covid-19 impact and performance update.

Recommendations

That the Taranaki Regional Council:

a) receives and notes the memorandum *New Fare Zones and Patronage*.

Background

5. As part of the previously approved fare zone simplification and improving the user experience of Public Transport in Taranaki, the improved zoning and fare solution became operational on 1 February 2022.
6. Initial numbers indicated that this has been successfully implemented across the greater Taranaki region.

Discussion

7. The Connector performance was the standout with identified demographic shifts improving demand, and utilisation of these services. It was also an opportunity to improve efficiency of the current 'Dialog' co-funding trial and to utilise the existing assets available. By a yearly comparison, the Connector patronage was up 200% on the previous months, and when compared to February 2021, there were an additional 3,992

trips taken, at a total of 4,839 trips vs 1,664. The current operational state is that a third bus is meeting overflow demand needs (more passengers than seats available) and this is in a Red Level Covid-19 setting and prior to WITT students returning (who have historically been the biggest users of the Connector services). Management strategies are in place to manage the demand risk, and the Contractor has been excellent in working with the TRC to manage these new routes.

8. The Citylink Services had 49,894 passengers in February 2022. This included a new New Plymouth - Inglewood loop. Dependent on ongoing demand. This route may be extended to be included in the urban services as the year progresses. This figure is in line with the 2021 February figures of 50,018 - and demand did not reduce despite the Covid-19 alert level being red. There was a decline in Supergold passengers, this was not unexpected from a health and wellbeing perspective.
9. From a fare zone perspective, the uptake of Bee Cards has remained strong, and cash travel still remains at approximately 10% of total fare revenue.
10. Covid-19 impacts have been felt and despite the loss of drivers to isolation periods and illness, to date no services have been cancelled - and this is with an additional three services operational. This is an outstanding performance by the operators, and is attributable to developing a strong BCP framework in December 2021 across the operators and the Council for implementation at short notice. Taranaki has certainly fared better than most other regions in terms of impact of Covid-19, acknowledging the smaller scale of services in Taranaki.

Financial considerations—LTP/Annual Plan

11. This memorandum and the associated recommendations are consistent with the Council’s adopted Long-Term Plan and estimates. Any financial information included in this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

12. This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Local Government Official Information and Meetings Act 1987*.

Iwi considerations

13. This memorandum and the associated recommendations are consistent with the Council’s policy for the development of Māori capacity to contribute to decision-making processes (schedule 10 of the *Local Government Act 2002*) as outlined in the adopted long-term plan and/or annual plan. Similarly, iwi involvement in adopted work programmes has been recognised in the preparation of this memorandum.

Community considerations

14. This memorandum and the associated recommendations have considered the views of the community, interested and affected parties and those views have been recognised in the preparation of this memorandum.

Legal considerations

15. This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

Executive, Audit & Risk Committee
Public Excluded

In accordance with section 48(1) of the *Local Government Official Information and Meetings Act 1987*, resolves that the public is excluded from the following part of the proceedings of the Executive, Audit and Risk Committee Meeting on Monday 28 March 2022 for the following reason/s:

Item 12 - Public Excluded Minutes – 14 February 2022

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

Item 13– Yarrow Stadium Plus: Project Steering Group Report

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

Item 14 – Port Taranaki Directorships

This Item is to be considered in Public Excluded as the public conduct of the whole or the relevant part of the proceedings would be likely to result in the disclosure of information where the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

Item 15 – The Living Wage

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of the Act applies, in the course of their duty.