Audit and Risk Committee

AGENDA

Notice of Meeting:

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

Date:	**Wednesday 25 October 2023**
Time:	**1.00pm**
Venue:	**Council Chamber**
	137 Havelock Street, Ashburton

Membership

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

Watch the live-stream of this meeting on our You Tube channel, Facebook page and website:

https://www.ashburtondc.govt.nz/council/public-meetings-research-centre

Audit & Risk Committee

Timetable	
1.00pm	Meeting commences

ORDER OF BUSINESS

4. Audit & Risk Committee – 13/09/23

Minutes of the Audit & Risk Committee meeting held on Wednesday 13 September 2023, commencing at 1.00pm, in the Council Chamber, 137 Havelock Street, Ashburton.

Present

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

Also present:

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

In attendance

Hamish Riach (CE), Leanne Macdonald (GM Business Support), Jane Donaldson (GM Compliance & Development), Sarah Mosley (GM People & Facilities) (via MS Teams), and Carol McAtamney (Governance Support).

Staff present for the duration of their reports: Erin Register (Finance Manager), Richard Wood (Sport & Recreation Manager), Katie Perry (People & Capability Manager) and Julie Crahay (Safety & Wellness Lead)

1 Apologies

Nil.

2 Extraordinary Business

Nil.

3 Declarations of Interest

Nil.

4 Confirmation of Minutes – 2/8/23

That the minutes of the Audit & Risk Committee meeting held on 2 August 2023, be taken as read and confirmed.

Harrington/Wilson Carried

5 Riskpool progress update

A letter is to be written to Riskpool to ascertain how long new claims can be keep being lodged to gain some understanding of future liability for the Council.

Recommendation to Council

That the Audit and Risk Committee recommends to Council to receive the updates from Riskpool on the progress of winding up and is aware of their ongoing liability.

McMillan/Cameron Carried

6 EA Networks Centre income and expenditure

The June and July 2023 income and expenditure reports were received and discussed.

Business transacted with the public excluded – 1.09pm

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

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

Mayor/Wilson Carried

The meeting concluded at 2.24pm.

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

	Transfers	Default	Retail	Room Rental/Events				Aquatic				Fitness				Grand Total			
	Transfers	Default	Retail	Meeting Rooms	Stadium	Events	Total	Pool	Tinwald Pool	Learn to Swim	Total	Gymnasium	Aquasize	Group Fitness	Total	Total		*Variance*	*Percentage of Budget*
	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Actual YTD	Budget Full Year		
Operating Income																			
Fees	191	0	0	0	35,008	6,790	41,797	70,900	0	85,170	156,071	59,479	3,607	24,617	87,703	285,762	2,265,199	1,979,436	13%
Grants	0	60,000	0	0	0	0	0	3,913	0	0	3,913	0	0	0	0	63,913	83,440	19,527	77%
Sales	0	0	15,351	0	0	0	0	0	0	0	0	0	0	0	0	15,351	75,000	59,649	20%
Treasury Internal Recoveries	0	11,212	0	0	0	0	0	0	0	0	0	0	0	0	0	11,212	0	(11,212)	0%
Rates	0	593,110	0	0	0	0	0	0	0	0	0	0	0	0	0	593,110	3,504,547	2,911,437	17%
Other Income	0	0	0	0	0	0	0	600	0	359	959	3,150	0	1,125	4,275	5,234	0	(5,234)	0%
															0				
	191	664,322	15,351	0	35,008	6,790	41,797	75,413	0	85,529	160,943	62,629	3,607	25,742	91,978	974,583	5,928,186	4,953,603	16%
Operating Expenses																			
Variable costs																			
Personnel Costs	0	0	0	0	1,885	0	1,885	0	0	60,587	60,587	0	0	22,619	22,619	85,091	28,052	(57,038)	303%
Financial / Professional Costs	6,435	5,044	0	0	0	0	0	0	0	0	0	0	0	0	0	11,479	32,333	20,854	36%
Promotional Costs	1,031	0	0	0	0	3,492	3,492	1,780	0	325	2,105	0	0	0	0	6,629	52,098	45,469	13%
General Costs	4,431	15	0	0	0	0	0	3,042	60	0	3,102	78	0	287	365	7,914	161,248	153,334	5%
Purchases	147	0	8,917	0	0	0	0	0	0	115	115	45	0	0	45	9,224	108,994	99,770	8%
Property / Plant Costs	30,062	407	0	0	239	0	239	0	0	0	0	0	0	0	0	30,707	140,686	109,979	22%
Energy Costs	64,898	0	0	0	0	0	0	37	201	0	238	0	0	0	0	65,136	468,641	403,505	14%
Centre Maintenance	47,843	0	0	0	1,120	0	1,120	14,372	0	0	14,372	0	0	0	0	63,335	166,358	103,024	38%
	154,847	5,466	8,917	0	3,243	3,492	6,735	19,232	261	61,027	80,520	123	0	22,906	23,029	279,514	1,158,410	878,896	24%
Contribution Margin	(154,655)	658,856	6,434	0	31,765	3,297	35,062	56,182	(261)	24,502	80,423	62,506	3,607	2,836	68,949	695,069	4,769,776	4,074,707	15%
Fixed costs																			
Salaries	26,679	93,192	0	0	0	0	0	80,081	0	0	80,081	43,758	0	0	43,758	243,710	2,507,614	2,263,904	10%
Office Costs	2,308	1,494	0	0	615	0	615	0	0	0	0	0	0	3,457	3,457	7,874	136,113	128,238	6%
Registrations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,608	2,608	0%
Security	450	574	0	0	0	0	0	0	0	0	0	0	0	0	0	1,024	8,344	7,320	12%
Fire Protection	0	0	0	0	0	0	0	246	0	0	246	0	0	0	0	246	0	(246)	0%
Interest	0	1,700	0	0	0	0	0	0	0	0	0	0	0	69	69	1,769	6,622	4,853	27%
Internal Rental	0	0	1,791	2,925	140,376	0	143,301	101,261	0	0	101,261	13,234	0	7,604	20,837	267,191	1,603,144	1,335,953	17%
						0	0												
	29,436	96,961	1,791	2,925	140,991	0	143,916	181,588	0	0	181,588	56,992	0	11,130	68,121	521,813	4,264,445	3,742,631	12%
Surplus (Loss) before Council Overhead	(184,091)	561,895	4,643	(2,925)	(109,226)	3,297	(108,854)	(125,406)	(261)	24,502	(101,165)	5,514	3,607	(8,294)	828	173,256	505,332	332,076	34%
Council Overhead	0	184,459	0	0	0	0	0	0	0	0	0	0	0	0	0	184,459	1,246,917	1,062,458	15%
Operating Profit / (Loss)	(184,091)	377,436	4,643	(2,925)	(109,226)	3,297	(108,854)	(125,406)	(261)	24,502	(101,165)	5,514	3,607	(8,294)	828	(11,203)	(741,585)	(730,382)	2%
Depreciation Costs																			
Depreciation - Office Equipment	0	290	0	0	0	0	0	0	0	0	0	0	0	0	0	290	1,740	1,450	17%
Depreciation - Furniture & Fittings	0	2,915	0	0	0	0	0	0	0	0	0	0	0	0	0	2,915	17,489	14,574	17%
Depreciation - Computer Equipment	0	1,086	0	0	0	0	0	0	0	0	0	0	0	0	0	1,086	6,517	5,431	17%
Depreciation - Buildings	0	28,981	0	0	0	0	0	0	0	0	0	0	0	0	0	28,981	173,886	144,905	17%
Depreciation - Light Plant	0	28,136	0	0	0	0	0	0	0	0	0	0	0	0	0	28,136	168,815	140,679	17%
	0	61,408	0	0	0	0	0	0	0	0	0	0	0	0	0	61,408	368,446	307,038	17%
Capital Expenditure																			
Loan Principal Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,822	10,822	0%
Infrastructural Asset Additions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23,468	23,468	0%
Additions / Alterations	1,582	0	0	0	6,920	0	6,920	17,610	0	0	17,610	0	0	0	0	26,112	64,666	38,554	40%
Other Asset Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	24,719	24,719	0%
Computer Software Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,430	10,430	0%
Cyclic Renewals	0	0	0	0	0	0	0	0	0	0	0	15,780	0	0	15,780	15,780	193,476	177,696	8%
	1,582	0	0	0	6,920	0	6,920	17,610	0	0	17,610	15,780	0	0	15,780	41,892	327,581	285,689	13%

6. Transwaste Canterbury Limited Annual Report

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

Summary

- The purpose of this report is to present the Transwaste Canterbury Limited Annual Report for the year ending 30 June 2023 to Audit & Risk.

- Ernst & Young have carried out the annual statutory requirement to audit Transwaste Canterbury Ltd financial statements and statement of objectives and performance of the company, and on 29 September 2023, issued an unmodified audit opinion.

- Transwaste have supplied this as part of their obligations to Council as a shareholder.

Recommendation(s)

1. **That** the Transwaste Canterbury Limited Annual Report for the year 30 June 2023 be received.

Attachment

Appendix 1 Transwaste Canterbury Limited 2022/23 Annual Report

Background

1. Council holds 600,000 shares in Transwaste Canterbury Ltd, which equates to 3% of the total shares (total shares being 20,000,000).

2. Transwaste Canterbury Ltd owns Tiromoana Station Ltd, which owns the land at Kate Valley and the landfill site, and the Burwood Resource Recovery Park (BRRP), which was set up to receive and process demolition material from the Christchurch earthquakes.

The current situation

3. Every year Transwaste prepares an Annual Report and shares this with their shareholders.

4. The 2022/23 Annual Report details Transwaste performance (including both financial and non-financial information) against the targets outlined in their three-year statement of intent. These targets were set for the three-year period ending 30 June 2025.

5. Pages 14 – 19 detail how Transwaste performed against their Statement of Objectives and Performance for the year ending 30 June 2023. Transwaste achieved the majority of their targets. They did miss their total revenue and EBIT targets, however they met their dividend target and the majority of their non-financial performance targets.

6. Pages 20 to 23 details their Financial Statements, with a comparative to the prior year. Revenue and profit before finance costs and tax were slightly ahead of 2022. Dividends were also up compared to 2022 at $18.3M, of which $15.5M relates to the 2022/23 financial year. ADC received 3% of this at $465,000.

Legal/policy implications

There are no legal implications.

Strategic alignment

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

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

Financial implications

Requirement	Explanation
What is the cost?	Not applicable
Is there budget available in LTP / AP?	Not required as the cost of preparing an annual report sits with Transwaste.
Where is the funding coming from?	Not applicable
Are there any future budget implications?	No
Finance review required	*Not required*

Significance and engagement assessment

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

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

Transwaste Canterbury Limited

Annual Report

For the year ended 30 June 2023

The Board of Directors is pleased to present the Annual Report of Transwaste Canterbury Limited for the year ended 30 June 2023

For and on behalf of the board

W G Cox
Chairman

H E G Maehl
Director

28 September 2023

Contents

Directory

Company Number	951024
Registered Office and Address for Service	PricewaterhouseCoopers Level 4, 60 Cashel Street Christchurch 8013
Directors	Mr W G Cox (Chairperson) Mr G S James Mr I G Kennedy Mr T H Nickels Mr R A Pickworth Mr P S Mauger (finished 16 January 2023) Mr G S Miller Mr H E G Maehl Mr J T Gough (commenced 24 February 2023)

Shareholders

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

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

Directors' Report to the Shareholders
For the year ended 30 June 2023

Your directors take pleasure in presenting their Annual Report including the financial statements of the company for the year ended 30 June 2023.

Principal Activities

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

The company had one 100% owned operating subsidiary, Burwood Resource Recovery Park Limited (BRRP) until 31 May 2022, at which point it was amalgamated into the company. BRRP was set up to operate a Christchurch Earthquake demolition waste material management and recovery facility and to operate a landfill for disposal of residual demolition waste. It ceased operations in December 2019.

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

State of Affairs

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

The results of operations during the period, financial position and state of affairs of the company are as detailed in the accompanying financial statements.

Directors' Remuneration

	Directors Fees $	Other Remuneration $
Mr W G Cox	80,178	-
Mr T H Nickels	40,089*	-
Mr G S James	46,238*	-
Mr I G Kennedy	40,089*	-
Mr P S Mauger	20,044	-
Mr R A Pickworth	46,238	8,200
Mr G S Miller	40,089	-
Mr H E G Maehl	40,089*	-
Mr J T Gough	13,363	-

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

No other remuneration or benefits have been paid to directors, with the exception of Mr RA Pickworth who has received $8,200 in consulting fees. The fees and remuneration have been entered in the interests register.

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

Directors' Report to the Shareholders
For the year ended 30 June 2023

Directors' Interests

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

MR W G COX

	Position Held
Elastomer Products Limited	Director
Independent Fisheries Limited	Director
Barlow Brothers NZ Limited	Director
Anderson Lloyd	Board Member
MOTUS Health Limited	Director
Hurunui Biodiversity Trust	Trustee
Waimakariri Irrigation Limited and subsidiary	Director
Venues Otautahi Limited	Director
Christchurch City Holdings Limited (commenced 22 March 2023)	Director
Te Kaha Project Delivery Limited	Director
Committee for Canterbury	Trustee
Project Crimson	Trustee
Foodco New Zealand Limited (commenced 5 July 2022)	Director

MR I G KENNEDY

	Position Held
Waste Management NZ Limited	Employee

MR T H NICKELS

	Position Held
KT Advisory Limited	Director
OCS Australia & New Zealand (commenced 21 November 2022)	Advisory Board Member

MR G S JAMES

	Position Held
Canterbury Material Recovery Facilities Limited (finished 9 September 2022)	Director
Waste Management NZ Limited	Contractor

MR R A PICKWORTH

	Position Held
Westpower Limited, plus various wholly owned subsidiaries	Director
Westroads Limited	Director
Ashburton Contracting Limited	Director
Pipeline Group Limited, plus various wholly owned subsidiaries	Director
McLenaghan Contracting Limited	Director
Industrial Controls South Canterbury Limited	Director
S & L General Partners Limited (finished 31 January 2023)	Director

MR G S MILLER

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

Directors' Report to the Shareholders
For the year ended 30 June 2023

MR H E G MAEHL

	Position Held
WMNZ Holdings Limited and NZ parent companies	Director
Waste Management NZ Limited, plus various wholly owned subsidiaries	Director
Waste Management NZ Limited	Employee
Midwest Disposals Limited	Director
Waste Disposal Services	Executive Committee Member

MR P S MAUGER (finished 16 January 2023)

	Position Held
Christchurch City Council	Mayor
Coastal-Burwood Community Ward (finished 25 October 2022)	Board Member
Canterbury Regional Landfill Joint Committee (finished 7 December 2022)	Committee Member
Otautahi Community Housing Trust (finished 7 December 2022)	Trustee
Civic Building Limited	Director
M&M Aggregates Limited	Shareholder and Director
Harewood Holdings Limited	Shareholder and Director
25 KBR Limited	Shareholder and Director
Maugers Garage Limited	Shareholder and Director
Rookwood Holdings Limited	Director
NZ Transport Engineering Limited	Shareholder
Maugers Contracting Limited	Shareholder and Director

MR J T GOUGH (commenced 24 February 2023)

	Position Held
Christchurch City Council	Councillor
Canterbury Regional Landfill Joint Committee	Committee Member
Fendalton-Waimairi-Harewood Community Board	Board Member
Civic Building Limited	Director
Medical Kiwi Limited	Director
Gough Property Corporation Limited	Shareholder and Director
Gough Corporation Holdings Limited	Shareholder and Director
Antony Gough Trust	Trustee
The Terrace Carpark Limited	Director
The Terrace Christchurch Limited	Director
The Terrace on Avon Limited	Director
Ferry Road Property Holdings Limited	Director
West Mall Properties Limited	Director
Peterborough Holdings Limited	Director

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

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

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

Directors' Report to the Shareholders
For the year ended 30 June 2023

Indemnification and Insurance of Officers and Directors

The company indemnifies all directors named in this report against all liabilities (other than to the company) that arise out of the performance of their normal duties as director, unless the liability relates to conduct involving lack of good faith. An indemnity is also provided to the independent chair of the audit committee. To manage this risk, the company has indemnity insurance. The annual cost of this insurance is $33,200 (2022: $31,610).

Dividend

The general policy for the company is to declare dividends calculated at 100% of the net profit after tax after allowing for working capital requirements, as set out in the company's Statement of Intent. Dividends of $18,300,000 were paid during the year.

A final dividend in relation to the 2023 year of $5,200,000, which was declared after balance date, is disclosed in note 7.

Donations

The company made donations of $91,256 to the Kate Valley Landfill Community Trust (2022: $88,792) during the year.

Auditor's Remuneration

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

The annual remuneration for auditing services for the company provided by Ernst & Young was $65,000 (2022 Audit New Zealand: $46,152). No other services were provided by the auditor.

Chairman's Review
For the year ended 30 June 2023

REVIEW BY THE CHAIR

Year Ended 30 June 2023

A year that reflected a start/stop economy that became increasingly fragile, but never really faltered completely as far as the level of economic activity.

Operations

As has often been commented upon by Transwaste, the level of tonnes of waste received into the landfill at Kate Valley closely reflects both in volume and timing, the activity levels in the economy. At the time of setting the budget for the year ended 30 June 2023 (April 2022) the expectation was that the economy would continue at about the same level being experienced at that time, if not a little faster. Accordingly, Transwaste forecast that general and special waste tonnage to the landfill would increase marginally over volumes for the year ended 30 June 2022, but that high density contaminated soils would in fact be a little less than the level seen in the previous year – due to evidence of a slowing construction market in Christchurch.

Actual landfill disposal for the year was in total some 4,500 tonnes lower than in the year ended 30 June 2022 and 20,000 tonnes less than budgeted for the year ended 30 June 2023. The principal differences compared to budget were 15,000 tonnes less than expected for high density contaminated soils and 5,000 tonnes less of general and special waste.

Interestingly however, the year was typified by reasonably significant month to month variations (both positive and negative) as compared to the forecast tonnes.

Due to a modest increase in disposal and transport prices effective from 1 July 2022 sales revenue for the year ended 30 June 2023 for waste disposal and waste transport activities increased by $1.2m (net of Waste Levy charges) over sales revenue for the prior year. Of note however is that despite the lower tonnes received in 2023 compared to 2022 the waste levy, collected by Transwaste and passed to Government, increased by $3.5m. This was due to the levy increasing from $20 per tonne of waste disposed of in 2022 to $30 per tonne in the 2023 year.

The other principal revenue line for Transwaste is the sale of electricity (renewable energy) generated from the use of landfill gas captured from the landfill – which comprises approximately 54% biogenic methane. The year ended 30 June 2023 proved to be challenging for this activity for three principal reasons –

- Volatile and uncertain wholesale electricity prices, which as at December 2022 were 75% lower that experienced in the prior year.
- Reduced capacity to generate due to a significant generator failure which saw one generator (of four) out of action for the second half of the year.
- Continued limitations on Transwaste's ability to export all of the electricity that it is capable of generating to the national grid. This was due to the planned upgrade of the transmission line to the Waipara Transpower connection point being further delayed by MainPower (the transmission line owner) whilst it further deliberated on its Mt Cass Windfarm development. (Since balance date there has been some movement in this regard and Transwaste is now hopeful that this limitation will be removed with the upgrade from 11KV to 66KV of the transmission line by MainPower now scheduled for completion in 2025. This will have a major impact on the economics of Transwaste's electricity generation activity as the landfill has had the capability to export 4MW of electricity since 2017, but have been restricted by lines capacity. Future generation capacity is expected to increase significantly as the landfill receives additional waste.

For the year ended 30 June 2023 revenue from electricity sales was almost $1m lower than the previous year and $1.8m lower than forecast.

Chairman's Review
For the year ended 30 June 2023

Financial
While the year was challenging and more volatile than expected in terms of revenue, it was really pleasing to note that expenses (excluding the Waste Levy and finance costs) were able to be held at roughly the same level as in the 2022 year, despite the impact of inflationary pressures – particularly during the latter half of the Company's 2023 year when fuel price increases were significant. Finance costs in 2023 increased by in excess of $0.6m over 2022 due largely to –

- The increase in bank interest due to higher levels of bank borrowing during the year. This arose due to a return to higher expected levels of financing by Transwaste following the cessation of its earthquake related activities at Burwood Resource Recovery Park. All profits from that venture have now been paid out to shareholders, other than $5m planned for payment in 2025.
- An increase in the time value adjustment for Closure and Post Closure Provisions (Refer to Note 17 of the Notes to the Financial Statements for a detailed explanation of this Provision and its adjustments).

The resultant Net Profit before Tax for the year ended 30 June 2023 was $21.7m – almost identical to the figure achieved in the 2022 year, and in line with the forecast set by the Board for the year.

Continuing the review of the financial performance and position of the Company it is pleasing to note the very strong generation of cash from operations of $27.9m, although for a direct comparison with 2022 the amount paid into the Environmental Restoration Account ($5.4m) must also be included as this is effectively a deferral of payment of income tax. On a comparative basis the cash generated from operations is therefore approximately $22.5m, cf $23.4m in 2022 – still a very strong performance.

Other uses to which the cash generated from operations was applied during the year were -

- Further landfill development - $7.6m
- Purchase of Emissions Units to cover the net emissions of the Company - $1.6m (Refer later in this Review)
- Repayment of Bank borrowing - $1.5m
- Payment of dividends to shareholders - $18.3m

The accelerated payment of dividends during the year has seen the equity position of the Company fall from a total of $37.6m (54% of total assets) at 30 June 2022 to $34.8m (48% of total assets at 30 June 2023). Given the nature of the Company's business model and the strength of its shareholding and customer base this is considered by the Board to be a very satisfactory position.

With regard to dividends, the year ended 30 June 2023 has seen a somewhat unusual pattern largely due to a change in ownership of Waste Management NZ Limited – a 50% shareholder in Transwaste. As of 1 October 2022, the ownership of Waste Management changed from Beijing Capital Group to Igneo Infrastucture Partners – an unlisted infrastructure management business based in Sydney and ultimately owned by Mitsubishi URJ Financial Group Inc. The impact of this ownership change was that unless imputation credits held by Transwaste were utilized through the declaration of a dividend by 30 September 2022 the benefit of those credits to shareholders would be lost. The Transwaste Board therefore decided to declare at that point a dividend to utilize all Imputation Credits held by Transwaste. The Board took the view that it would do this by bringing forward the dividends planned for February 2023 (an interim dividend for the 2023 year of $8m) and August 2023 ($2.3m of the final dividend expected for the 2023 year). This total of $10.3m together with the $8.0m final dividend for the 2022 year (paid in August 2022) comprises the total of $18.3m of dividends paid during the Company's year ended 30 June 2023.

In addition, the adjusted final divided for the Company's year ended 30 June 2023 of $5.2m was declared on the 29 August 2023.

Chairman's Review
For the year ended 30 June 2023

Sustainability
The above commentary on volumes and financials is, of course, only one element of the performance of Transwaste. Given the nature of its activities, and its shareholding being 50% in the hands of the ratepayers in Canterbury, Transwaste is committed to the concept of "sustainability" in its broadest sense. This has resulted in an increasing focus by the Company in measuring performance and setting targets across a range of factors that in the Board's view are critical in addressing sustainability in the context of the operations of Transwaste.

These are expressed and reported against in the Statement of Objectives and Performance included in this Annual Report. Highlights of these broader but critically important measures of company performance are –

- Achievement of the capture and destruction of more than 90% by volume of the gas produced by the Kate Valley Landfill. A fully environmentally engineered landfill is in fact a giant anaerobic digestor – constructed of earth rather than (as normally thought of) metal. The landfill gas produced comprises approximately 54% methane – a greenhouse gas. Methane, captured by a sophisticated system of gas wells built into the landfill structure, is then either used to fuel internal combustion engines that power electricity generators, or burnt in a flare. The destruction of extracted biogenic methane, and its conversion to carbon dioxide through combustion in the generators or flare is significantly less damaging to the atmosphere. It also extracts more value from what was seen by most as a damaging greenhouse gas and a "waste". Such is the focus and growth of this aspect of Transwaste's business that the Kate Valley landfill facility has recently been renamed – Kate Valley Landfill and Energy Park.

  During both the 2022 and 2023 years Transwaste captured and destroyed landfill gas, avoiding emissions equivalent to 92,000 cars. In addition, Transwaste exported sufficient electricity to power about 2,300 homes (this was limited due to the previously explained inability to export all of the potential electricity produced to the national grid).

- Measurement and reduction of Greenhouse Gas Emissions. While the single biggest source of GHG emissions at Kate Valley is from the waste that is created by the people of Canterbury, and is dealt with via the gas capture, usage and destruction outlined above, Transwaste also generates its own GHG emissions through the operation of diesel-powered mobile plant. Transwaste is committed to reducing these to zero (and potentially to become "carbon positive") by 2030. How will Transwaste do this given the nature of its business?

- Transwaste has commenced or is investigating a number of opportunities in this regard -

  - Measuring its GHG footprint each year and having this audited – this commenced in 2022.
  - Continually improving its landfill gas capture and the use or destruction of the biogenic methane content of that gas.
  - Reducing the carbon emissions of both contracted line haul fleet and landfill heavy plant. In this regard both electrification and/or hydrogen as a fuel are being actively investigated.
  - Discussing with, and encouraging those who we use as contractors to adopt practices that will reduce their carbon emissions while doing work for Transwaste.
  - Continuing with its forestry activities.

- Transwaste has extremely rigorous requirements relating to environmental performance. These are monitored both internally and by external agencies on a frequent basis. There were no off-site environmental discharges in breach of these environmental requirements during the past year.

Chairman's Review
For the year ended 30 June 2023

- A major waste product of a landfill is leachate. The management of this is critical for the safe and sustained operation of a landfill. Transwaste has sophisticated systems in place for the monitoring, capture and treatment of leachate. Plans are in place for the installation of a new technology for the destruction of leachate through an evaporation process using landfill gas. This system has been extensively and successfully trialled by Waste Management NZ Limited in Auckland. A contract has been let for the equipment and installation is planned for 2024.

- A jewel in the crown of Transwaste is the 410 hectare QE2 covenanted area known as Tiromoana Bush. This area remains under constant development in respect of flora, and is also subject to intense predator control to protect bird and invertebrate life. It is very rewarding to see not only the impacts of this work but also the increasing use being made of this facility for recreation.

- An important measure of the work that Transwaste carries out is reliability in terms of waste disposal. This is reflected in community waste facilities always being able to receive waste in the knowledge that it will be cleared quickly and taken to the landfill for disposal. There were no disruptions during the Company's 2023 year relating to waste being disposed of to the landfill.

- Transwaste has a particular focus on community relationships both in terms of the quality of the service we provide and being a good corporate citizen. To this end we support the Kate Valley Community Trust that administers grant funds to the local Waipara / Omihi district. A further $90k was granted to this trust in 2023, resulting in a total of $1.45m having been granted to the community by Transwaste since the commencement of operations in 2005. Transwaste also reports directly to the Kate Valley Community Liaison Group in relation to its landfilling, transport and other activities.

- Transport of waste from collection points to the Kate Valley landfill is an important part of Transwaste's activities, and being on busy roads and involving large and heavy vehicles presents many challenges. During the past year the fleet of Transwaste contracted vehicles operated with no "at fault" incidents and dealt with all waste they were required to transport to the landfill.

- Health, safety and wellbeing are critical factors in all businesses today. A landfill and transport operation has significant challenges in these areas. With a focus on critical risk areas and activities – and the commitment and genuine engagement of all personnel Transwaste and its contractors have had another exemplary year in relation to health and safety – with no medical treatment injuries or lost time injuries. Wellbeing of staff has become an emergent issue in recent years. Transwaste and its principal contractor Waste Management NZ Ltd have wellbeing as a major focus and are constantly working on initiatives to both monitor the wellbeing of our people and seek to improve wellbeing where issues are noted.

Acknowledgement
Finally, it is important to comment on and acknowledge the most important resource that Transwaste has – its people, and those of its principal contractor – Waste Management NZ Ltd.

Without a highly skilled and committed workforce Transwaste could not carry out, to the quality it demands, the critical function of waste management and disposal that underpins the health and safety of the Canterbury community.

Chairman's Review
For the year ended 30 June 2023

To all those involved – be they operators, administrators, management, contractors, or governors, I would like to express my sincere thanks for your efforts, your commitment, and your loyalty during what has been another highly successful year for Transwaste across pretty much every aspect of our activities.

To finish this Review without one final acknowledgement and thanks would be remiss. After 15 years involvement at Kate Valley - and the last 10 years as Landfill and Transport Manager - Rangi Lord retired on May 31 2023. Rangi epitomized all that has been said about commitment, loyalty, and expertise in respect of those that make Kate Valley landfill an exemplar for modern waste management and disposal, not only in NZ but on the global stage. Thank you, Rangi for all that you have done for the Canterbury community dealing with its waste, and the leadership you have provided to the Kate Valley team.

Rangi has been succeeded in his role at Kate Valley by Hayden Leach who brings with him a wealth of civil engineering and materials movement expertise. Welcome, Hayden – we look forward to working with you on the continued development and operation of Kate Valley – a critical piece of the infrastructure of Canterbury.

Gill Cox

Chair

28 September 2023

Directors' Responsibility Statement
For the year ended 30 June 2023

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the company as at 30 June 2023 and its financial performance and cash flows for the year ended on that date.

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

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

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

The directors have pleasure in presenting the statement of objectives and performance, and the financial statements, set out on pages 14 to 61 of Transwaste Canterbury Limited for the year ended 30 June 2023.

The board of directors of Transwaste Canterbury Limited authorised these financial statements for issue on 28 September 2023.

For and on behalf of the board

W G Cox
Chairman

H E G Maehl
Director

28 September 2023

Statement of Objectives and Performance
For the year ended 30 June 2023

Targets were set under the Statement of Intent for the three years ending 30 June 2025. A comparison of achievement against those targets is as follows:

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

Desired Outcomes		Performance Measures and Target	Achievement
(a)	No proven breaches of Resource Management Act consents.	Nil established consent breaches notified during the year or advised by ECan.	Nil proven breaches.
(b)	Prepare (next) Tiromoana Bush Restoration Management Plan for the five-year period commencing 1 July 2022.	Restoration Management Plan completed, with Board sign-off.	Completed, approved June 2022.
(c)	Prepare Tiromoana Bush strategic plan for (say) next 20 years.	Strategic Plan prepared, with Board sign-off.	Achieved - long term goals included in the 5 year plan.

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

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Maximise capture and destruction of landfill gas from Kate Valley landfill.	Ensure the capture and destruction of in excess of 90% of landfill gas produced by Kate Valley landfill (measured in accordance with the regulations to the Climate Change Response Act 2002).	Achieved for the year ended 31 December 2022. The next measurement date is 31 December 2023.
(b)	To ensure the beneficial use of landfill gas to obtain the best economic value.	To increase the MWh of electricity exported from Kate Valley landfill by 50% over the three year SoI period 2023 to 2025.	Not achieved, but on track - sufficient generation capacity is available on site to support the target, however achieving the target remains dependent on transmission line improvements, which is under discussion with MainPower NZ Limited.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2023

Desired Outcomes		Performance Measures and Target	Achievement
(c)	Measure the company's carbon footprint.	Carbon footprint is measured and independently certified. KPIs achieved.	Project with Toitu Envirocare to measure carbon footprint for the year ended 30 June 2022 completed and audited.
(d)	Reduce GHG emissions from Controlled Waste haulage	Maintain or improve average Euro emission rate of CWS fleet.	Achieved, based on reduced emission rate of replacement trucks. Two new Euro VI trucks on the road.
(e)	Measure NZU credits on exotic forestry	5 yearly measurement of NZU credits completed (due by 31 December 2022) and number of units reported.	Achieved - registrations completed and related units allocated.
(f)	Provide ongoing planting and growth of native trees and bush in the Tiromoana Bush area.	Register and measure under ETS schemes available - Number of units reported.	Achieved - registrations and measurements completed.
(g)	Maintain large mammal pests (pigs and deer) to low levels in Tiromoana Bush.	No adverse impacts on restoration plantings from deer and pig rooting - evident in <5% of vegetation monitoring plots.	Achieved – 13 deer and 59 pigs culled as part of nine culling operations carried out in Tiromoana Bush for the period.
(h)	Small mammal pests (mustelids, rodents, possums, cats, hedgehogs) reduced to levels that have minimal impact on native biodiversity in Tiromoana Bush.	The abundance of bird life (as indicated by remeasuring of the bird monitoring transects) is greater than the 2005-2009 baseline for bellbird and grey warbler.	On track to achieve – ongoing monthly trapping and monitoring being undertaken. Annual pest survey - tunnel and ink pad completed

Objective

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

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Finance the Kate Valley Landfill Community Trust (from the Disposal Charge) for the purpose of benefiting the local community immediately affected by the landfill operation.	Annual payment to Kate Valley Landfill Community Trust, to be determined on an annual basis.	Achieved. The company has made contributions to the trust for the 2022/23 year totalling $91,256.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2023

Desired Outcomes		Performance Measures and Target	Achievement
(b)	Develop, maintain and promote the use of education material with regard to waste management and the environment.	Material used by schools.	Achieved. The Waipara school visited Landfill and received an educational presentation and landfill tour. CWS Team, supported by local Police and Road Transport Association visited the Woodend School and every student got the opportunity to go through the Truck and learn about blindspots.
(c)	Plan for sites aftercare and closure – financially and revenue streams.	Adequate provisioning, which stands up to audit scrutiny, in financial statements for aftercare and closure costs.	Achieved. Methodologies comply with the applicable reporting standards.

Objective

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

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Timely, high quality and reliable waste transport services.	No transfer station is unable to receive waste during its normal operating hours due to Transwaste's failure to supply containers.	Achieved - no impacts.
(b)	Reliability of access to the Kate Valley landfill.	Landfill is available to waste transporters for more than 99% of normal annual transport access hours.	Achieved - no disruption to receipt of waste occurred, despite the landfill being closed due to high wind on 2 days for 5 hours in total.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2023

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

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Ensuring that in all activities the Company and its contractors have Health and Safety Management Plans in place.	Maintain or improve current total recordable injury frequency rate (TRIFR) for the last 12 months.	Achieved – nil LTIs in all operations. Actual TRIFR for the 12 months ended 30 June 2023 is zero.
(b)	Maintain Kate Valley public walkways to an acceptable standard, (track maintenance, signage).	Annual operational plans objectives met, with no serious avoidable injuries.	Achieved. Good patronage on walkways.
(c)	No traffic incidents where CWS drivers at fault.	No at-fault incidents.	Achieved – no at-fault traffic incidents for the period.

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

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Ensure CWS has objectives and policies that detail the relationship with employees, their remuneration, safety and other issues such as equal opportunity in employment.	No more than 15% annually of CWS landfill and transport staff annual FTE turnover.	Achieved. Turnover of permanent employees at Kate Valley was 5 across the team out of 46 FTEs, resulting in 11% annual turnover.
(b)	Ensuring that its employees have secure and rewarding employment which provides the means for personal development.	10 hours per FTE annually for CWS staff training.	Achieved. Kate Valley staff have undertaken 12.3 hours per FTE.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2023

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

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

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

Desired Outcomes	Performance Measures and Target	Achievement
(a) To ensure compliance with all relevant legislation and statutory requirements.	Annual reporting to Board on areas of compliance and non-compliance.	Achieved. Monthly reporting is undertaken. Compliance reporting up to date at Kate Valley. One non-compliance, being waste trips, a variation to waste trips is in progress with the Hurunui District Council (HDC).
	Nil known legislative and regulatory non-compliance.	Not achieved, above issue with respect to waste trips communicated to HDC in advance and variation to consent being processed.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2023

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

Desired Outcomes	Performance Measures and Target	Achievement
(a) To effectively operate the consented regional landfill at Kate Valley to achieve specific commercial performance targets.	Total Revenue (inclusive of waste levy) of $68,086,000	Not achieved. $63,091,000. Overall tonnes of waste to landfill was 5.3% below budget.
	EBIT of $23,095,000	Not achieved. $855,000 below budget at $22,142,000, primarily as a result of the decreased tonnes of waste to landfill compared to budget.
	Dividends paid relating to Kate Valley of $16,100,000	Achieved. Dividends totalling $18,300,000 were paid during the year for the Kate Valley operations.

Statement of Comprehensive Income
For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Revenue			
Sales excluding waste levy		52,297	51,139
Waste levy		10,794	7,289
Sales including waste levy	3	63,091	58,428
Rental		64	65
Interest		491	-
Dividends		-	1,300
Changes in fair value of forest	9	150	(29)
Total revenue		**63,796**	**59,764**
Expenses			
Audit fees	4	65	46
Depreciation and amortisation	4,8	5,635	5,421
Impairment of receivables	4	-	511
Directors' fees	4	366	364
Landfill and facilities operating costs		21,840	21,851
Loss on sale of property, plant and equipment		112	-
Waste levy	3	10,794	7,289
Other expenses		2,351	2,350
Total expenses		**41,163**	**37,832**
Profit before finance costs and tax		**22,633**	**21,932**
Finance costs	5	922	257
Profit before tax		**21,711**	**21,675**
Income tax expense	6	6,079	5,601
Profit for the year		**15,632**	**16,074**
Other comprehensive income			
Net change in fair value of cash flow hedging instrument	14	(129)	385
Total comprehensive income for the year		**15,503**	**16,459**

The accompanying notes form part of these financial statements

Statement of Changes in Equity
For the year ended 30 June 2023

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance 1 July 2021		16,000	369	15,973	32,342
Profit for the year		-	-	16,074	16,074
Other comprehensive income	14	-	385	-	385
Balances on amalgamation	26	-	-	5,162	5,162
Total comprehensive income for the year ended 30 June 2022		-	385	21,236	21,621
Dividends	7	-	-	(16,400)	(16,400)
Balance 30 June 2022		**16,000**	**754**	**20,809**	**37,563**
Balance 1 July 2022		16,000	754	20,809	37,563
Profit for the year		-	-	15,632	15,632
Other comprehensive income	14	-	(129)	-	(129)
Total comprehensive income for the year ended 30 June 2023		-	(129)	15,632	15,503
Dividends	7	-	-	(18,300)	(18,300)
Balance 30 June 2023		**16,000**	**625**	**18,141**	**34,766**

The accompanying notes form part of these financial statements

Statement of Financial Position
As at 30 June 2023

	Notes	2023 $'000	2022 $'000
Assets			
Non-current assets			
Property, plant & equipment	8	53,883	51,073
Forestry	9	2,706	2,556
Emission Units	10	2,652	2,134
Environmental restoration account	6	5,414	-
Derivative financial instruments	24	237	228
Total non-current assets		**64,892**	**55,991**
Current assets			
Cash and cash equivalents	11	614	7,072
Trade and other receivables	12	6,505	5,924
Total current assets		**7,119**	**12,996**
Total assets		**72,011**	**68,987**
Equity			
Contributed equity	13	16,000	16,000
Reserves	14	625	754
Retained earnings	15	18,141	20,809
Total equity		**34,766**	**37,563**
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	16	-	1,500
Provisions	17	19,929	18,414
Deferred income tax liability	6	7,774	2,878
Total non-current liabilities		**27,703**	**22,792**
Current liabilities			
Trade and other payables	19	7,223	6,546
Derivative financial instruments	24	-	49
Income tax payable	6	1,712	1,250
Provisions	17	583	764
Directors' fees	18	24	23
Total current liabilities		**9,542**	**8,632**
Total liabilities		**37,245**	**31,424**
Total equity and liabilities		**72,011**	**68,987**

For and on behalf of the board

W G Cox
Chairman 28 September 2023

H E G Maehl
Director 28 September 2023

The accompanying notes form part of these financial statements

Cash Flow Statement
For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers (excluding waste levy)		51,715	51,787
Waste levy received		10,794	7,289
Interest received		254	-
Dividends received		-	1,300
Other revenue		64	65
Payments to suppliers and employees		(24,321)	(24,230)
Interest paid		(282)	(169)
Waste levy paid		(9,914)	(6,403)
Income tax paid	6	(671)	(5,900)
Goods and services tax (net)		266	(359)
Net cash from operating activities	20	27,905	23,380
Cash flows from investing activities			
Purchase of property, plant & equipment		(7,553)	(3,781)
Cash on amalgamation		-	37
(Purchase)/sale of emission units		(1,596)	-
Environmental restoration account	6	(5,414)	-
Net cash used in investing activities		(14,563)	(3,744)
Cash flows from financing activities			
Bank funding	16	(1,500)	1,500
Advances from/(to) subsidiaries		-	1,600
Dividends paid	7	(18,300)	(16,400)
Net cash used in financing activities		(19,800)	(13,300)
Net increase/(decrease) in cash and cash equivalents		**(6,458)**	**6,336**
Cash and cash equivalents at the beginning of the year		7,072	736
Cash and cash equivalents at the end of the year	11	**614**	**7,072**

The accompanying notes form part of these financial statements

Notes to the Financial Statements
For the year ended 30 June 2023

1. General Information

Reporting Entity

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

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

The primary objective of the company is to own, operate and continue development of a non-hazardous landfill for the Canterbury region. From 2011, the wholly owned subsidiary Burwood Resource Recovery Park Limited (BRRP) operated a Christchurch Earthquake demolition waste material management and recovery facility and a landfill for disposal of residual demolition waste until its closure in 2020. BRRP was amalgamated with the company on 31 May 2022. The company continues to hold six wholly owned non-trading subsidiaries, which are held for name protection purposes and have no assets and liabilities. All companies are incorporated and domiciled in New Zealand.

The financial statements of Transwaste Canterbury Limited are for the year ended 30 June 2023. The financial statements were authorised for issue by the Board on 28 September 2023.

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

Notes to the Financial Statements
For the year ended 30 June 2023

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

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

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

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

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

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

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

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

2.2 Revenue recognition

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

Notes to the Financial Statements
For the year ended 30 June 2023

a) *Sales of goods*

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

b) *Sales of services*

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

c) *Government grants*

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

d) *Interest income*

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

e) *Dividend income*

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

2.3 Borrowing costs

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

Notes to the Financial Statements
For the year ended 30 June 2023

2.4 Income tax

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

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

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

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

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

2.5 Environmental restoration account

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

Notes to the Financial Statements
For the year ended 30 June 2023

2.6 Leases

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

Measurement basis

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2023

2.7 Cash, cash equivalents and bank overdrafts

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position where the bank has no right of setoff.

2.8 Trade and other receivables

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

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

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

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

2.9 Financial assets

Classification

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

Financial assets measured at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company’s financial assets measured at amortised cost comprise ‘trade and other receivables’, 'cash and cash equivalents', ‘term deposits’ and 'owing from related party' in the Statement of Financial Position.

Notes to the Financial Statements
For the year ended 30 June 2023

Recognition and measurement

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

Offsetting financial instruments

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

Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

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

Derecognition

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

2.10 Non-current assets held for sale

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

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

Notes to the Financial Statements
For the year ended 30 June 2023

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

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

2.11 Property, plant and equipment

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

Additions

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

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

Disposals

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

Subsequent costs

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

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

Notes to the Financial Statements
For the year ended 30 June 2023

2.12 Depreciation

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

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

Assets under construction are not depreciated until commissioned.

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2023

2.13 Forestry assets

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

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

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

2.14 Emission units and emissions obligations

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

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

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

2.15 Impairment of non-financial assets

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

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

Notes to the Financial Statements

For the year ended 30 June 2023

2.16 Provisions - General

Transwaste Canterbury Limited recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and described in the profit or loss as a time value adjustment.

2.17 Closure and Post-Closure Costs

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

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

2.18 Borrowings

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

2.19 Goods and Services Tax (GST)

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

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

Notes to the Financial Statements
For the year ended 30 June 2023

2.20 Derivatives: Hedges Receivable and Payable

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

Initial recognition and measurement

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

2.21 Share capital

Ordinary shares are classified as equity.

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

2.22 Critical accounting estimates and assumptions

Landfill closure and post-closure provisions

In preparing these financial statements Transwaste Canterbury Limited has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The key area in which estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are applied is detailed in Note 17 - landfill closure and post-closure provisions.

Notes to the Financial Statements
For the year ended 30 June 2023

3. Revenue

	2023 $'000	2022 $'000
Waste disposal (excluding waste levy)	42,242	41,613
Waste levy on-charged to customers	10,794	7,289
Waste disposal sales including waste levy	53,036	48,902
Waste transport	8,666	7,155
Electricity generation	1,389	2,371
	63,091	**58,428**

Waste levy cost

The Ministry for the Environment introduced a waste levy in 2009. The waste levy payable in respect of the year to 30 June 2023 was $30 per tonne of waste to landfill (2022: $20 per tonne). The waste levy is on-charged to customers and the on-charge is included in sales revenue. The waste levy cost is included in expenses.

Nature of revenue

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

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

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

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

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

4. Expenses

Profit before tax includes the following specific expenses:

	2023 $'000	2022 $'000
Directors' fees	**366**	**364**

Notes to the Financial Statements
For the year ended 30 June 2023

Depreciation and impairment

	2023 $'000	2022 $'000
Depreciation:		
Landfill development	4,468	4,093
Deferred closure costs	472	650
Buildings	6	9
Plant and machinery	689	669
Motor vehicles		-
	5,635	**5,421**
Impairment:		
Impairment of receivables (Note 12)	-	511
	-	**511**

Audit fees

Audit services		
Ernst & Young		
- Audit fees for financial statements audit	65	-
Audit New Zealand		
- Audit fees for financial statements audit	-	46
Total remuneration for audit services	**65**	**46**

5. Finance costs

	2023 $'000	2022 $'000
Interest - bank	281	48
Interest - intra-group advances	-	121
Provisions - Time value adjustment (Note 17)	641	88
Total finance costs	**922**	**257**

6. Tax

Components of tax expense

	2023 $'000	2022 $'000
Current tax expense	1,133	5,683
Deferred tax expense	4,946	(82)
Income tax expense	**6,079**	**5,601**

Notes to the Financial Statements
For the year ended 30 June 2023

Relationship between tax expense and accounting profit

	2023 $'000	2022 $'000
Profit/(loss) before tax	21,711	21,675
Tax at 28% (2022: 28%)	6,079	6,069
Non-taxable income	-	(468)
Tax expense	**6,079**	**5,601**

Deferred tax assets/ (liabilities)	Property, plant and equipment $'000	Environmental Restoration $'000	Other $'000	Total $'000
Balance at 1 July 2021	(3,595)	-	785	(2,810)
Credited/(charged) to profit or loss	(2)	-	84	82
Charged to equity	-	-	(150)	(150)
Balance at 30 June 2022	**(3,597)**	**-**	**719**	**(2,878)**
Credited/(charged) to profit or loss	362	(5,370)	62	(4,946)
Charged to equity	-	-	50	50
Balance at 30 June 2023	**(3,235)**	**(5,370)**	**831**	**(7,774)**

Income tax payable

	2023 $'000	2022 $'000
Opening tax payable	(1,250)	(1,575)
Current tax expense	(1,133)	(5,683)
Income tax paid	671	5,900
Income tax transferred	-	108
Closing tax payable	**(1,712)**	**(1,250)**

Environmental restoration account

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

Notes to the Financial Statements
For the year ended 30 June 2023

The environmental restoration account movements follow:

	2023 $'000	2022 $'000
Opening balance	-	-
Deposited into the account	5,370	-
Interest received	44	-
Closing balance	**5,414**	**-**

Additional disclosures - Imputation Credit Account

	2023 $'000	2022 $'000
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2022: 28%)	**6,407**	**7,022**

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

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

7. Dividends

	2023 $'000	2022 $'000
Dividends paid during the year		
Interim dividends for current year[1]	10,300	6,700
Final dividends for prior year[2]	8,000	8,400
Project dividends[3]	-	1,300
	18,300	**16,400**

[1] A fully imputed interim dividend of $10,300,000 was declared and paid on 30 September 2022 (2022: $6,700,000 fully imputed on 25 February 2022).

[2] A fully imputed final dividend for 2022 of $8,000,000 was declared and paid on 26 August 2022 (2022: $8,400,000 fully imputed on 27 August 2021).

[3] No project dividends were paid in the current year. A fully imputed project dividend of $1,300,000, being dividends arising from the Burwood Resource Recovery Park project, was declared and paid on 25 February 2022.

A fully imputed final dividend of $5,200,000 in respect of 2023 was declared and paid on 24 August 2023.

Notes to the Financial Statements
For the year ended 30 June 2023

8. Property, plant and equipment 2023

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2023

8. Property, plant and equipment (continued) 2022

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

Notes to the Financial Statements
For the year ended 30 June 2023

9. Forestry assets

	2023 $'000	2022 $'000
Balance at 1 July	2,556	2,585
Gains/(losses) arising from changes in fair value less estimated point of sale costs	150	(29)
Balance at 30 June	**2,706**	**2,556**

Transwaste Canterbury Limited owns 336 hectares of standing trees, predominantly pinus radiata, which are at varying stages of maturity ranging from 10 to 42 years.

Registered valuer Allan Laurie of Laurie Forestry Limited has valued forestry assets as at 30 June 2023 using, depending on the age and species of the trees, the Net Harvest Value method, a blended Cost Compounded and NPV method or Nominal Value method.

The Net Harvest Value method is applied to mature standing trees. Net (stumpage) values are derived by deducting average current day marketing, harvesting, infrastructure and transportation costs from one-year straight average point of sale log prices. Point of sale can include “at mill door” or “at wharf gate”.

In the absence of reliable transaction evidence of recent forest sales, a blending of the Cost Compounded and Net Present Value (NPV) methods has been used for pinus radiata that is between the ages of 6 and 15 years.

For the Cost Compounded Method values are calculated as the sum of costs compounded from the time of occurrence to the present day. A compound rate of 5.5% (2022:5.5%) has been used in the valuation.

The NPV method calculates the Crop Expectation Value, which is the value of the tree crop calculated by discounting a net cash flow at a specified discount rate. A pre-tax discount rate of 8.0% (2022: 8.0%) has been used in discounting the present value of expected pre-tax cash flows.

Notes to the Financial Statements
For the year ended 30 June 2023

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

Fair value hierarchy

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

Financial risk management strategies

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

10. Emissions units

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2023

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

	2022 Units	2022 $000
Balance at the beginning of the year	189,900	3,328
Purchased units	-	-
Surrendered to the Crown (Note 20)	(42,445)	(1,194)
Balance at the end of the year	**147,455**	**2,134**

The NZUs on hand comprise:

	2023 Units	2022 Units
Purchased units (landfill)	82,408	75,904
Allocated units (forestry)	116,648	71,551
Total units on hand	**199,056**	**147,455**

All units held are recorded at cost, which is nil for forestry units. The market value of all units held as at 30 June 2023 is approximately $8,311,000 (cost $2,652,000).

Landfill

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

Notes to the Financial Statements
For the year ended 30 June 2023

In addition to units purchased during the year, the company has entered into a forward agreement to purchase 35,000 units, totalling $3,202,000, to acquire emissions units to be used to meet its ETS obligations. The cost of the acquisition under this agreement is recognised when the units are acquired.

Forestry

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

With regard to pre-1990 forestry:

- Under the NZ Government's Allocation Plan, the company has received its allocation of 4,260 emissions units. The units are recorded at cost (nil).
- Additionally, under the ETS the company will have an obligation to account for any emission released as a consequence of deforestation of pre-1990 land by surrendering credits equal to the extent of that emission. There is no liability for deforestation as at 30 June 2023.

With regard to post-1989 forestry, the company has received its allocation entitlements to 31 December 2022 and there is no liability for deforestation at 30 June 2023.

11. Cash and cash equivalents

	2023 $'000	2022 $'000
Cash at bank - current account/short term deposits	614	7,072
Total cash and cash equivalents	**614**	**7,072**

12. Trade and other receivables

	2023 $'000	2022 $'000
Trade receivables	2,485	2,447
Related party receivables (Note 23)	4,020	3,477
Gross trade and other receivables	**6,505**	**5,924**
Less provision for impairment	-	-
Total trade and other receivables	**6,505**	**5,924**

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

Notes to the Financial Statements
For the year ended 30 June 2023

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

	2023 Gross $'000	2023 Impairment $'000	2023 Net $'000	2022 Gross $'000	2022 Impairment $'000	2022 Net $'000
Not past due	6,221	-	6,221	5,922	-	5,922
Past due 1-60	284	-	284	2	-	2
Past due >90	-	-	-	-	-	-
Total	**6,505**	**-**	**6,505**	**5,924**	**-**	**5,924**

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

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

There were no individual or collective impairment provisions at 30 June 2023 (2022: nil).

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

	2023 $'000	2022 $'000
At 1 July	-	-
Additional provisions made during the year	-	511
Receivables written off during the year	-	(511)
At 30 June	**-**	**-**

Notes to the Financial Statements

For the year ended 30 June 2023

13. Contributed equity

	2023 $'000	2022 $'000
Issued and paid in capital		
20,000,000 ordinary shares	20,000	20,000
Less: Uncalled capital	(4,000)	(4,000)
Total paid in capital 30 June	**16,000**	**16,000**

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

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

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

14. Reserves

Capital reserve

	2023 $'000	2022 $'000
Balance at the beginning of the year	625	625
Balance at end of year	**625**	**625**

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

Hedging reserve

	2023 $'000	2022 $'000
Balance at the beginning of the year	129	(256)
Total recognised comprehensive income	-	385
Transfer to Retained Earnings	(129)	-
Total retained surplus	**-**	**129**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions relating to interest rate swaps and electricity contracts for difference that have not yet impacted on the Statement of Profit or Loss.

Notes to the Financial Statements
For the year ended 30 June 2023

15. Retained earnings

	2023 $'000	2022 $'000
As at 1 July	20,809	15,973
Profit for the year	15,632	16,074
Retained earnings arising on amalgamation	-	5,162
Dividends paid	(18,300)	(16,400)
As at 30 June	**18,141**	**20,809**

16. Borrowings

	2023 $'000	2022 $'000
Non-current borrowings – Bank loans		
Westpac multi-option credit facility	**-**	**1,500**

Bank loans

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

During the financial year, $1,500,000 of net repayments have occurred on the facility, resulting in no outstanding balance at balance date.

The weighted average effective interest rate on the facility for the year is 2.47% (2022: 1.16%).

Fair value of non-current borrowings

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

Notes to the Financial Statements
For the year ended 30 June 2023

17. Provisions

Provisions are represented by:

Closure and post-closure provisions

	2023 $'000	2022 $'000
Opening balance	19,178	23,207
Assessment of current value of landfill costs:		
- Closure and post-closure - cost assessment	3,532	1,328
- Discount rate change	(2,528)	(4,519)
Effect of time value adjustment	641	88
Amounts incurred during the period	(311)	(926)
Closing balance	**20,512**	**19,178**
Comprising:		
Current	583	764
Non-current	19,929	18,414
Total closure and post-closure provisions	**20,512**	**19,178**

Provision is made for the future costs of closing the company's landfill during and at the end of its economic life and for the associated post-closure costs, being the aftercare of the landfill for the prescribed periods. Estimated costs, adjusted for inflation, are built up on an item by item basis. The provision held, at each balance date, represents the net present value of the estimated future costs. A detailed reassessment of these costs and the anticipated remaining life of the landfill is performed on a regular basis, usually three yearly, by the Waste Management NZ Ltd landfill advisory team, with the next reassessment due to be completed before the end of the 2023 calendar year. On an annual basis a high-level review of costs is performed, together with a reassessment of anticipated inflation and the discount rate applicable. The discount rates used are the Treasury's central table of risk-free discount rates as at 30 June 2023 as applicable to each forecast period (2022: Treasury's central table of risk-free discount rates).

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

Notes to the Financial Statements
For the year ended 30 June 2023

Kate Valley Landfill

The remaining economic life of the Kate Valley landfill is estimated to be 22 years and an extension of the resource consent to operate the landfill is assumed to occur.

The cash outflows for landfill post-closure are expected to occur in 22 to 52 years time (or between 2045 and 2075). The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred and as a result changes in estimates occur over time. The provision has been estimated taking into account existing technology and using discount rates applicable to the timing of estimated cash outflows, which range from 4.43% to 5.43% (2022: 3.34% to 4.47%). An average inflation rate of 2.01% (2022: 1.93%) has been applied. The combination of applying a multi-rate discount rate, the inflation rate, closure and post-closure cost reassessments and the long term nature of the expected cash outflows has resulted in an increase to the provision and the closure and post closure asset of $1,004,000, which will be reflected in increased time value adjustments to the provision and decreased amortisation of the asset in future years.

18. Directors' fees

	2023 $'000	2022 $'000
Directors fees accrued	24	23
Comprising:		
Current	24	23
Non-current	-	-
Total directors' fees	**24**	**23**

19. Trade and other payables

	2023 $'000	2022 $'000
Trade payables	1,457	1,273
Accrued expenses	2,611	2,320
Related party payables (Note 23)	3,155	2,953
Total trade and other payables	**7,223**	**6,546**

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

Notes to the Financial Statements
For the year ended 30 June 2023

20. Cash flow information

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

	2023 $'000	2022 $'000
Total comprehensive income for the year	**15,503**	**16,459**
Add/(less) non-cash items:		
Depreciation, amortisation and impairment	5,635	5,421
Loss/(gain) on changes in fair value of forestry	(150)	29
Cash flow hedges	(107)	(385)
Time value adjustment (Note 5)	641	88
ETS surrendered (Note 10)	1,078	1,194
Loss/(gain) on sale of property, plant and equipment	112	-
Deferred tax	4,946	(82)
Income tax balance on amalgamation	-	108
	12,155	6,373
Add/(less) movements in working capital items:		
Receivables	(581)	647
Income tax	462	(325)
Trade payables - working capital	677	1,152
	558	1,474
Less items classified as investing activities:		
Trade payables – property, plant & equipment	-	-
Closure and post-closure provisions utilised	(311)	(926)
	(311)	(926)
Net cash inflow/(outflow) from operating activities	**27,905**	**23,380**

Non-cash investing and financing activities

There were no non-cash investing and financing transactions during the period (2022: nil, other than the extinguishment during the prior period of the related party loan from the subsidiary on amalgamation of $4,875,000).

Notes to the Financial Statements
For the year ended 30 June 2023

Changes in liabilities arising from financing activities

	Non-current loans and borrowings $'000 (Note 16)	Current loans and borrowings $'000	Total $'000
Balance at 1 July 2021	-	3,275	3,275
Cash flows	1,500	1,600	3,100
Loan extinguished on amalgamation	-	(4,875)	(4,875)
Balance at 30 June 2022	1,500	-	1,500
Cash flows	(1,500)	-	(1,500)
Balance at 30 June 2023	**-**	**-**	**-**

21. Capital commitments and operating leases as lessor

	2023 $'000	2022 $'000
Capital commitments contracted for at balance date but not yet incurred for property, plant and equipment	**1,533**	**327**

The company has entered into forward contracts totalling $3,202,000 (2022: $1,596,000) for the purchase of emissions units.

There are no capital commitments in relation to forestry.

Operating leases as lessor

The company leases land not immediately required for its operations under operating leases. The leases are with one external party and have non-cancellable terms of 5 years from June 2023 with the exception of one area which is leased to the same party on a month-to-month basis.

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

	2023 $'000	2022 $'000
Not later than one year	55	55
Later than one year and not later than five years	192	-
Later than five years	-	-
Total non-cancellable operating leases	**247**	**55**

No contingent rents have been recognised during the period.

Notes to the Financial Statements
For the year ended 30 June 2023

22. Contingent assets and liabilities

Contingent assets

Under the New Zealand Emissions Trading Scheme (ETS) the company is eligible for carbon credits on sequestration of carbon in the company's post-1989 forests. Credits have been received for periods up to 31 December 2022.

The company will have an obligation to account for any emission released as a consequence of deforestation of pre-1990 land by surrendering credits equal to the extent of that emission. The company has no liability for deforestation as at 30 June 2023.

Contingent liabilities

	2023 $'000	2022 $'000
Bonds	**15,912**	**15,912**

Bonds of $15,912,500 (2022: $15,912,500) have been arranged with the company's bankers in terms of resource consents granted to the company. The bond is renewed annually, with the current period expiring on 31 December 2023. The directors anticipate there being no issues arising for renewal of the bond and that no material liabilities will arise under the bond.

23. Related party transactions

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

The company has negotiated waste disposal and transport contracts with the related parties. The company also contracts with Waste Management NZ Limited for costs relating to the on-going landfill construction, landfill disposal and transport services. Pricing under the contracts is subject to annual inflation indexing and detailed three-yearly reviews which include oversight by a probity auditor.

The following transactions were carried out with related parties:

(a) Sales of services	**2023 $'000**	**2022 $'000**
Entities with joint control or significant influence over the entity (landfilling and transport)	21,320	17,156
Entities with joint control or significant influence over the entity (rental)	-	5
Other related parties (landfilling and transport)	20,833	18,802
Subsidiaries (reimbursement of costs)	-	12
	42,153	35,975

Notes to the Financial Statements
For the year ended 30 June 2023

(b) Purchases of services	**2023 $'000**	**2022 $'000**
Entities with joint control or significant influence over the entity (waste disposal, transport and construction)	29.801	25,127
Entities with joint control or significant influence over the entity (rates)	22	15
	29,823	25,142

(c) Year end balances arising from sales/purchases of services		
Receivables from related parties (Note 12)		
Entities with joint control or significant influence over the entity	2,039	1,763
Other related parties	1,981	1,714
	4,020	3,477
Payables to related parties (Note 19)		
Entities with joint control or significant influence over the entity	3,155	2,953
	3,155	2,953

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

Key management personnel		
Directors' fees	366	364

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

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables from related parties (2022: Nil).

Notes to the Financial Statements
For the year ended 30 June 2023

24. Financial instruments

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

	Notional amount $'000	Line item in the statement of financial position	2023 $'000	2022 $'000
FINANCIAL ASSETS				
Financial assets at amortised cost				
Cash and cash equivalents			614	7,072
Debtors and other receivables			6,505	5,924
Total loans and receivables			7,119	12,996
Financial assets at fair value				
Interest rate swaps – non-current	5,000	Derivative financial instruments	237	228
			237	228
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Creditors and other payables			7,223	6,546
Borrowings:				
- Secured loans			-	1,500
Total financial liabilities at amortised cost			7,223	8,046
Financial liabilities at fair value				
Electricity hedges payable – current	-	Derivative financial instruments	-	49
			-	49

The derivative financial instruments were deemed to be ineffective from 1 July 2022. The ineffectiveness recognised in profit or loss during the year is $237,000, which is included in interest revenue (2022: $nil).

Notes to the Financial Statements
For the year ended 30 June 2023

24B Fair value hierarchy disclosures

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

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

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

24C. Financial instrument risks

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

Market risk

Price risk

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

Currency risk

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

Interest rate risk

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

Notes to the Financial Statements
For the year ended 30 June 2023

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2023

Maximum exposure to credit risk

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

	2023 $'000	2022 $'000
Cash and cash equivalents (Note 11)	614	7,072
Trade and other receivables (Note 12)	6,505	5,924
Total credit risk	**7,119**	**12,996**

Credit quality of financial assets

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

	2023 $'000	2022 $'000
Counterparties with credit ratings		
Cash and cash equivalents		
AA-	614	7,072
Counterparties without credit ratings		
Related party loans:		
Existing counterparty with no defaults in the past	-	-

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

Liquidity risk

Management of liquidity risk

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2023

Contractual maturity analysis of financial liabilities

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

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

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

Contractual maturity analysis of financial assets

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

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
2023						
Cash and cash equivalents	614	614	614	-	-	-
Trade and other receivables	6,505	6,505	6,505	-	-	-
Total	**7,119**	**7,119**	**7,119**	**-**	**-**	**-**
2022						
Cash and cash equivalents	7,072	7,072	7,072	-	-	-
Trade and other receivables	5,924	5,924	5,924	-	-	-
Total	**12,996**	**12,996**	**12,996**	**-**	**-**	**-**

Notes to the Financial Statements
For the year ended 30 June 2023

25. Capital risk management

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

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

The company monitors capital on the basis of the equity ratio. This ratio is calculated as total equity divided by total assets. The company's strategy, as set out in the Statement of Intent for the 2023 year, is to endeavour to operate with a consolidated shareholders' funds to total assets of 45.6% during the 2022/2023 financial year.

The equity ratio achieved at 30 June 2023 is 48.3%, or 2.7% higher than budgeted (2022: 54.4%). The significant factors influencing this were:

Closure and post-closure provisions
As disclosed in Note 17 (Provisions), the closure and post-closure provision is reassessed periodically and, due to the long-term nature of the liability relating to the Kate Valley landfill, movements in estimated costs and discount rates can have a significant impact from year to year on the reported value.

In particular, the discount rate applied as at 30 June 2023 has increased from the then-current rate and costs applied when forecasting the 2023 year. The reassessment applicable to the 2023 year compared to forecast has resulted in a decrease in the provision and the related asset value, which was not anticipated when the gearing ratio was calculated for the Statement of Intent. The net effect on the gearing ratio from the reassessment of costs and discount rates is an increase of 3.0%.

Property plant and equipment
The capital programme was constrained by delays on increasing transmission line capacity for power generation, with the lower expenditure increasing the year end ratio by 4.6%

Net profit, dividends and deposits into the environmental restoration scheme
A combination of a slightly reduced profit compared to budget (largely relating to tonnes to landfill being below target), an accelerated dividend paid to shareholders during the year and the utilisation of the Environmental restoration scheme resulted in a decrease in the ratio in the order of 4.8%.

Notes to the Financial Statements
For the year ended 30 June 2023

26. Amalgamation

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

The statement of financial position of BRRP as at 31 May 2022 was made up as follows:

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

27. Events after balance date

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRANSWASTE CANTERBURY LIMITED'S FINANCIAL STATEMENTS AND STATEMENT OF OBJECTIVES AND PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

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

Opinion

We have audited:

- the financial statements of the company on pages 20 to 61, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of objectives and performance of the company on pages 14 to 19.

In our opinion:

- the financial statements of the company:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards; and
- the statement of objectives and performance of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 29 September 2023. This is the date at which our opinion is expressed.

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

Building a better working world

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the statement of objectives and performance

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

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

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

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

Responsibilities of the auditor for the audit of the financial statements and the statement of objectives and performance

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

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

We did not evaluate the security and controls over the electronic publication of the financial statements and the statememt of objectives and performance.

Building a better working world

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of objectives and performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported statement of objectives and performance within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of objectives and performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of objectives and performance, including the disclosures, and whether the financial statements and the statement of of objectives and performance represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 13, but does not include the financial statements and the statement of objectives and performance, and our auditor's report thereon.

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

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

Independence

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

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

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

Audit and Risk Committee
Terms of Reference

Purpose

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

Membership

Membership of the Committee comprises:

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

The quorum is four members.

Meeting Frequency

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

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

Delegations

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

Sphere of business

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

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

Reporting

The Audit & Risk Committee will report to the Council.

Reviewed

21/06/23