CRHL CROWN REGIONAL HOLDINGS LIMITED

(formerly known as Provincial Growth Fund Limited)

2021 ANNUAL REPORT

Presented to the House of Representatives pursuant to section 150(3) of the Crown Entities Act 2004

Te Kāwanatanga o Aotearoa
New Zealand Government

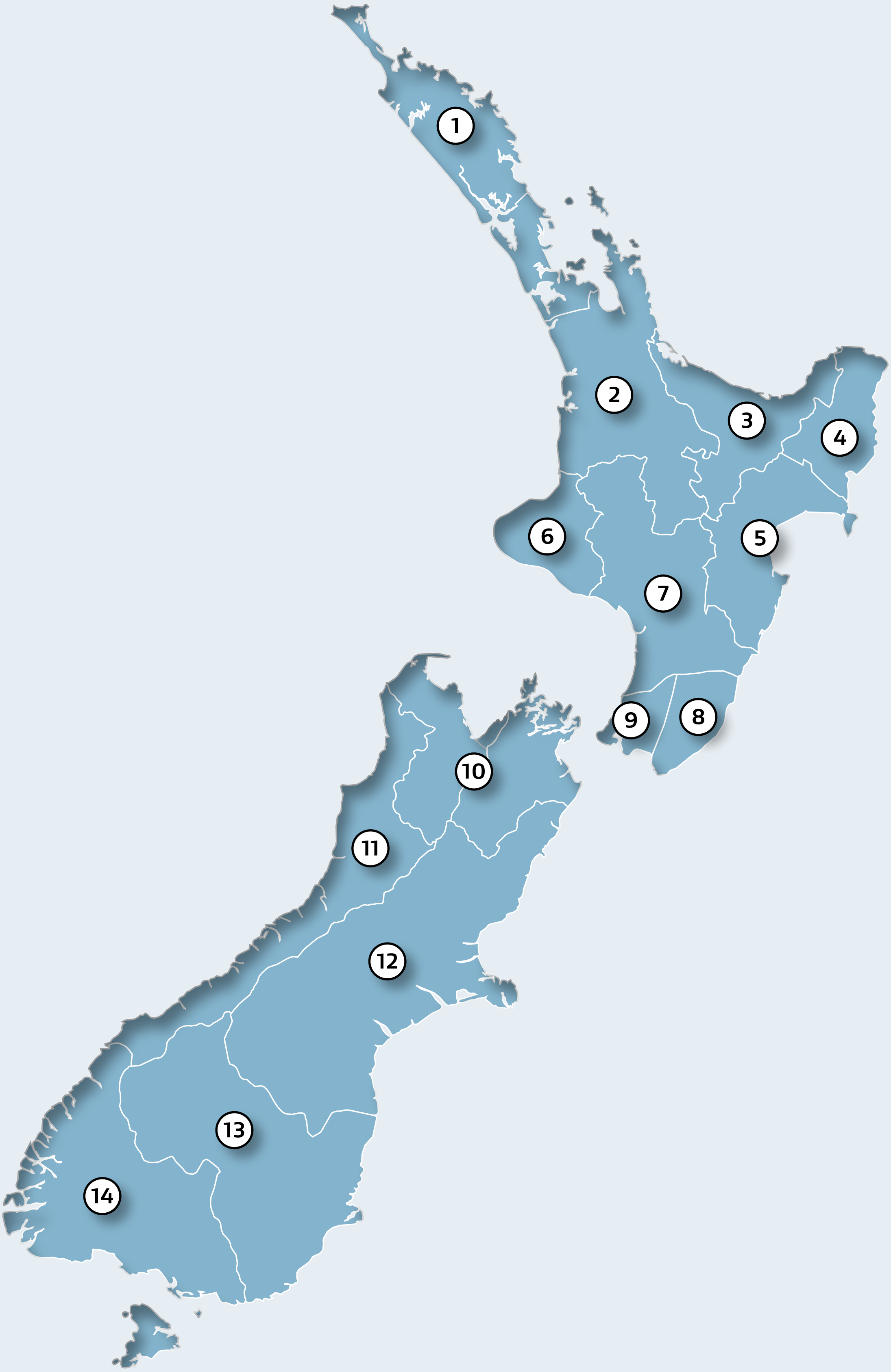
ISSN 2744-7812 Online

Photo: Maungatapere Berries, Northland.

Contents

Cover photo: Artist impression of completed Ōpōtiki Harbour Development

CRHL assets by region as at 30 June 2021



1 TE TAI TOKERAU/NORTHLAND

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$104,525,584	$84,981,090	$24,563,560

2 WAIKATO

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$50,454,000	$50,454,000	$23,050,000

3 BAY OF PLENTY

Total approved funding	Total contract funding	TOTAL PAID FUNDING
*$299,072,819	$281,347,819	$98,472,703

*Includes $6m National Institute of Water and Atmospheric Research Limited which has been withdrawn

4 TAIRAWHITI/EAST COAST

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$62,584,814	$62,234,814	$17,201,337

5 TE MATAU-A-MĀUI/HAWKE'S BAY

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$86,356,593	$52,700,243	$10,068,720

6 TARANAKI

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$26,469,000	$4,356,000	$4,034,052

7 MANAWATŪ-WHANGANUI/HOROWHENUA

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$38,087,118	$38,087,118	$17,199,869

8 WAIRARAPA

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$7,000,000	$7,000,000	$3,650,000

9 KĀPITI

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$2,840,000	$2,840,000	$2,500,000

10 TE TAU IHU/TOP OF THE SOUTH

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$27,492,201	$17,442,201	$2,761,719

11 TE TAI POUTINI/WEST COAST

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$28,850,406	$28,850,406	$12,959,024

12 CANTERBURY

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$12,567,406	$12,567,406	$7,940,771

13 OTAGO

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$25,181,376	$25,181,376	$9,757,764

14 MURIHIKU/SOUTHLAND

Total approved funding	Total contract funding	TOTAL PAID FUNDING
*$75,742,000	$75,742,000	$22,702,683

*Includes $2.5m Southern Hydroponics which has been withdrawn

CHATHAM ISLANDS

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$1,200,000	$1,200,000	$–

PAN REGION

Total approved funding	Total contract funding	TOTAL PAID FUNDING
$38,485,318	$25,285,318	$7,182,339

Definitions: Approved funding – funding approved at an individual project level by approvers; Contracted funding – funding written into signed agreements with recipients; Paid funding – funding disbursed to the recipient

Te Umanga Puringa ā-Rohe – He Pūrongo nā te Toihau 2021

He koanga ngākau tēnei te tāpae atu nei i te Pūrongo ā-Tau tuarua a Te Umanga Puringa ā-Rohe (CRHL).

I manatōpūtia a CRHL i raro i tōna ingoa tawhito, te Pūtea Kokorite (PGFL), ki te Ture Kamupene 1993 i te 3 o Hepetema, 2019. He kamupene Rārangi 4A o raro i te Ture Pūtea Tūmatanui.

I whai mana ai te panonitanga o te ingoa o Te Umanga Puringa ā-Rohe i te 24 o Hune, 2021.

Kua whakaritea he Whakaaetanga Kaiwhakahaere i waenganui i a CRHL me Hīkina Whakatutuki (MBIE). Nā tēnei whakaaetanga, e tukuna ana ngā mahi o ia rā, o ia rā mō te whakahaere, whakarite hoki i ngā haumitanga a CRHL ki a Kanoa – Te Wāhanga Whanaketanga/Haumitanga ā-Rohe (Kānoa – RDU, te Wahanga Whanaketanga ā-Rohe o mua). Kāore a CRHL e whai wāhi atu ki ngā whakahaerenga mahi o ia rā, o ia rā.

Kei te pai te haere o tēnei whakaritenga, i runga i ngā mahi e kaha whakatutukitia ana e Kānoa – RDU me āna āpiha i roto i te tekau mā rua marama kua mahua ake nei.

He nui tonu ngā uauatanga i pā mai, nā te ao ōhanga puta noa i te ao i pērā ai. E tāmi kino tonu nei te KOWHEORI-19 i te ōhanga o Aotearoa. Kei te kitea e haumate ana ngā putunga mekameka o te ao, ngā uauatanga whakarite me ngā āhuatanga mākete ahu kaimahi ki ngā hinonga. Ko te whakapae, ka pēnei tonu te pā mai o ēnei whakararu, whakapōrearetanga hoki ki te taiao whakahaere, ā, haere ake nei.

Ahakoa tēnei, kei te kitea ngā hua nui e puta haere ana i te whānuitanga atu o ngā haumitanga ki ngā ōhanga-ā-rohe mā roto i te Pūtea Kokorite, Te Kaupapa Whakamohoa o Aotearoa, te Tahua Urupare i te KŌWHEORI mē ētahi atu puna pūtea.

Atu i te 30 o Hune 2021, neke atu i te $750 miriona te nui o ngā haumitanga a CRHL, ā, neke atu i te 150 ngā kaupapa i whakahaeretia huri noa i te motu.

Ko te whānuitanga o ngā haumitanga ki ngā rohe puta noa i Aotearoa he āhuatanga kua kore e kitea i ēnei tau tata nei, ka mutu, kei te mārama te kite i ngā pānga mai. Kei te tukuna ngā tahua āwhina e tika ana ki ngā rohe ki te whakawhanake i ā rātou ake ahumahi, ngā mahi hanganga me te whakarato āheinga mahi ki te hunga e noho ana ki reira.

Mō tēnei wāhanga tuku pūrongo, he wāhanga kua whakararutia e te KŌWHEORI-19, kua kitea te kaha o ngā tūraru kua pā mai ki ētahi o ngā haumitanga. Kei te pai noa ki te Poari tēnei āhuatanga – e tohu mai ana i te tika o te whakahaeretanga o ngā haumitanga. Ka tika hoki, ko tēnei momo kaha te huarahi tika e mataara ai te Poari ki ngā tūraru whai kiko kia kaha ake hoki te aro turuki i ēnei haumitanga. Ko te utu ka whai mai, e tika ana kia arotakitia anō te wāriu o te pūkete a te kamupene kia whakaatatia tēnei āhuatanga. He huhua ngā tikanga ārahi e whakamahitia ana e te kamupene, arā, ko ngā huarite hauraro me ngā wāhinga pūtea tārewa. He huarahi pai tēnei hei whai, ka mutu, e kitea whānuitia ana kei ngā hinonga e pūmau ana ki ēnei momo haumitanga. Ka arotakengia te pūkete haumitanga a CRHL ia ono marama.

Tae rawa mai ki tēnei rā, kāore anō tētahi haumitanga kia whakakorea, engari ahakoa te āhua, te whāinga matua, te wāhi tau ai te pūtea me ngā uauatanga kua pā ki tēnei taiao, kei te mārama te katoa tērā tonu pea ka tae te wā ka pēneitia tonutia ngā haumitanga.

E whakahī nei au i tāku e pūrongo nei kua nui tonu ngā hua utu-kore e puta nei ki ngā hapori ā-rohe maha: nā runga i ngā haumitanga a CRHL; nā runga i te nui o ngā tūranga mahi me ngā āheinga kua hua mai ki a Aotearoa whānui hei whakapakari i ā rātou pūkenga me te pūtakenga mai o ētahi atu pakihi, te whakawhānuitanga atu rānei o ngā pakihi kua roa nei e whakahaeretia ana, nā te mea kua māia ake ngā hapori kei ngā rohe.

Kua tutuki pai te tau tuarua a CRHL. Heoi, he nui kē atu ngā mahi ki te whakatutuki i ngā hiahia a te Kāwanatanga.

E hiahia nei au te tuku mihi ki aku hoa kaitohutohu, ki a Graeme Mitchell rāua ko Neville Harris; ki a Carolyn Tremain rāua ko Robert Pigou nō Hīkina Whakatutuki (MBIE); tae atu hoki ki ngā Minita Kaiwhaipānga, arā, ki te Minita Tiaki Pūtea me te Minita Ōhanga/Whanaketanga ā-Rohe i whakapau kaha ai, ā, e tuku tautoko tonu nei. E ki ngā putanga whai kiko hei te tau e heke mai nei. Kia ngākau tapatahi rā tātou ki te whakatutuki i ētahi putanga whai kiko hei te tau e heke mai nei.

Crown Regional Holdings Limited – Chair's Report 2021

It is my great pleasure to present the second Annual Report for Crown Regional Holdings Limited (CRHL).

CRHL was incorporated under its former name Provincial Growth Fund Limited (PGFL) under the Companies Act 1993 on 3 September 2019. It is a Schedule 4A company under the Public Finance Act.

A name change to Crown Regional Holdings Limited was effected on 24 June 2021.

A Management Agreement is in place between CRHL and the Ministry of Business Innovation and Employment (MBIE). This agreement outsources the day-to-day management and administration of CRHL's investments to Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU, formerly the Provincial Development Unit). CRHL has no day-to-day operational role.

This arrangement is working well, with another strong performance by Kānoa – RDU and its officials over the last 12 months.

It has been a challenging year as a result of the demanding global economic climate. COVID-19 continues to negatively impact New Zealand's economy. Entities are experiencing weakened global supply chains, challenging logistics and labour market conditions. This difficult and disruptive operating environment is expected to continue for some time.

Despite this, the scale of investment made in regional economies through the Provincial Growth Fund (PGF), the NZ Upgrade Programme, the COVID Response and Recovery Fund and other funds, is making a real and significant difference.

Photo: The Limery

As of 30 June 2021, CRHL had more than $750 million worth of investments in more than 150 projects throughout the country.

This scale of investment in regional New Zealand is unprecedented in recent times and is having a real impact. The regions are receiving the financial stimulus they need to grow their industries, build their infrastructure and provide jobs for the people who live there.

This reporting period, heavily influenced by the impact of COVID-19, has seen the escalation of risk for a number of investments. The Board views this positively – it is an indication that investments are being actively managed and actively monitored. Indeed, escalation is the appropriate path to ensure relevant risks are brought to the Board's attention and closer monitoring of these investments is taking place. As an inevitable consequence, it is necessary that the value of CRHL's portfolio is revalued to reflect this. CRHL uses various mechanisms to do this, including fair value write-downs and loan impairment provisions. This is a well-accepted approach and is common for an entity holding such investments. The value of CRHL's investment portfolio is reassessed every six months.

To date no investments have been written off, but it is acknowledged that, given the nature, purpose and destination of the funding, and indeed the challenging operating environment, this is not beyond the bounds of possibility.

It is with pride that I can report that significant non-financial benefits are being achieved in many provincial communities as a result of CRHL's investments, through the creation of jobs and opportunities for New Zealanders to improve their skill base as well as the emergence of other businesses, or the expansion of existing ones, because of regained confidence within local communities.

CRHL has had a good second year. However, there is much more to do to deliver the Government's ambitions.

I would like to thank: my fellow directors Graeme Mitchell and Neville Harris; Carolyn Tremain and Robert Pigou, of MBIE; and of course, Shareholding Ministers: the Minister of Finance and the Minister for Economic and Regional Development, for their efforts and continued support. Together, we look forward to delivering more beneficial outcomes in the coming year.

R Finlay

Rodger Finlay
Chair, Crown Regional Holdings Limited

Photo left: The Trustees of the Hineuru Iwi Trust loan: Cherry Orchard plantings
Photo right: Hawk Group Limited Loan: Installation and commission of an additional moulded fibre manufacturing line
Photo bottom: Methven Adventures Ltd Loan Flow/return copper pipes leading out to solar farm.

CASE STUDY

Geo40

The Taupō-based company Geo40 has commercialised technology for the recovery of silica from geothermal fluid and is looking to repeat that success with lithium extraction.

Silica is a valuable mineral for many industrial and manufacturing processes, including glass manufacture, foundries, building products, chemicals and microchips.

Geo40 built a commercial scale silica extraction plant at Ohaaki Power Station in 2018 in partnership with Contact Energy and the Ngāti Tahu Tribal Lands Trust, and that development used a combination of funding from private investors and a $15 million loan from the Provincial Growth Fund.

By removing silica from the discharged geothermal waters, Geo40 has also been able to recover other valuable resources, including lithium. This is a major breakthrough in the search to find a greener way to extract lithium. Currently the main method of extraction is by hard-rock mining, a process that is not environmentally friendly.

Lithium is a highly sought after metal. It is vital in building electric vehicle batteries which rely on lithium for their ability to regenerate. Geo40's development is a potential game changer for the electric vehicle battery market, which has otherwise been hampered by the potential environmental impact of mining lithium.

Both silica and lithium have wide industrial applications, so Geo40's breakthrough technology can help decarbonise both industries and transportation.

With one in three jobs in Taupō linked directly, or indirectly, to the tourism sector, the growth of companies such as Geo40 creating scores of highly-skilled jobs, is helping to diversify and strengthen the local economy.

Explanation of accounting terms used in this report

What kind of loans do we have?

Concessionary loans

Concessionary loans offer more generous terms than market loans. The characteristics of these loans can include:

› Below market interest rates, or interest free

› Longer grace periods during which no interest or principal repayments are required

› Little or no covenants or other loan terms that can give rise to a default event

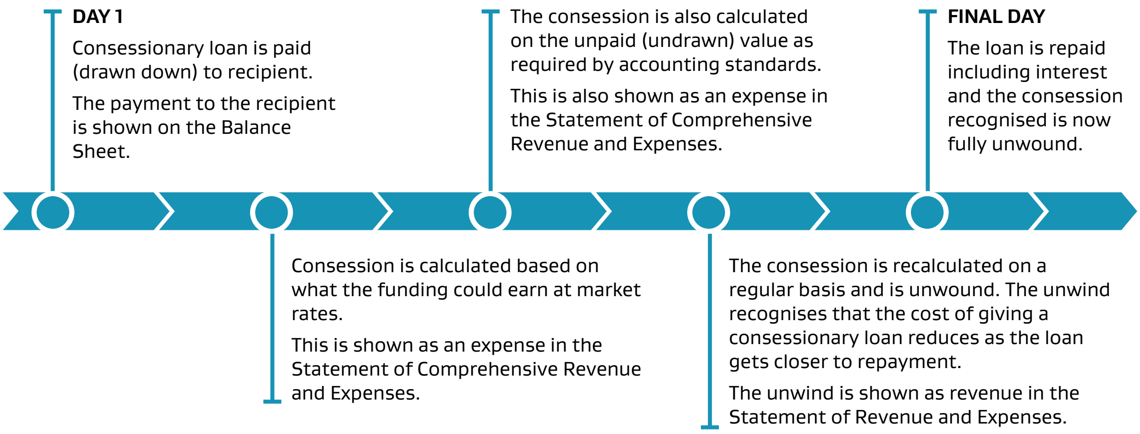
› The repayment of both principal and interest can be event driven rather than time driven. An example of such an event includes a borrower achieving certain project milestones or financial targets

› The granting of the loan is assessed not only on the credit worthiness of the entity, rather it is the purpose for which the funds are to be used that is important.

Accounting standards require concessionary loans to be presented in the Financial Statements in the following way:

1. The funding paid to the recipient is shown on the balance sheet as an asset called Loans and Advances.
2. At the time the funding is paid a calculation is completed showing what this funding could have earnt if market rates had been used. This is called the concession and is immediately recognised as an expense to CRHL in the Statement of Comprehensive Revenue and Expenses. It is a non-cash transaction.
3. The concession is recalculated on a regular basis, and unwound or reversed to recognise the value of lost earnings which reduces as the expected loan repayment date gets closer. By the maturity of the loan the concession will be completely reversed. The reversal of concession is shown as revenue in the Statement of Comprehensive Revenue and Expenses as part of Interest Income.

TIMELINE OF CONSESSIONARY LOANS



Suspensory loans

Suspensory loans are mostly interest-free for a specified period and are then forgiven if specific loan conditions are fulfilled.

These loans are included in the Loans and Advances line on our Statement of Financial Position until CRHL is satisfied the funding provided is delivering the agreed public benefits. The borrower's obligation to repay the forgiven loan amount is then reduced in CRHL accounts.

How do we calculate the value of our loans?

Amortised cost

A loan is measured at amortised cost when it has a repayment schedule with set dates and repayment amounts.

Most CRHL loans presented in the accounts are measured at amortised cost. The value of such loans in the accounts consists of loan drawdowns less any repayments made and concessions calculated.

Fair value

Fair value is the price you would receive if you sold the asset in a normal business transaction between two independent knowledgeable participants.

Some CRHL loans are measured at their fair value. When a value of a loan changes, CRHL recognises such movement as a gain or loss in the Statement of Comprehensive Revenue and Expenses. Loans held by CRHL that need to be shown at fair value are:

- Suspensory loans that could be forgiven in the future; and
- Concessionary loans with event-driven repayments.

Fair value is calculated by using the projected estimated cash earnt from the loans then discounted back using an appropriate discount factor.

Impairment

Impairment is required when the value of an asset in the accounts is greater than what you can expect to receive for it from selling on the market.

In relation to CRHL an impairment test is performed on all loans other than those held at fair value.

Reasons that could lead to the impairment of a loan include general economic downturn, decline in an industry and potential difficulties in a borrower's business.

Expected Credit Losses (ECL) Model

An ECL model is a concept used in accounting for loans and advances to estimate the probability of not receiving the full amount of repayments back from a borrower.

These estimates are made at a point in time and will change over time as more information becomes available.

The model used by CRHL considers the loans over three stages:

- **Stage 1** – considers loans that have had no change in risk since they started, but estimates cash shortfalls that may happen in the 12 months following balance date.
- **Stage 2** – considers loans that have had a significant increase in risk but that don't have any independent evidence for impairment (e.g. where COVID-19 has resulted in a change in business environment).

- **Stage 3** – considers loans that have had a significant increase in risk and there is evidence to support this increase. Evidence could be the borrower being in financial difficulty or breach of contract.

What other Investments are held?

Investments in other organisations

CRHL has a number of assets that are investments by way of ownership in other organisations. When CRHL buys shares in another organisation, such investment is shown in the accounts as:

- **Equity Investment:** an equity investment is where CRHL has purchased shares in another organisation and has no influence over what the organisation does.
- **Investment in Associates:** where CRHL has invested in an organisation and as part of that investment it has significant influence over the organisation. The influence can be either financial or operational but does not give CRHL control over the organisation.
- **Investment in a Joint Venture:** when CRHL has invested in an organisation and there are a few others who have made similar investments. The investors all agree to sharing control on relevant activities concerning the organisation. No one investor can progress an activity unless all agree.

Construction Assets

CRHL is undertaking the construction of assets on behalf of the Crown. The costs of this development are recorded as Work In Progress and will be transferred to Fixed Assets once complete.

Invercargill – Our City for Tomorrow and the Invercargill Inner City Redevelopment project.

CASE STUDY

Maungatapere Berries

Maungatapere Berries is an award-winning berry and kiwifruit business just west of Whangarei. Grower, Patrick Malley was looking at expanding his business and providing the people of his region with reliable, high-quality horticultural jobs. A PGF loan from 2019 enabled just that.

Growing soft fruits such as the berries Maungatapere specialise in, is a complex and labour-intensive business. The $2.28 million PGF loan enabled Maungatapere Berries to expand its hydroponic growing operations and develop the first phase of a high-tech education, training and employment operation.

In November 2020, Maungatapere Berries became the first commercial business to fully repay its loan to CRHL.

"The repayment of our loan to the CRHL is a great indicator of how hydroponics can be commercially successful and also deliver increased employment opportunities to the Northland region," Patrick Malley says.

Board of Directors

Rodger Finlay, Chair

Rodger Finlay is the Chair of the CRHL Board, appointed for the period 3 September 2019 to 22 July 2022. He is a Fellow of Chartered Accountants Australia & New Zealand and a Chartered Fellow of the Institute of Directors. For the past 14 years, Mr Finlay has been solely engaged in governance. He has recently been appointed to the new Reserve Bank of New Zealand (RBNZ) Board from 1 July 2022 and will also sit on the interim “transition Board” for RBNZ as it prepares its new governance arrangements under the RBNZ Act 2021. He is currently Chair of PGG Wrightson Limited and New Zealand Post Limited; Deputy Chair of Rural Equities Limited; and is a director of various entities including Ngāi Tahu Holdings Corporation Limited and Moeraki Limited. Mr Finlay was previously Chair of the Independent Advisory Panel of the Provincial Growth Fund.

Neville Harris QSO, Director

Neville Harris QSO was appointed to the CRHL Board for the period 3 September 2019 to 22 July 2022. He has worked for most of his career in the Public Sector in New Zealand with prominent roles in the management and supervision of the regulatory framework for corporations, securities, insolvency, intellectual property rights and Crown mineral estate. He was a Deputy Secretary at the Ministry of Economic Development until 2013. He is an independent director of Kiwifruit New Zealand and a trustee of the Christchurch Stadium Trust. Mr Harris was previously a member of the Independent Advisory Panel of the Provincial Growth Fund.

Graeme Mitchell, Director

Graeme Mitchell was appointed to the CRHL Board for the period 3 September 2019 to 22 July 2022. He is a former Audit and Assurance Partner at Deloitte and the former Chair of the External Reporting Board. He is currently Chair of the Human Rights Commission Audit and Risk Committee; a director of Retirement Income Group Limited (trading as Lifetime Retirement Income); and a member of the Kāinga Ora Audit and Risk Committee, as well as various other audit and risk committees. Mr Mitchell is also the Honorary Consul General for Norway.

CASE STUDY

Ōpōtiki Harbour Development Project

Support from CRHL in the small Eastern Bay of Plenty town of Ōpōtiki was more than just one project receiving funding – it was about catalytic change that a package of investments could achieve.

CRHL has contributed nearly $80m in funding towards the Ōpōtiki Harbour Development Project, which will improve the Ōpōtiki Harbour entrance, significantly improving harbour access for large boats.

Coupled with other Government investments in aquaculture development including a mussel processing factory, and new marine and industrial infrastructure, the Ōpōtiki Harbour Development Project enables Ōpōtiki to become a service and processing base for aquaculture and other marine related industries. This will generate new jobs and a whole new economy for the region – with many positive social outcomes as a result.

The Ōpōtiki Harbour Transformation Project came to win the MartinJenkins EXCELLENCE Award for Economic Well-being at the 2021 Local Government New Zealand Excellence Awards. The project also took out the top honour as the overall Local Government EXCELLENCE winner.

Reflecting on the journey to reach this point, Ōpōtiki District Mayor Lyn Riesterer said "The community, the Council, Whakatōhea, and private enterprise have worked so hard on this project for such a long time. With the financial backing of Central Government and the Bay of Plenty Regional Council we have been able to achieve something of significant scale and really make a difference in our local communities."

Statement of Performance

CRHL loan book profile as at 30 June 2021

	ACTUAL 2021	ACTUAL 2020
***Total loans novated to CRHL:*[1]**		
Number of loans novated to CRHL	155	30
Range of loan values	$0.043 to $38.000 million	$0.261 to $19.500 million
Range of loan maturities	6 months to 15 years	6 months to 15 years
Total nominal value of novated loans	**$572.320 million**	**$126.809 million**
Loans drawn down at 30 June:		
Number of loans	96	19
Range of loan values	$0.043 to $19.500 million	$0.261 to $10.000 million
Range of loan maturities	6 months to 15 years	6 months to 10 years
Total loans and advances	**$197.108 million**	**$30.478 million**
Total value of undrawn loan commitments	**$246.122 million**	**$24.631 million**
Performing loans:		
› number of loans	95	19
› amount (principal and interest accrued)	$195.713 million	$30.478 million
Non-performing loans[2]:		
› number of loans	1	–
› amount (principal and interest accrued)	$1.395 million	–
Repayments expected in year ended 30 June 2022		
› interest repayments due	$0.836 million	$1.600 million
› principal repayments due	$1.783 million	$2.170 million
Repayments expected in year ending 30 June 2023[3]		
› interest repayments due	$2.054 million	$4.016 million
› principal repayments due	$4.155 million	$25.106 million
Repayments expected in year ending 30 June 2024[3]		
› interest repayments due	$8.167 million	–[4]
› principal repayments due	$46.311 million	–[4]

Notes:

1. A loan to Onyx Capital Limited (Maungatapere Berries) was repaid early in October 2021 ($2.370 million total loan facility and $2.281 million drawn amount).
2. Non-performing loans are currently defined as loans where interest and/or principal payments have been missed.
3. Expected repayments of interest include amounts that are due to be accrued in the future years.
4. Forecast for this period was not reported as at 30 June 2020.

Performance of CRHL's investments in equity

The table below sets out CRHL's position in respect of investments in equity as at 30 June 2021.

	ACTUAL 2021	ACTUAL 2020
Total equity investments novated to CRHL:		
Number of equity investments novated to CRHL	7	1
Range of values	$5.000 to $19.950 million	$19.000 million
Total nominal value of novated investments	$90.550 million	$19.000 million
Funding paid:		
Number of projects	6	1
Total funding paid	**$39.850 million**	**$19.000 million**

Performance of CRHL's fixed assets under construction

The table below sets out CRHL's position in respect of fixed assets under construction as at 30 June 2021.

Total assets under construction novated to CRHL:		
Number of projects novated to CRHL	2	–
Range of values	$8.000 to $99.400 million	–
Total nominal value of novated projects	$107.400 million	–
Funding paid:		
Number of projects	2	–
Total funding paid	**$26.706 million**	**–**

CASE STUDY

The Limery

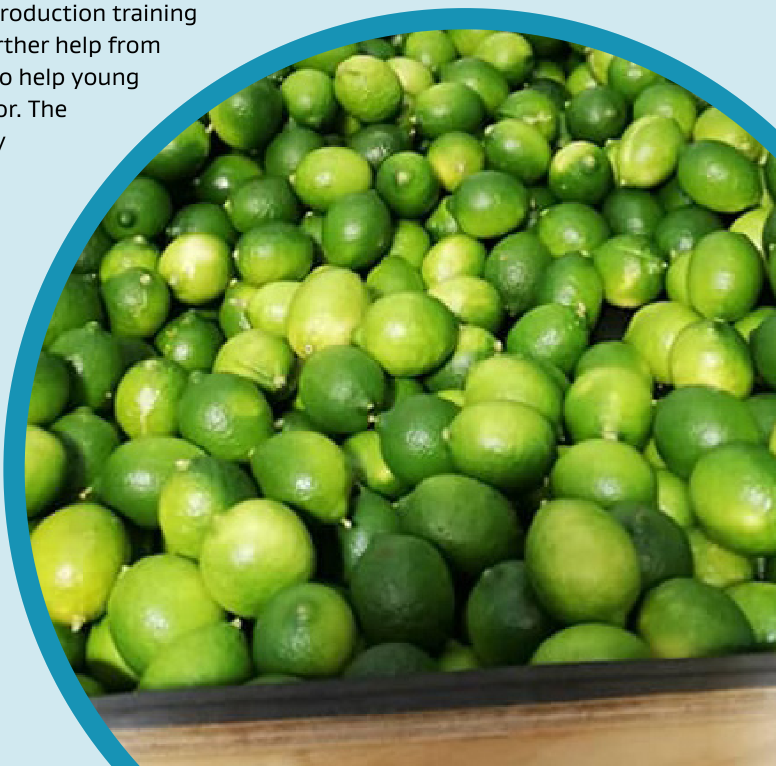
From humble beginnings as a citrus orchard, The Limery is now a thriving horticultural business creating high value produce in the Hawke's Bay town of Wairoa.

The Limery was established by co-owners Dianne Downey and Paul Hyslop in 2009 and expanded its commercial whole fruit business in 2012 to include a lime juicing operation – the only one of its type in New Zealand.

To enable this, the business built a pack house and juice processing facility. A $355,000 loan provided by CRHL in 2019 helped to fund the expansion of The Limery's production plant, enabling the business to increase its processing volumes, broaden its range of value-added products and expand its workforce.

The Limery has provided an alternative business model for a region of New Zealand dominated by freezing works and forestry. Its citrus production training programme, Te Rau Haumako, was developed with further help from Government funding and provides targeted support to help young people onto career pathways in the horticultural sector. The Limery has also been willing to support its community by sharing its knowledge and expertise to help others move into more productive and lucrative horticulture ventures.

The Limery's locally produced, not-from-concentrate bottles of juice, pantry products and whole fruit can be found in restaurants, bars and speciality shops around New Zealand.



Statement of Compliance and Responsibility

Statement of Compliance

The Board of Crown Regional Holdings Limited acknowledges that the company has not met the requirements of section 156 (3)(a) of the Crown Entities Act 2004 which required it to receive an audit report by 31 December 2021. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

Statement of Responsibility

We are responsible for the preparation of Crown Regional Holdings Limited's Financial Statements and Statement of Performance and for the judgements made in them.

We are responsible for any end of year performance information provided by Crown Regional Holdings Limited under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance to the integrity and reliability of financial reporting.

In our opinion, these Financial Statements and Statement of Performance fairly reflect the financial position and operations of Crown Regional Holdings Limited for the 12 months ended 30 June 2021.

Signed for and on behalf of the Board:

Rodger Finlay
Chair, Crown Regional Holdings Limited
15 February 2022

Graeme Mitchell
Director, Crown Regional Holdings Limited
15 February 2022

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Crown Regional Holdings Limited's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Crown Regional Holdings Limited (the Company). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 24 to 63, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 15 to 16.

In our opinion:

- the financial statements of the Company on pages 24 to 63:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2021; 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 Public Benefit Entity Reporting Standards; and
- the performance information on pages 15 to 16:
    - presents fairly, in all material respects, the Company's performance for the year ended 30 June 2021, including for each class of reportable outputs:
        - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and

- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and

- complies with generally accepted accounting practice in New Zealand.

Our audit was completed late

Our audit was completed on 15 February 2022. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required under section 156(3)(a) of the Crown Entities Act 2004. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

The basis for our opinion is explained below, and we draw your attention to the key judgements and assumptions applied by the Company in estimating the value of its loans, advances and investments in equity shares. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter - Key judgements and assumptions in estimating the value of loans, advances and investments in equity shares

Without modifying our opinion, we draw attention to Notes 2 and 4 on pages 36 to 37 and 49 that describe the key judgements and assumptions applied by the Company and the uncertainties in estimating the value of its loans, advances and investments in equity shares as at 30 June 2021. In particular the use of financial forecasts in the valuations, how the discount rates and expected credit losses are determined and whether a significant increase in credit risk has occurred.

Basis for our opinion

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

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

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

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

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

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

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

The Board's responsibilities arise from the Public Finance Act 1989 and the Crown Entities Act 2004.

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

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

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Company's statement of performance expectations.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud 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.
- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 63, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

Clint Ramoo
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

CRHL CROWN REGIONAL HOLDINGS LIMITED

Financial Statements for 12 months ended 30 June 2021

Statement of Comprehensive Revenue and Expenses

For 12 months ended 30 June 2021

	Note	Actual 2021 $000	Actual 2020 $000	Budget 2021 $000
Revenue				
Interest from loans and advances	7	5,255	204	4,592
Interest from bank deposits	7	1,189	47	60
Funding from Crown	7	1,000	500	1,000
Total revenue		**7,444**	**751**	**5,652**
Expenses				
Concession on undrawn loan commitments	6	(98,704)	(1,145)	-
Concession on initial recognition of loans and advances	2	(27,696)	(631)	(19,381)
Fair value losses on loans and advances	2	(14,505)	(6,268)	-
Fair value loss on investments in equity shares		(7,638)	-	-
Provision for impairment of loans and advances		(755)	(1,097)	
Gains/(losses) from investments in joint ventures		(358)	-	-
Gains/(losses) from investments in associates		112	-	-
Directors' remuneration	12	(81)	(67)	(81)
Other expenses		(1,038)	(283)	(1,386)
Total expenses		**(150,663)**	**(9,491)**	**(20,848)**
Net surplus/(deficit)		**(143,219)**	**(8,740)**	**(15,196)**
Total comprehensive revenue and expense		**(143,219)**	**(8,740)**	**(15,196)**

Explanations for major variances against budget are disclosed in respective notes.

The accompanying notes form part of these Financial Statements.

Statement of Financial Position

As at 30 June 2021

	Note	Actual 2021 $000	Actual 2020 $000	Budget 2021 $000
Assets				
Current assets				
Term deposits	13	250,000	-	-
Cash and cash equivalents	13	184,133	179,071	5,784
Loans and advances	2	1,994	1,322	2,135
Trade and other receivables	13	784	100	-
Total current assets		**436,911**	**180,493**	**7,919**
Non-current assets				
Loans and advances	2	121,215	17,963	337,736
Fixed assets under construction	5	33,878	-	-
Investments in associates	3	20,612	19,000	20,000
Investments in equity shares	4	7,362	-	86,550
Investments in joint ventures	3	3,992	-	-
Total non-current assets		**187,059**	**36,963**	**444,286**
Total assets		**623,970**	**217,456**	**452,205**
Liabilities				
Current liabilities				
Trade payables	13	219	277	-
Other payables		7,172	12,952	-
Provision for concessionary loss on undrawn loan commitments	6	76,769	1,145	-
Total current liabilities		**84,160**	**14,374**	**-**
Total liabilities		**84,160**	**14,374**	**-**
Net assets		**539,810**	**203,082**	**452,205**
Equity				
Contributed capital	11	691,769	211,822	471,871
Accumulated surplus/(deficit)		(151,959)	(8,740)	(19,666)
Total equity		**539,810**	**203,082**	**452,205**

Explanations for major variances against budget are disclosed in respective notes.

The accompanying notes form part of these Financial Statements.

Statement of Changes in Equity

For 12 months ended 30 June 2021

	Note	Actual 2021 $000	Actual 2020 $000	Budget 2021 $000
Balance at the beginning of the period		203,082	-	210,401
Share capital	11	475,000	186,000	257,000
Investments transferred from MBIE	2, 11	4,947	25,822	-
Net surplus/(deficit) for the period		(143,219)	(8,740)	(15,196)
Total equity as at 30 June		**539,810**	**203,082**	**452,205**

Explanations for major variances against budget are disclosed in respective notes.

The accompanying notes form part of these Financial Statements.

Statement of Cash Flows

For 12 months ended 30 June 2021

	Note	Actual 2021 $000	Actual 2020 $000	Budget 2021 $000
Cash flows from operating activities				
Cash provided from:				
Receipts from MBIE		1,265	460	1,000
Cash disbursed to:				
Payments to suppliers		(1,280)	(14)	(1,386)
Payments to Directors		(67)	(67)	(81)
Net GST		(398)	(52)	-
Net cash flow from operating activities		**(480)**	**327**	**(467)**
Cash flows from investing activities				
Cash provided from:				
Interest received from bank deposits		808	47	307
Interest received from loans and advances		271	-	60
Other loans and advances repaid		2,338	-	-
Principal term deposits matured		100,000	-	-
Cash disbursed to:				
Amounts placed on term deposits		(350,000)	-	-
Acquistion of investments in associates		(14,452)	-	(7,000)
Acquistion of investments in joint ventures		(4,350)	-	-
Acquistion of investments in equity shares		(10,000)	-	(81,550)
Suspensory loans paid by CRHL		(20,278)	(1,857)	-
Other loans and advances paid by CRHL		(152,036)	(5,446)	(305,718)
Fixed assets under construction		(21,759)	-	-
Net cash flow from investing activities		**(469,458)**	**(7,256)**	**(393,901)**
Cash flows from financing activities				
Cash provided from:				
Capital contribution from the Crown	11	475,000	186,000	257,000
Net cash flow from financing activities		**475,000**	**186,000**	**257,000**
Net movement in cash		**5,062**	**179,071**	**(137,368)**
Opening cash and cash equivalents balance		179,071	-	143,152
Closing cash and cash equivalents balance	13	**184,133**	**179,071**	**5,784**

Explanations for major variances against budget are disclosed in respective notes.

The accompanying notes form part of these Financial Statements.

Statement of Cash Flows (continued)

For 12 months ended 30 June 2021

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

	Note	Actual 2021 $000	Actual 2020 $000
Net surplus/(deficit)		**(143,219)**	**(8,740)**
Add/(less) items classified as investing or financing activities:			
Interest income		(6,444)	(251)
Concession on initial recognition of loans and advances	2	27,696	631
Concession on undrawn loan commitments	6	98,704	1,145
Provision for impairment of loans and advances		755	1,097
Fair value losses on loans and advances	2	14,505	6,268
Fair value loss on investments in equity shares		7,638	-
(Gains)/losses from investments in associates		(112)	-
(Gains)/losses from investments in joint ventures		358	-
Total items classified as investing or financing activities		**143,100**	**8,890**
Add/(less) movements in working capital:			
(Increase) in receivables		(281)	(100)
(Decrease)/increase in payables		(80)	277
Net movement in working capital items		**(361)**	**177**
Net cash flow from operating activities		**(480)**	**327**

The accompanying notes form part of these Financial Statements.

Notes to the Financial Statements

For 12 months ended 30 June 2021

Note 1. Statement of accounting policies

REPORTING ENTITY

Crown Regional Holdings Limited (CRHL) (formerly known as "Provincial Growth Fund Limited" (PGFL)) is a limited liability company (LLC) incorporated in New Zealand under the Companies Act 1993 and is a Schedule 4A entity of the Public Finance Act 1989. CRHL is domiciled and operates in New Zealand. CRHL's ultimate parent is the New Zealand Crown.

On 21 June 2021, a Board resolution was passed and the name of the entity was changed from Provincial Growth Fund Limited to Crown Regional Holdings Limited. This was lodged with the Registrar of Companies on 24 June 2021.

CRHL's primary objective is to act as an asset holding company to hold loans and equity investments made through the Provincial Growth Fund (PGF), Regional Investment Opportunities (RIO) Fund, Strategic Tourism Assets Protection Programme (STAPP), Infrastructure Reference Group (IRG) "shovel-ready" projects and other regional economic development initiatives. CRHL does not operate to make a financial return.

CRHL has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements for CRHL are for the 12 months ended 30 June 2021, and were approved by the Board on 15 February 2022.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently since the inception of CRHL.

Statement of compliance

The financial statements of CRHL have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

CRHL is a Tier 1 entity and the financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000), except for when stated otherwise.

Comparative information

The financial statements are presented for the full year ended 30 June 2021, while the comparative figures are for a 10 month period from 3 September 2019 (date of establishment) to 30 June 2020.

New accounting standards and interpretations

There were no new accounting standards or interpretations that affect CRHL for the financial year ended 30 June 2021.

Standards early adopted

CRHL early adopted Public Benefit International Financial Reporting Standard (PBE IFRS) 9 *Financial Instruments*. The standard replaces Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) 29 *Financial Instruments: Recognition and Measurement* and includes revised guidance on the classification and measurement of financial instruments as well as a new impairment model for financial assets based on expected future credit losses.

Standards issued and not yet effective and not early adopted

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

Note 1. Statement of accounting policies (continued)

Amendment to PBE IPSAS 2 Cash Flow Statements

An amendment to PBE IPSAS 2 *Cash Flow Statements* requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The initial assessment indicates that the standard will not have a material impact on CRHL's financial statements.

PBE IPSAS 41 Financial Instruments

Effective for annual reporting periods beginning on or after 1 January 2022, this standard, when applied, supersedes PBE IFRS 9 *Financial Instruments*. This new standard:

- Introduces a classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held.
- Applies a forward-looking expected credit loss (ECL) model that is applicable to all financial instruments subject to impairment testing.
- Introduces a hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

Although CRHL has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

Amendments to PBE IPSAS 29, PBE IPSAS 30, PBE IPSAS 41, PBE IFRS 9 – PBE Interest Rate Benchmark Reform

Effective for annual reporting periods beginning on or after 1 January 2020, this amended standard is based on amendments issued by the IASB. The objective of the amendments is to provide temporary relief to enable hedge accounting to continue during a period of uncertainty before the replacement of an existing interest rate benchmark, such as interbank offered rates (IBORs), with an alternative nearly risk-free interest rate.

The standard will not impact CRHL's financial statements as CRHL does not apply hedging.

PBE FRS 48 Service Performance Reporting

This standard was issued in November 2017 and is effective for annual reporting periods beginning on or after 1 January 2022. The standard establishes requirements for PBEs to select and present service performance information. PBEs within the scope of this standard will need to provide users with:

- Sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this.
- Information about what the entity has done during the reporting period in working towards its broader aims and objectives.

The initial assessment indicates that the standard will not have material impact on CRHL's financial statements.

Note 1. Statement of accounting policies (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate, and are highlighted with a green background:

- Loans and advances (note 2)
- Investments in associates and joint ventures (note 3)
- Investments in equity shares (note 4)
- Fixed assets under construction (note 5)
- Provision for concessionary loss on undrawn loan commitments (note 6)
- Revenue (note 7)
- Other expenses (note 8)
- Contingent liabilities and contingent assets (note 9)
- Capital management (note 11)
- Financial instruments (note 13)

Significant accounting policies that do not relate to a specific note are outlined below.

There have been no changes in accounting policies during the reporting period.

Goods and services tax (GST)

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

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

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

CRHL is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks. While cash and cash equivalents at 30 June 2021 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is immaterial.

Trade and other receivables

Trade and other receivables are non-derivative financial assets initially recorded at their fair value and subsequently measured at amortised cost. Receivables recorded at the amount due, less an allowance for credit losses. CRHL applies a simplified approach to recognising lifetime expected credit losses on receivables. In measuring expected credit losses, receivables have been assessed on a collective basis, based on the days past due, as they possess shared credit risk characteristics.

Trade and other payables

Trade and other payables are non-interest bearing liabilities that are recorded at their face value. The carrying value of payables approximates their fair value.

Funding from the Crown

CRHL is primarily funded by the Crown. This funding is restricted in its use for the purpose of CRHL meeting the objectives specified in the Crown Entities Act 2004 and the scope of the relevant appropriations of the funder.

CRHL considers there are no conditions attached to the funding and it is recognised as revenue progressively over the period of entitlement.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Directors’ remuneration

Directors’ remuneration is recognised as an expense in the period in which it is earned by Directors.

Note 1. Statement of accounting policies (continued)

Budget figures

The budget figures are derived from the statement of performance expectations as approved by the Board. The budget figures are unaudited and have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, CRHL has made estimates and assumptions concerning the future. These estimates and assumptions might differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on a number of factors, including expectations of future events that are believed to be reasonable under the circumstances.

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty associated with:

- the extent and duration of the disruption to businesses arising from the actions by governments, businesses, and consumers to contain the spread of the virus; and
- the extent and duration of the expected economic downturn.

CRHL has developed various accounting estimates based on forecasts of economic conditions and of borrowers' ability to meet their financial and non-financial obligations to CRHL. These estimates reflect expectations as at 30 June 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved and accordingly, actual events are likely to be different from those forecast. The effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to the expected credit losses and recoverable amount assessment of non-financial assets held as collateral for secured loans and advances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are highlighted in the relevant note with a red background:

- Loans and advances (note 2)
- Investments in associates and joint ventures (note 3)

Critical judgements in applying accounting policies

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

- Market rates used for determining fair value of loans and advances (note 2)
- Classification of suspensory loans as loans and advances (note 2)
- Classification of investments in associates and joint ventures (note 3)
- Classification of investments in equity shares (note 4)

These judgements are highlighted in the relevant note with a red background.

OTHER OBLIGATIONS UNDER CROWN ENTITIES ACT 2004

Directions issued by Ministers

The Shareholding Ministers did not give any written direction under any enactment to CRHL in 2020/21.

A direction issued by the Minister of State Services and the Minister of Finance that applies to CRHL as a Crown entity, and is still current, is May 2016 direction issued under section 107 of the Crown Entities Act 2004 to apply the whole-of-government approach to implementing the New Zealand Business Number (NZBN).

Obligation to be a good employer

As CRHL does not have any staff, there is no relevant information to provide in respect of CRHL's obligation to be a good employer as required by section 151(1)(g) of the Crown Entities Act 2004.

Note 2. Loans and advances

Accounting policy

Initial recognition, classification and measurement

Financial assets are initially recognised at fair value, plus transaction costs in the case of a financial asset not measured at fair value through surplus or deficit (FVTSD). Financial assets are classified on initial recognition in accordance with the business model in which assets are managed and their contractual cash flow characteristics. CRHL's financial assets are classified as:

- subsequently measured at amortised cost where the business model is to hold the financial assets in order to collect contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI), or
- FVTSD if they are held for trading or if the cash flows are not SPPI.

Cash and cash equivalents and trade receivables meet the SPPI test and are held to collect the contractual cash flows, therefore they are classified as subsequently measured at amortised cost.

When classifying loans and advances, CRHL first assesses whether the substance of the transaction is a loan, a grant, an equity contribution, or a combination thereof. If CRHL has determined that the transaction is a loan and advance it is then classified into the following classes:

- *Other loans and advances (amortised cost)* – loans granted at market interest rates at the time of issue and where repayment terms reflect SPPI. Such loans are included in the business model to hold to collect the contractual cash flows. CRHL does not have any loans granted at market interest rates where repayment terms do not reflect SPPI.
- *Concessionary loans (amortised cost with adjustment to fair value on initial recognition)* - loans granted with interest terms below market rates but where repayment terms reflect SPPI. Concessions provided by CRHL include interest rates below those available on the market, grace periods, or a combination of these. Such loans are included in the business model to hold and collect the contractual cash flows.
- *Concessionary loans (FVTSD)* – loans with contractual provisions that change the timing or amount of cash flows giving rise to returns different from basic lending arrangements.
- *Suspensory loans (FVTSD)* – loans where CRHL does not expect to recover all of its initial loan due to full or partial forgiveness of the loan, subject to a borrower achieving agreed public benefit outcomes. Suspensory loans are mostly interest-free for a specified period, and are then forgiven, in part or full, if specific loan conditions are fulfilled.

The transaction price of concessionary loans and suspensory loans will not represent the fair value of the loan on initial recognition due to the off-market nature of the transaction. Fair value is therefore required to be determined by discounting all future cash receipts using a market related rate of interest for a similar loan. The difference between the transaction price (loan provided) and the fair value represents a concession write-down which is recognised in the Statement of Comprehensive Revenue and Expense on initial recognition.

Subsequent measurement

Loans and advances measured at amortised cost

Loans and advances measured at amortised costs are subsequently measured using the effective interest method (including transaction costs), less any impairment losses. If loans and advances are issued with duration of less than 12 months, they are recognised at their nominal value, unless the effect of discounting is material. Interest income and expected credit losses (ECL) are recognised in the Statement of Comprehensive Revenue and Expense.

Note 2. Loans and advances (continued)

Accounting policy (continued)

Subsequent measurement (continued)

Loans and advances measured at FVTSD

For loans and advances measured at FVTSD, transaction costs are expensed as incurred. Subsequently, these loans are measured at FVTSD with any realised and unrealised gains or losses recognised in surplus or deficit in the Statement of comprehensive revenue and expense. Interest income is separately reported in surplus or deficit in the Statement of comprehensive revenue and expense.

Fair value is the amount for which the loans could be exchanged between knowledgeable, willing parties on an arm's-length basis and is calculated using a valuation technique.

Loans and advances classified at FVTSD are not assessed for impairment as their fair value reflects the credit quality of the instruments and changes in fair value are recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expense.

Impairment losses (financial assets at amortised cost)

An ECL model is used to recognise impairment losses on financial assets subsequently measured at amortised cost. Assessment is made at each reporting date for any significant increase in the credit risk since initial recognition.

A three-staged approach is applied to loans and advances, where ECL is recognised in line with the credit quality stage of the loans and advances:

- Stage 1. At initial recognition, a provision equivalent to 12 months of the ECL is recognised.
- Stage 2. Where there has been a significant increase in credit risk since initial recognition, a provision equivalent to a lifetime ECL is recognised.
- Stage 3. Where a loan is impaired or in default and there is objective evidence of impairment, a lifetime ECL is recognised.

ECL is determined by evaluating a range of possible outcomes, taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Evidence that a financial asset may be impaired includes significant financial difficulty of a borrower; a breach of contract such as a default or past due event; a restructuring of a loan on terms that CRHL would not consider otherwise; or a borrower entering bankruptcy or other financial reorganisation.

A financial asset that is overdue for 90 days or more is considered impaired (stage 3).

Financial assets are written-off (either partially or in full) when there is no reasonable expectation of recovering it in its entirety or a portion thereof. CRHL determines whether a financial asset should be written-off on an individual asset basis taking into consideration individual borrower's assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Recoveries of the amounts previously written-off are included in the provision for impairment of loans and advances in the Statement of Comprehensive Revenue and Expenses.

Financial assets that are written-off could still be subject to enforcement activities aimed at recovery of the amounts due.

Note 2. Loans and advances (continued)

Accounting policy (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from CRHL's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- CRHL has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) CRHL has transferred substantially all the risks and rewards of the asset, or (b) CRHL has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When CRHL has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, CRHL continues to recognise the transferred asset to the extent of its continuing involvement. In that case, CRHL also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that CRHL has retained.

Note 2. Loans and advances (continued)

Critical accounting estimates and judgements

(i) Valuation of concessionary loan and suspensory loans

Valuation of loans and advances, on initial recognition and subsequently if held at FVTSD, is performed using the following assumptions:

- Discount rate which is the arm's length rate for a loan;
- For suspensory loans provided on concessionary terms, assumptions regarding a borrower's ability to fulfil conditions preceding a loan forgiveness; and
- Where repayment dates are subject to meeting certain conditions or milestones, expectations regarding such timing.

CRHL determines arm's length rate for its loans and advances on an individual basis. Judgements are made in setting the arm's length rate that is determined by observing benchmark interest rates that are then adjusted for various risks, including risk associated with a borrower's financial position at the time a loan is provided, loan security, construction risk etc.

(ii) Impairment of loans and advances measured at amortised cost

Loans and advances measured at amortised cost are assessed for impairment on an individual basis at the end of the reporting period. In determining whether an impairment loss should be recognised, judgements are made whether there is any observable evidence indicating an adverse change in the payment status of the borrower, or economic conditions that correlate with defaults on similar assets. The assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The impact of COVID-19 on the global economy and how governments, businesses, and consumers respond is uncertain. This uncertainty is reflected in CRHL's assessment of ECL from its loans and advances portfolio which are subject to a number of management judgements and estimates. These judgements and associated assumptions reflect those factors that are considered to be relevant, including the extent and duration of the pandemic, the responses of the businesses, and consumers in different industries, along with the associated impact of the global economy.

CRHL applied the following judgements and estimates in determining ECL for loans and advances measured at amortised cost:

- *Measuring 12-month and lifetime credit losses.* ECL is a function of the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD), which are point-in-time measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining PD since CRHL was established in September 2019 and has no historical information. Also judgement is involved in determining which forward-looking information variables are relevant for CRHL's loans and advances portfolio.
- *Determining when a significant increase in credit risk has occurred.* In the measurement of ECL, judgement is involved in determining whether there has been a significant increase in credit risk since initial recognition of a loan, which would result in a loan moving from Stage 1 to Stage 2. This transition increases the ECL from allowance based on the probability of default for the next 12 months, to allowance for lifetime ECL.

ECL are probability-weighted and determined by evaluating a range of possible outcomes, taking into account the time value of money, past events, current conditions and forecasts of future economic conditions. The ECL model uses three main components to determine expected credit loss:

- PD: a probability that a counterparty will default;
- LGD: the loss that is expected to arise in the event of default; and
- EAD: the estimated outstanding amount of credit exposure at the time of default.

Note 2. Loans and advances (continued)

Critical accounting estimates and judgements (continued)

The table below presents a range of rates applied in the ECL model.

	2021	2020
Discount rates	3.12% - 15.0%	5.87% - 15.0%
Default rates applied for Stage 1 loans	0.27% - 2.55%	0.27% - 2.25%
Default rates applied for Stage 2 loans	2.70% - 25.50%	2.70% - 22.50%
Default rates applied for Stage 3 loans	45.00% - 75.00%	45.00% - 75.00%
Loss given default rates applied	10.00% - 100.00%	10.0% - 100.00%

ECL model uses the following scenarios:

Scenario	Scenario Weighting Applied
Scenario 1: low but steady economic and employment growth, supported by a lower interest rate forecast	60%
Scenario 2: a mild upside with a higher track for GDP and interest rates	5%
Scenario 3: a mild downside with a short-term impact on GDP, lower employment growth and interest rates	25%
Scenario 4: a severe downside with a sharp reduction in GDP and material increase in unemployment	10%

The expected trajectory for the domestic economy remains highly uncertain given the continuing impacts of the pandemic on global trade patterns, commodity prices, and the flow of international tourists and students. While the Government and the Reserve Bank of New Zealand (RBNZ) has provided significant levels of fiscal and monetary support to the New Zealand economy, it is difficult to predict the levels of continuing support required and whether the economy will respond as forecast. The economic scenarios and consequent provision impacts will continue to be assessed as the situation develops and as more data becomes available to better model the potential credit losses that may result from the impact of COVID-19 on the New Zealand economy.

(iii) Suspensory loans

Suspensory loans are loans that are forgiven if specific loan conditions are fulfilled. Judgement is involved in determining whether a suspensory loan is a financial asset in accordance with PBE IFRS 9 *Financial Instruments* and whether a borrower is on track with fulfilling forgiveness conditions.

The fair value of suspensory loans in this financial statements is deemed to be nil and is determined based on the following assumptions:

- First, concession is recognised using the discount rate which is the arm's length rate for the loan.
- Then, the loan net of concession is written down to nil fair value based on the assumptions regarding a borrower's ability to fulfil agreed conditions for the loan forgiveness.

When agreed conditions for the loan forgiveness are met, a borrower notifies CRHL. CRHL checks that the conditions are met to its satisfaction and writes-off the loan accordingly.

Note 2. Loans and advances (continued)

The primary responsibility for the management and administration of CRHL's loans remains with the Crown. The decision making in relation to CRHL's loans and advances is governed by the criteria for the PGF, RIO fund, IRG fund and STAPP as published by the Ministry of Business, Innovation and Employment (MBIE) from time to time, which includes non-financial criteria.

The following table presents loans and advances by product type and classification.

	Note	Actual 2021 $000	Actual 2020 $000
Loans and advances at amortised cost			
Concessionary loans	(a)	60,868	4,256
Other loans and advances		38,816	7,568
Total loans and advances at amortised cost		**99,684**	**11,824**
Less: Provision for impairment of loans and advances	(b)	(1,852)	(1,097)
Net loans and advances at amortised cost		**97,832**	**10,727**
Loans and advances at fair value through surplus and deficit			
Concessionary loans	(a)	25,248	3,558
Suspensory loans	(a)	129	-
Other loans and advances		-	5,000
Net loans and advances at fair value through surplus and deficit		**25,377**	**8,558**
Total loans and advances		**123,209**	**19,285**
Consists of:			
Current		1,994	1,322
Non-current		121,215	17,963
Total loans and advances		**123,209**	**19,285**

Loans and advances include $1.958 million of accrued interest as at 30 June 2021 (30 June 2020: $0.304 million).

For the 12 months ended 30 June 2021, $5.000 million of loans and advances were converted to equity (10 months ended 30 June 2020: $6.048 million).

Note 2. Loans and advances (continued)

(a) Concessionary and suspensory loans

The table below reconciles the concession movement of the loans and advances:

	Concessionary loans $000	Actual Suspensory loans $000	Total $000
10 months ended 30 June 2020:			
Carrying value at the beginning of the period	-	-	-
Additions (nominal value)	15,627	2,210	17,837
Concession on novated loans and advances (equity)	(3,016)	(230)	(3,246)
Concession on initial recognition of loans and advances	(540)	(91)	(631)
Concession unwind	49	-	49
Interest accrued for the period	73	-	73
Fair value gains/(losses) on loans and advances	(4,379)	(1,889)	(6,268)
Total concessionary and suspensory loans at 30 June 2020	**7,814**	**-**	**7,814**
12 months ended 30 June 2021:			
Additions (nominal value)	127,421	12,499	139,920
Concession on initial recognition of loans and advances	(26,583)	(1,113)	(27,696)
Provision for concessionary loss on undrawn commitments	(20,553)	(2,527)	(23,080)
Concession unwind	2,826	503	3,329
Interest accrued for the period	441	124	565
Interest repaid in the period	(102)	-	(102)
Fair value gains/(losses) on loans and advances	(5,148)	(9,357)	(14,505)
Total concessionary and suspensory loans at 30 June 2021	**86,116**	**129**	**86,245**

Note 2. Loans and advances (continued)

Sensitivity analysis

Changes in discount rate have no impact on fair value of suspensory loans as they are written-down to nil fair value at initial recognition.

The table below presents the significant inputs and sensitivity of fair value of concessionary loans and advances to changes in the discount rates:

	Actual 2021 $000	Actual 2020 $000
Concessionary loans and advances measured at amortised cost		
Assumptions:		
Fair value	60,868	4,256
Interest rates applied	0.00% - 4.39%	0.00% - 3.80%
Discount rates	3.12% - 10.29%	5.87% - 15.00%
Sensitivity analysis:		
Impact on fair value of increase in discount rate by 1%	(2,752)	(166)
Impact on fair value of decrease in discount rate by 1%	3,735	175
Concessionary loans and advances measured at fair value		
Assumptions:		
Fair value	25,248	3,558
Interest rates applied	0.00% - 1.50%	0.00% - 5.00%
Discount rates	4.62% - 12.37%	1.62% - 9.28%
Sensitivity analysis:		
Impact on fair value of increase in discount rate by 1%	(1,390)	(560)
Impact on fair value of decrease in discount rate by 1%	1,510	605

Note 2. Loans and advances (continued)

(b) Provision for impairment of loans and advances

The tables below reconcile the movements of the provision for impairment of loans and advances at amortised cost and show the impact of changes in gross carrying amounts of the loans and advances. The tables categorise loans and advances by the stage of credit quality used to calculate expected credit losses.

Movements of the gross carrying amounts and provision for impairment of loans and advances as at 30 June 2021:

	Actual 2021			
	Stage 1	Stage 2	Stage 3	Total loans and advances at amortised cost
	$000	$000	$000	$000
Gross carrying amount:				
Balance at the beginning of the period	6,788	3,815	2,119	**12,722**
Additions	106,308	301	1,289	**107,898**
Repayments	(2,608)	-	-	**(2,608)**
Net transfers between stages	3,160	(3,815)	655	**-**
Gross loans and advances at 30 June	**113,648**	**301**	**4,063**	**118,012**
Balance at the beginning of the period	(815)	(83)	-	**(898)**
Net transfers between stages	(26)	83	(57)	**-**
Concession on initial recognition of loans and advances	(17,263)	(123)	(44)	**(17,430)**
Loans and advances net of concession at 30 June	**95,544**	**178**	**3,962**	**99,684**
Provision for impairment of loans and advances:				
Balance at the beginning of the period	(19)	(228)	(850)	**(1,097)**
New collective provision made	(1,375)	(61)	-	**(1,436)**
New individually assessed provision made	-	-	(329)	**(329)**
Reversal of provision	1,010	-	-	**1,010**
Net transfers between stages	(228)	228	-	**-**
Provision for impairment of loans and advances at 30 June	**(612)**	**(61)**	**(1,179)**	**(1,852)**
Net loans and advances at 30 June	**94,932**	**117**	**2,783**	**97,832**

Note 2. Loans and advances (continued)

Movements of the gross carrying amounts and provision for impairment of loans and advances as at 30 June 2020:

	Actual 2020			
	Stage 1	Stage 2	Stage 3	Total loans and advances at amortised cost
	$000	$000	$000	$000
Gross carrying amount:				
Balance at the beginning of the period	-	-	-	**-**
Additions	6,788	3,815	2,119	**12,722**
Gross loans and advances at 30 June	**6,788**	**3,815**	**2,119**	**12,722**
Concession on initial recognition of loans and advances	(815)	(83)	-	**(898)**
Loans and advances net of concession at 30 June	**5,973**	**3,732**	**2,119**	**11,824**
Provision for impairment of loans and advances:				
Balance at the beginning of the period	-	-	-	**-**
New collective provision made	(19)	(228)	-	**(247)**
New individually assessed provision made	-	-	(850)	**(850)**
Provision for impairment of loans and advances at 30 June	**(19)**	**(228)**	**(850)**	**(1,097)**
Net loans and advances at 30 June	**5,954**	**3,504**	**1,269**	**10,727**

Note 2. Loans and advances (continued)

At 30 June 2021, CRHL had no loans that were past due but not impaired (30 June 2020: nil).

The table below shows sensitivity of provision for impairment to changes in applied default rates for loans and advances at amortised cost:

	Actual 2021 $000	Actual 2020 $000
Assumptions:		
Loan impairment provision	(1,852)	(1,097)
Default rates applied for Stage 1 loans	0.27% - 2.25%	0.27% - 2.25%
Default rates applied for Stage 2 loans	2.70% - 25.50%	2.70% - 22.50%
Default rates applied for Stage 3 loans	45.00% - 75.00%	45.0% - 75.00%
Sensitivity analysis:		
Impact on impairment provision of 25% increase in default rates	(463)	(268)
Impact on impairment provision of 25% decrease in default rates	463	268
Impact on impairment provision of 10% increase in default rates	185	(107)
Impact on impairment provision of 10% decrease in default rates	(185)	107

Segment analysis

The table below provides analysis of gross loans and advances by segment:

	Actual 2021 $000	Actual 2020 $000
Tourism	57,287	11,552
Manufacturing and engineering	26,600	8,896
Agriculture and horticulture	30,233	6,417
Local government	2,219	1,800
Training skills and employment	10,225	546
Water storage and Management	20,316	-
Wood processing	31,446	612
Mining	8,527	-
Energy	2,800	-
Roading	1,007	-
Ports	3,684	-
Research and development	2,764	655
Gross loans and advances	**197,108**	**30,478**

Explanation of major variances against budget

Loans and advances at 30 June 2021 were $216.662 million less than budget. This is mainly due to:

- borrowers meeting preconditions for loan drawdowns slower than initially anticipated due to various delays, including those related to COVID-19;
- delays in finalisation of loan agreements; and
- the loan impairment provision and fair value gains/(losses) on loans and advances not budgeted for due to associated uncertainty.

Note 3. Investments in associates and joint ventures

Accounting policy

An associate is an entity over which CRHL has a significant influence. Significant influence is a power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over these policies.

A joint venture is a joint arrangement where CRHL and other parties that have joint control of that arrangement have rights to the net assets of the investee. Joint control is the agreed sharing of control of an investee by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity method

Investments in associates and joint ventures are accounted for using the equity method whereby the investment is initially recognised at cost and subsequently adjusted for the post-acquisition change in CRHL's share of the investee's net assets. CRHL's share of the investee's post-acquisition surplus or deficit is recognised in CRHL's surplus or deficit. CRHL's share of the investee's post-acquisition other comprehensive revenue and expenses is recognised in CRHL's other comprehensive revenue and expenses. Distributions received from the investee reduce the carrying amount of CRHL's investment.

If CRHL's share of the deficits in the investee equals or exceeds carrying amount of the investment, CRHL discontinues recognising its share of further deficits. After CRHL's investment is reduced to zero, additional deficits are provided for to the extent that CRHL has incurred legal or constructive obligations or made payments on behalf of the investee. If the investee subsequently reports surpluses, CRHL resumes recognising its share of those surpluses only after such share of the surpluses equals the share of the deficits not recognised.

CRHL does not have any intragroup transactions with associates.

Critical accounting estimates and judgements

In determining classification of CRHL's equity investment as an associate or a joint venture, judgements are made over CRHL's powers to have control, joint control or significant influence to participate in the financial and operating policy decisions of the entity. Such judgements are based on the CRHL's voting power and the nature of the relationship between CRHL and the investee.

Firstly, an assessment is made whether an equity deal gives CRHL control or a joint control of an investee. Joint control is achieved when the parties must act together to direct the activities that significantly affect the benefits from the deal. If the parties control the arrangement collectively, joint control exists only when decisions about the relevant activities require the unanimous consent. If the requirement for unanimous consent relates only to decisions that give CRHL protective rights and not to decisions about the relevant activities of an arrangement, CRHL is not a party with joint control of the arrangement.

If CRHL holds 20 per cent or more of the voting power of the investee, it is presumed that CRHL has significant influence, unless it can be clearly demonstrated that this is not the case. Other evidence of significant influence includes CRHL's representation on the board of directors or equivalent governing body of the investee; participation in policy-making processes, including participation in decisions about dividends or similar distributions; material transactions between CRHL and its investee; interchange of managerial personnel; and provision of essential technical information.

Note 3. Investments in associates and joint ventures (continued)

Investments in associates

The table below provides summary of CRHL investments in associates by company.

	Actual 2021 $000	Actual 2020 $000
Whakatohea Mussels (Opotiki) Limited	19,113	19,000
Opotiki Marina and Industrial Park Limited	1,499	-
Total investments in associates	**20,612**	**19,000**

Whakatohea Mussels (Ōpōtiki) Limited

On 30 June 2020 CRHL acquired 8,715,596 shares in Whakatohea Mussels (Ōpōtiki) Limited (WMOL) at a price of $2.18 per share. WMOL is a LLC incorporated in New Zealand and is domiciled and operates in New Zealand. CRHL's investment in WMOL funds the acceleration of WMOL's mussel farming operations in the ocean and building of a mussel grading and powder processing facility. At 30 June 2021, CRHL held 35.398% voting rights in WMOL (30 June 2020: 38.527%).

Ōpōtiki Marina and Industrial Park Limited

On 21 January 2021 CRHL acquired 1,500,000 shares in Ōpōtiki Marina and Industrial Park Limited (OMIPL) at a price of $1 per share. OMIPL is a LLC incorporated in New Zealand and is domiciled and operates in New Zealand. This investment will service activities enabled by the Ōpōtiki harbour development. At 30 June 2021, CRHL held 17.589% voting rights in OMIPL (30 June 2020: nil).

Note 3. Investments in associates and joint ventures (continued)

Investments in associates (continued)

The table below provides summarised financial information on the associates that are material to CRHL for the 12 months ended 30 June 2020 and 30 June 2021. As the associates are private entities no quoted fair value price is available. The information disclosed reflects the amounts presented in the financial statements of the respective associates, rather than CRHL's share of those amounts. The summarised financial information has been amended to reflect adjustments made by CRHL when applying the equity method. The accounting policies applied by the associates are consistent with that of CRHL.

The summarised financial information for OMIPL is shown for the 12 months ended 31 March 2021 because the cost of compliance outweighs the benefit of having these prepared again at 30 June. Adjustments have been made to account for any significant transactions that may have occurred in the same reporting period as CRHL.

	Actual 2021		Actual 2020	
	WMOL	OMIPL	WMOL	OMIPL
	$000	$000	$000	$000
Operating results				
Total revenue	4,577	5	2,035	-
Total expenses	(6,968)	(10)	(4,021)	-
Income tax (expense)/benefit	2,102	-	99	-
Profit/(loss) for the year	**(289)**	**(5)**	**(1,887)**	**-**
Other comprehensive income/(expense)	609	-	-	-
Total comprehensive income/(expense)	**320**	**(5)**	**(1,887)**	**-**
Assets				
Cash and cash equivalents	2,604	972	2,286	-
Trade and other receivables	364	17	22,972	-
Other current assets	4,974	543	1,861	-
Property, plant and equipment	47,085	7,000	16,624	-
Other non-current assets	847	-	2,049	-
Total assets	**55,875**	**8,531**	**45,792**	**-**
Liabilities				
Trade and other payables	3,351	37	2,595	-
Other current liabilities	600	-	290	-
Non-current borrowings	6,418	-	1,697	-
Other non-current liabilities	-	-	1,018	-
Total liabilities	**10,369**	**37**	**5,600**	**-**
Net assets	**45,505**	**8,495**	**40,192**	**-**
CRHLs share in net assets, %	35.40%	17.59%	38.53%	0.00%
CRHLs share in net assets	16,109	1,494	15,474	-
Goodwill	3,004	5	3,526	-
Investment in associate at 30 June	**19,113**	**1,499**	**19,000**	**-**

The associates had no other contingent liabilities or capital commitments as at 30 June 2021 (30 June 2020: nil), for which CRHL has a corresponding commitment.

There have been no dividends or other distributions received from associates for 12 months ended 30 June 2021 (10 months ended 30 June 2020: nil).

Note 3. Investments in associates and joint ventures (continued)

Investments in joint ventures

The table below provides summary of CRHL investments in joint ventures by company.

	Actual 2021 $000	Actual 2020 $000
Ariki Tahi Sugarloaf Wharf Limited	2,657	-
Ngati Awa the Strand Development Limited	1,335	-
Total investments in joint ventures	**3,992**	**-**

Ariki Tahi Sugarloaf Wharf Limited

During the year, CRHL, Coromandel Marine Farmers Association Incorporated and Thames-Coromandel District Council established Ariki Tahi Sugarloaf Wharf Limited as a joint venture. CRHL's investment funds the redevelopment and expansion of Sugarloaf wharf located at the western end of Waipapa bay at Te Kouma, Coromandel, which will benefit the aquaculture and mussel farming industry in the region.

Ariki Tahi Sugarloaf Wharf Limited is an LLC incorporated in New Zealand and is domiciled and operates in New Zealand. As at 30 June 2021, CRHL held 30 ordinary shares and 3,000,000 perpetual preference shares in the company with a total nominal value of $3 million. At 30 June 2021, CRHL held 33.333% voting rights in the company (30 June 2020: nil).

Ngati Awa the Strand Development GP Limited

During the year, CRHL and Ngati Awa Group Holdings Limited established Ngati Awa the Strand Development GP Limited as a joint venture. CRHL's investment funds re-development of the Whakatāne Army Hall site into a visitor hub that will be the focal point for cultural, historical storytelling and local retailers in Whakatāne, as well as providing a space for training, meetings and events.

Ngati Awa the Strand Development GP Limited is an LLC incorporated in New Zealand and is domiciled and operates in New Zealand. As at 30 June 2021, CRHL held 1,350,000 ordinary shares in the company with a total nominal value of $1.350 million. At 30 June 2021, CRHL held 33.750% voting rights in the company (30 June 2020: nil)

The table below provides summarised financial information on the joint ventures that are material to CRHL for the 12 months ended 30 June 2021. As the joint ventures are private entities no quoted fair value price is available. The information disclosed reflects the amounts presented in the financial statements of the respective joint ventures, rather than CRHL's share of those amounts. The summarised financial information has been amended to reflect adjustments made by CRHL when applying the equity method. The accounting policies applied by the joint ventures are consistent with that of CRHL. Comparative summarised financial information is not shown because this is the first year that CRHL has held these investments.

Note 3. Investments in associates and joint ventures (continued)

	Actual 2021	
	Ariki Tahi Sugarloaf Wharf	Ngati Awa the Strand Development
	$000	$000
Operating results		
Total revenue	1	-
Total expenses	(1,032)	(43)
Income tax	-	-
Profit/(loss) for the year	**(1,031)**	**(43)**
Assets		
Cash and cash equivalents	2,003	1,298
Trade and other receivables	23	5
Other current assets	-	1,633
Property, plant and equipment	-	37
Other non-current assets	-	-
Total assets	**2,026**	**2,974**
Liabilities		
Trade and other payables	87	17
Other current liabilities	-	-
Borrowings	-	-
Other non-current liabilities	-	-
Total liabilities	**87**	**17**
Net assets	**1,938**	**2,957**
CRHL's share in net assets, %	33.33%	33.75%
CRHL's share in net assets	646	998
Goodwill	2,011	337
Investment in joint venture at 30 June	**2,657**	**1,335**

The joint ventures had no other contingent liabilities or capital commitments as at 30 June 2021 (30 June 2020: nil), for which CRHL has a corresponding commitment.

CRHL’s joint ventures cannot distribute their surplus without the consent from all venture partners. There have been no dividends or other distributions received from joint ventures for 12 months ended 30 June 2021 (10 months ended 30 June 2020: nil).

Explanation of major variances against budget

CRHL’s investments in associates at 30 June 2021 were in line with budget.

CRHL’s investments in joint ventures at 30 June 2021 were $3.992 million above budget. No investments in joint ventures were budgeted in the year due to uncertainty around terms and conditions of the individual investments made

Note 4. Investments in equity shares

Accounting policy

CRHL's investments in equity shares, other than investments in associates or joint ventures, are financial assets in accordance with PBE IFRS 9.

CRHL's investments in equity shares are initially recognised at fair value. They are subsequently measured at FVTSD with the associated gains or losses recognised in the surplus or deficit in the Statement of comprehensive revenue and expenses.

Critical accounting estimates and judgements

Geo40 Limited

The fair value of the investment has been determined with a reference to the price established on the secondary market between a willing buyer and seller.

Invercargill Central Limited

The fair value of the investment has been determined using income approach. Under this approach, the discounted cash flow methodology was used to determine the cash flows anticipated over a discrete time horizon, plus a terminal value at the end of that time horizon. The cash flows were then discounted to their present value using an appropriate required rate of return.

Judgement has been involved in determining the assumptions used in this valuation:

- The discount rate of 16% was determined based on the appropriate cost of capital, which includes a risk free rate, market risk premium, and an appropriate asset beta.
- Excess cash flows available for redemption of CRHL shares determined based on the expected cash inflows from the lease agreements and expected cash outflows from the project capital costs and expenses, including servicing of the debt.

The sensitivity analysis to the discount rate assumption is disclosed in the table below.

	2021	
	Low	**High**
Discount rate	14%	18%
Value of investment in Invercargill Central Limited	2,103	1,385

The table below provides summary of CRHL investments in equity shares by company.

	Actual 2021 $000	Actual 2020 $000
Invercargill Central Limited	1,692	-
Geo40 Limited	5,670	-
Total investments in equity	**7,362**	**-**

Explanation of major variances against budget

Investments in equity at 30 June 2021 were $75.703 million less than budget. This is mainly due to delays in finalisation of investment agreements, including delays related to COVID-19.

Note 5. Fixed assets under construction

Accounting policy

Additions are recognised as an asset only when it is probable that future economic benefits or service potential associated with the asset will flow to CRHL and the cost of the item can be measured reliably.

Fixed assets under construction are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the asset may be impaired. 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 its value in use.

Work in progress (WIP) is recognised at cost less impairment and is not depreciated. Impairment has been considered, and it has been determined there is no impairment.

- The Ōpōtiki Harbour Development project that will provide access to larger boats enabling Ōpōtiki to become a service and processing base for aquaculture and other marine related industries in the region.
- The renovations and improvements to wharf and berthing facilities at Greymouth and Westport ports that support ongoing growth in the fishing industry and provide fit-for-purpose infrastructure in both regions.

Summary of as CRHL's fixed assets under construction is presented in the table below:

	Actual 2021 $000	Actual 2020 $000
Ōpōtiki harbour development	27,808	-
Floating pontoons in Greymouth and Westport	6,070	-
Total fixed assets under construction	**33,878**	**-**

Explanation of major variances against budget

Fixed assets under construction were not budgeted for because at the time of budgeting these investments had not been novated to CRHL.

Note 6. Provision for concessionary loss on undrawn loan commitments

Accounting policy

CRHL recognises provision for concessionary loss on undrawn loan commitments when it becomes a party to the contract and has an irrevocable obligation to provide funding to a loan recipient. The provision for concessionary loss on undrawn loan commitments is recognised as an expense in the Statement of Comprehensive Revenue and Expenses:

- On the date a loan agreement is signed, for loans and advances that have no conditions preventing a borrower from accessing a loan facility.
- On the date CRHL's commitment becomes irrevocable, for loans and advances that have preconditions to a loan facility withdrawal.

The table below reconciles the movements of the provision for concessionary loss on undrawn loan commitments.

	Actual 2021 $000	Actual 2020 $000
Opening	1,145	-
New provision raised	98,743	1,145
Provision utilised	(23,080)	-
Provision reversed	(39)	-
Provision closing	**76,769**	**1,145**

The provision is shown as current in the Statement of Financial Position because the loans are withdrawable on demand once conditions precedent are met, although some loan commitments could be drawn down in more than one year.

At 30 June 2021, the undrawn loan commitments with no conditions or where all conditions were met by the borrowers, amounted to $243.229 million (30 June 2020: $12.376 million).

In addition, at 30 June 2021, CRHL had undrawn loans and advances totalling $123.014 million in respect of which set conditions have not been met by the borrowers (30 June 2020: $80.955 million).

Explanation of major variances against budget

Provision for concessionary loss on undrawn loan commitments was $76.769 million greater than budgeted as no amount was included. This balance was significant due to the fact that there were significant number of loans contracted and conditions met with no drawdowns made.

Note 7. Revenue

Accounting policy

Funding from the Crown

CRHL is primarily funded from the Crown. This funding is restricted in its use to enable CRHL to meet its purpose under its constitution and to comply with the scope of the relevant appropriations of the funder.

CRHL considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. This is considered to be the start of the appropriation period to which the funding relates.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Interest income

Interest income is recognised when earned using the effective interest rate method.

	Actual 2021 $000	Actual 2020 $000
Revenue from exchange transactions		
Interest from loans and advances	1,926	155
Interest from bank deposits	1,189	47
Total revenue from exchange transactions	**3,115**	**202**
Revenue from non-exchange transactions		
Funding from Crown	1,000	500
Interest from loans and advances	3,329	49
Total revenue from non-exchange transactions	**4,329**	**549**
Total revenue	**7,444**	**751**

Note 8. Other expenses

Accounting policy

Other expenses are recognised when goods and services are received.

	Actual 2021 $000	Actual 2020 $000
Fees to Audit New Zealand for audit of financial statements	87	56
Service agreement with MBIE	840	210
Other overheads and expenses	111	17
Total other expenses	**1,038**	**283**

As at 30 June 2021 and 30 June 2020, CRHL had no operating leases as lessee.

Note 9. Contingent liabilities and contingent assets

Accounting policy

Contingent liabilities and contingent assets are reported at the point at which the contingency is evident or when a present liability is unable to be measured with sufficient reliability to be recorded in the financial statements. Contingent liabilities are not disclosed if the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent liabilities

At 30 June 2021 CRHL had no contingent liabilities (30 June 2020: nil).

Contingent assets

At 30 June 2021 CRHL had no contingent assets (30 June 2020: nil).

Note 10. Commitments

The table below shows commitments in respect of the undrawn loan facilities with no conditions or where all conditions were met by the borrowers.

	Actual 2021 $000	Actual 2020 $000
Undrawn loan commitments:		
Less than one year	203,756	8,351
1-5 years	39,473	4,025
Total undrawn loan commitments	**243,229**	**12,376**

As at 30 June 2021, capital commitments consisted of capital expenditure committed but not yet incurred relating to the Ōpōtiki harbour development project of $55.228 million (2020: $nil) and the floating pontoon projects in Westport and Greymouth of $1.930 million (2020: $nil).

The table below shows capital commitments related to fixed assets under construction:

	Actual 2021 $000	Actual 2020 $000
Capital commitments:		
Less than one year	43,094	-
1-5 years	14,064	-
Total capital commitments	**57,158**	**-**

Note 11. Capital Management

Accounting policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into contributed capital and accumulated surplus or deficit. Loans and advances novated from MBIE are recognised as non-cash capital contribution at their fair value at the date of transfer.

The table below presents analysis of CRHL contributed capital:

	Actual 2021 $000	Actual 2020 $000
Share capital		
Balance at the beginning of the period	186,000	-
Capital contribution	475,000	186,000
Total share capital	**661,000**	**186,000**
Non-cash contribution from MBIE		
Balance at the beginning of the period	25,822	-
Gross loans and advances	-	28,871
Interest accrued before transfer	-	197
Concession on initial recognition of loans and advances at transfer	-	(3,246)
Fixed assets under construction transferred from MBIE	4,947	-
Total non-cash contribution from MBIE	**30,769**	**25,822**
Total contributed capital at 30 June	**691,769**	**211,822**

The table below presents analysis of CRHL share capital by shares:

	Actual 2021 Shares	Actual 2020 Shares
Balance at the beginning of the period	186,000,000	-
Capital contribution	475,000,000	186,000,000
Total share capital	**661,000,000**	**186,000,000**

Contributed capital represents proceeds from the issue of the ordinary shares to the Crown, net of related share issue costs, if any. The Crown investment made in CRHL is represented by $843,965,100 ordinary shares of $1, with 661,000,000 being fully paid and 182,965,100 being unpaid as at 30 June 2021 (30 June 2020: $443,000,000 ordinary shares, with 186,000,000 being fully paid and 257,000,000 unpaid). The Crown holds all the issued capital of CRHL. All shares have equal voting and dividend rights and share equally in any distribution on wind-up.

Capital management

The objective of managing the CRHL's equity is to ensure that CRHL achieves its goals and objectives efficiently, while remaining a going concern. Where CRHL identifies that it does not have sufficient resources to achieve this objective a capital injection is sought.

Note 11. Capital Management (continued)

Investments from funding streams other than PGF

On 2 August 2020, Shareholding Ministers of CRHL signed a special resolution to approve the amendment of CRHL's constitution. CRHL's constitution was primarily amended to allow CRHL to hold investments funded from funding streams other than PGF.

As at 30 June 2021, CRHL capital includes the following funding streams:

- PGF was established in Budget 2018 and was comprised of $3.000 billion over a three year term to invest in regional economic development which aims to lift productivity potential in New Zealand's provinces.
- RIO fund approved in January 2020 to fund large scale capital investments with a Crown ownership stake.
- IRG fund for the "shovel-ready" infrastructure projects from across local and central Government, and the private sector.
- STAPP loans that are intended to protect assets in the tourism landscape that form the core of New Zealand's essential tourism offerings to ensure their survival through the disruption caused by COVID-19.

Note 12. Related party transactions

CRHL is controlled by the Crown.

CRHL recognised funding from the Crown of $1.000 million to provide its services for 12 months ended 30 June 2021 (10 months ended 30 June 2020: $0.500 million).

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that it is reasonable to expect CRHL would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are on normal terms and conditions consistent with the normal operating arrangements between government agencies.

Board of Directors

The Board of Directors' remuneration is disclosed in the following table:

	Actual 2021 $000	Actual 2020 $000
Board member fees during the period were:		
Graeme Mitchell	23	19
Neville Harris	23	19
Rodger Finlay	35	29
Total board member fees	**81**	**67**

CRHL indemnifies the Directors against costs and liabilities incurred by Directors for acts and omissions in their capacity as Directors to the extent permitted by CRHL's constitution and the Companies Act 1993.

There are no unrecorded related party transactions involving the Directors or their close family members.

Directors' interests

RODGER FINLAY (DIRECTOR, CHAIR)

- Chair: Independent Advisory Panel Provincial Growth Fund (term expired), Mundane Asset Management Ltd (UK), St Andrew's College Foundation, PGG Wrightson, New Zealand Post.
- Audit Chair and Director: Ngai Tahu Holdings Corp (and Director of subsidiary)
- Deputy Chair and Shareholder: Rural Equities Ltd (and Director of subsidiaries)
- Director: Reserve Bank of New Zealand, Moeraki Ltd
- Director and Shareholder: RGH Holdings Limited
- Director and Investor (in fund): Mundane World Leaders Fund
- Trustee: Burnett Valley Trust

NEVILLE HARRIS (DIRECTOR)

- Director: Kiwifruit NZ
- Director and Shareholder: Tourmalet Ltd
- Panel Member: Independent Advisory Panel Provincial Growth Fund (term expired)
- Trustee: Christchurch Stadium Trust

GRAEME MITCHELL (DIRECTOR)

- Director: Retirement Income Group Ltd, Lifetime Income Ltd, Lifetime Asset Management Ltd
- Licensed Independent Trustee: Local Government Super Easy Kiwisaver Schemes
- Member of Audit and Risk Committee: Kāinga Ora – Homes and Communities

Note 12. Related party transactions (continued)

Directors' interests (continued)

- Chair Audit and Risk Committee: Human Rights Commission
- Independent Member Audit Committee: Porirua City Council
- Independent Member Audit Committee: United Fire Brigades Association
- Honorary Consul-General: Royal Norwegian Consulate New Zealand

Shareholding Ministers

Shares in CRHL are held by the Crown acting by and through Minister of Finance and Minister for Economic and Regional Development, formerly Minister for Regional Economic Development (the Shareholding Ministers).

The Treasury has advised that the Shareholding Ministers have certified that there have been no related party transactions for the period ended 30 June 2021 (30 June 2020: nil).

Shareholding Ministers' remuneration and other benefits are set by the Remuneration Authority under the *Members of Parliament (Remuneration of Services) Act 2013* and are paid under Permanent Legislative Authority, and not paid by CRHL, and hence excluded from this related party disclosures.

Related entities

Management and administration services provided by the Ministry of Business, Innovation and Employment

MBIE has transferred certain loans, equity investments and assets under construction to CRHL to act as an asset holding company.

CRHL has appointed MBIE as the exclusive provider of management and administration services in respect of any investments transferred to CRHL. The investments are administered by Kānoa - Regional Economic Development and Investment Unit (Kānoa - RDU), formerly Provincial Development Unit, which was established within MBIE

The table below shows balances outstanding at the reporting date with the related entities:

	Actual 2021 $000	Actual 2021 $000
Trade and other receivables - current		
- Receivables from MBIE	-	100

The table below shows revenue and expenditure during the year with the related entities:

	Actual 2021 $000	Actual 2021 $000
Revenue		
- Funding from MBIE	1,000	500
Expenses		
- Service agreement with MBIE	840	210
- Other recharges to MBIE	69	-

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Note 13. Financial instruments

Accounting policy

Non-derivative financial assets

Refer to accounting policies disclosed in Note 2.

Non-derivative financial liabilities

Financial liabilities are initially recognised at fair value and generally subsequently measured at amortised cost except for those measured at FVTSD, such as liabilities held-for-trading and financial liabilities irrevocably designated as FVTSD on initial recognition.

CRHL financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities entered into with durations of less than 12 months are recognised at their nominal value. Amortisation is recognised in the statement of financial performance as is any gain or loss when the liability is derecognised.

Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Actual 2021 $000	Actual 2020 $000
Financial assets measured at amortised cost		
Cash and cash equivalents	184,133	179,071
Term deposits	250,000	-
Loans and advances	97,832	10,727
Trade receivables	784	100
Total financial assets measured at amortised cost	**532,749**	**189,898**
Financial assets measured at fair value		
Investments in shares	7,362	-
Loans and advances	25,377	8,558
Total financial assets measured at fair value	**32,739**	**27,558**
Financial liabilities measured at amortised cost		
Trade payables	219	277
Total financial liabilities measured at amortised cost	**219**	**277**

The maximum loss due to the default of any financial asset is the carrying value reported in the statement of financial position.

Note 13. Financial instruments (continued)

Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market prices (level 1). Financial instruments with quoted prices for identical instruments in active markets.
- Valuation techniques 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.

.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Level 1 $000	Level 2 $000	Level 3 $000
30 June 2021			
Investments in equity shares	-	5,670	1,692
Loans and advances	-	-	25,376
30 June 2020			
Loans and advances	-	-	8,558

There were no transfers between the different levels of the fair value hierarchy.

Significant inputs and sensitivity of fair value of concessionary loans and advances to changes in the discount rates are disclosed in Note 2.

Financial instruments risks

CRHL's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. CRHL has policies to manage these risks and seeks to minimise exposure from financial instruments. These policies do not allow transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. CRHL has no exposure to the price risk at reporting date.

Fair value interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. CRHL's exposure to fair value interest rate risk is limited to its cash and cash equivalents that are held at fixed rates of interest, concessionary loans and advances and other loans and advances measured at fair value.

Interest rates, including Official Cash Rate and swap rates, have decreased due to impact of COVID-19 which affected market rates used for determining fair value of CRHL's loans and advances. Sensitivity analysis of fair value of loans and advances to changes in market rates is disclosed in Note 2.

CRHL does not actively manage its exposure 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. CRHL has limited exposure to the cash flow interest rate risk at reporting date.

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. CRHL has no exposure to the currency risk at reporting date because all transactions entered into were in New Zealand Dollars.

Credit risk

Credit risk is the risk that a third party will default on its obligation to CRHL, causing it to incur a loss.

CRHL is exposed to credit risk from cash and cash equivalents with banks, trade receivables, loans and advances, and equity investments.

CRHL reviews the credit quality of customers before granting credit, issuing loans or investing in equity. It continues to monitor and manage these financial assets based on ageing and related entities' performance towards agreed objectives and adjusts the expected credit loss allowance accordingly.

Concentration of credit risk arises where CRHL is exposed to risk in activities or industries of a similar nature. CRHL does not actively manage its concentration of credit risk as CRHL acts as an asset holding company for regional investments approved by the Crown. Analysis of loans and advances by industry sector is disclosed in Note 2.

The carrying amount of cash and cash equivalents and term deposits, by credit rating is provided below by reference to Standard and Poor's credit ratings.

	Actual 2021 $000	Actual 2020 $000
Cash and cash equivalents		
AA-	184,133	179,071
Total cash and cash equivalents	**184,133**	**179,071**
Term deposits		
AA-	250,000	-
Total term deposits	**250,000**	**-**

Loans and advances held by CRHL at 30 June 2021 were unrated.

The table below represents the maximum gross credit risk exposure of CRHL at 30 June 2021.

	Actual 2021		
	Financial assets on balance sheet $000	**Off-balance sheet commitments $000**	**Maximum exposure to credit risk $000**
Cash and cash equivalents	184,133	-	184,133
Term deposits	250,000	-	250,000
Loans and advances	123,209	243,229	366,438
Investments in equity shares	7,362	-	7,362
Trade receivables	784	-	784
Total financial assets on balance sheet and off-balance sheet commitments	**565,488**	**243,229**	**808,717**

The table below represents the maximum gross credit risk exposure of CRHL at 30 June 2020.

	Actual 2020		
	Financial assets on balance sheet $000	**Off-balance sheet commitments $000**	**Maximum exposure to credit risk $000**
Cash and cash equivalents	179,071	-	179,071
Loans and advances	30,478	24,631	55,109
Trade receivables	100	-	100
Total financial assets on balance sheet and off-balance sheet commitments	**209,649**	**24,631**	**234,280**

The exposures set out above are based on gross carrying amounts of financial assets as disclosed in relevant notes to these financial statements.

No collateral or credit enhancements were held for financial assets other than loans and advances. At 30 June 2021 CRHL held unsecured loans and advances with total gross value of $58.117 million (30 June 2020: $11.509 million). For secured loans and advances, collateral held by CRHL included first ranking and second ranking general security deeds in respect of borrowers' present and future acquired property.

Note 14. Events after the balance date

CRHL's loans and advances

During the five months ended 30 November 2021, three loan agreements totalling $14.632 million and one equity investment agreement totalling $13.900 million were novated to CRHL with further approved investment deals still being negotiated. CRHL received a cancellation request for a $7.000m suspensory loan which was recognised at $nil fair value as at 30 June 2021.

Photo left: Whakatohea Mussels Production Team – Ōpōtiki.
Photo right: Leaderbrand – Tairāwhiti.
Photo bottom: West Coast Transport, Logistics and Ports Package – Buller District Council.

Directory

Shareholders

Minister of Finance
Minister for Economic and Regional Development
(formerly Minister for Regional Economic Development)

Registered office

15 Stout Street, Wellington Central
Wellington, 6011
New Zealand

Contact address

15 Stout Street, Wellington Central
Wellington, 6011
New Zealand

Auditor

The Auditor-General, pursuant to section 15 of the Public Audit Act 2001

Bank

Westpac Bank of New Zealand Limited

Board of Directors

Rodger Finlay (Chair)
Graeme Mitchell
Neville Harris QSO

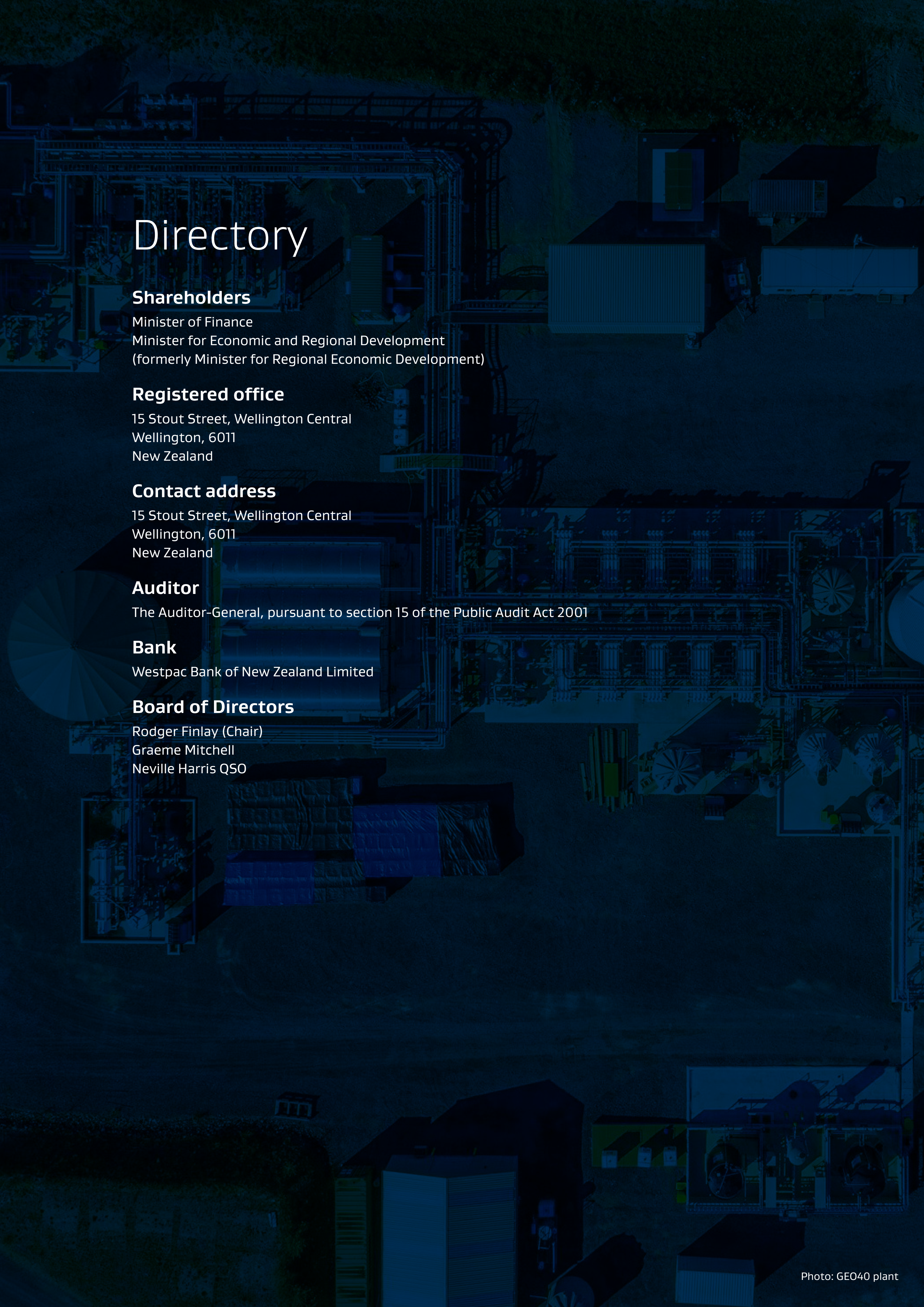


Photo: GEO40 plant

CRHL CROWN REGIONAL HOLDINGS LIMITED