



CRHL CROWN REGIONAL
HOLDINGS LIMITED

2023 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

Table of Contents

CRHL Purpose and objectives	2
CRHL Spotlight project	
K'aute Pasifika Village	3
CRHL Regional map with funding and projects breakdown	4–5
CRHL Results – projects breakdown by sector and Regional and Sector impact study	6–7
CRHL Ōpōtiki impact study	8–9
CRHL Spotlight projects	
Wai Ariki hot springs and spa	10–11
QE Health Rebuild	12–13
Te Puia New Zealand	14–15
Crown Regional Holdings Limited Chair's Report 2023	16–17
CRHL Spotlight project	
Ecogas Reporoa	18–19
26 Seasons Strawberries	20–21
Monarch Wildlife Cruises and Tours	22–23
CRHL Director profiles	24–26
Directors' Satisfaction Survey	27
Explanation of Accounting Terms	28–29
Statement of Service Performance	30
Statement of Performance and Output class statement	31
CRHL Investment Profile	32
Statement of Responsibility	33
Independent Auditor's Report	34–37
Financial Statements for the year ended 30 June 2023	38–43
Notes to the Financial Statements	44–85
Report on Appropriation funding	86–87
CRHL Spotlight project	
Waimangu Volcanic Valley	88
Directory	89

CRHL

Purpose and objectives

CRHL purpose

To invest in regional economic development in New Zealand, including by providing various forms of financial support for recipients in regional New Zealand¹



OBJECTIVES FOR ACHIEVING PURPOSE²

1 ACT AS AN ASSET HOLDING COMPANY	2 ENTER MANAGEMENT AGREEMENT WITH MBIE	3 SUPERVISE & MONITOR THE PERFORMANCE	4 OPERATE COMMERCIALY AND IN A MANNER THAT
To hold investments made through the PGF and other regional economic development initiatives	Under which CRHL will outsource the day-to-day management and administration of investments to MBIE	Of MBIE's obligations under the management agreement, consistent with CRHL's constitution	Optimises investments, minimises costs, reflects the funds' overarching objectives and ensures the timely distribution of any surplus funds as agreed

SERVICE PERFORMANCE MEASURES

<ul style="list-style-type: none"> As at 30 June 2023 CRHL held on behalf of the Crown investments from five (five 2021/22) regional funds, in 13 regions (13 2021/22), and 19 (19 2021/22) industry sectors. Go to page 4 	<ul style="list-style-type: none"> CRHL and MBIE have entered into a Management Agreement. Annually MBIE surveys the CRHL Directors for their satisfaction on agreed service levels and timeframes. The survey results are available in the MBIE Annual Report available via the MBIE website and on page 27 	<ul style="list-style-type: none"> The CRHL Directors have identified 5 performance measures that they included in the Statement of Performance Expectations. The annual result of these measures can be viewed on page 31 	<ul style="list-style-type: none"> Independent Regional and Sector based impact studies completed by MBIE provide CRHL with support that the investments they hold are achieving the funds overarching objectives. A summary of three of the studies undertaken recently is given on pages 7 – 9.
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¹ Source – Crown Regional Holdings Limited, Constitution

² Source- Crown Regional Holdings Limited, Statement of Intent 2021- 2025)

CRHL Spotlight project

K'aute Pasifika Village



K'aute Pasifika Village

Hamilton, Waikato

The K'aute Pasifika Village – a beacon of opportunity

The K'aute Pasifika Village received a \$2 million loan to support the village development. The Village is located in the heart of the city of Kirikiriroa and is a beacon of opportunity for Pacific people. The Village encompasses an early learning centre, integrated wellbeing services, and an iconic fale. A place where everyone is welcome, the Village provides holistic wraparound services that span across the wellbeing domains, including health and broader wellbeing support, education, employment and housing.

Central to the creation of the Village is the Early Learning Centre, with a capacity for up to 85 children, offering an inclusive environment rich in Pasifika language, culture, identity and Christianity to ensure fanau (children) develop a sense of security and belonging.

The contribution of Pacific people to the fabric of Aotearoa is marked by principles of service and reciprocity and characterised by creativity, innovation, vibrancy and humour. K'aute Pasifika Village is a vehicle that will continue to drive equitable outcomes for all people using Pacific models of care.



CRHL Regional map



For a full list of projects Kānoa have funded go to www.growregions.govt.nz/funding

Funding and projects breakdown

TE TAI TOKERAU NORTHLAND CONTRACTED FUNDING 000s: \$77,444 PROJECTS FUNDED: 13	WAIARIKI BAY OF PLENTY CONTRACTED FUNDING 000s: \$336,346 PROJECTS FUNDED: 38	HAURAKI WAIKATO CONTRACTED FUNDING 000s: \$53,554 PROJECTS FUNDED: 12
TE TAIRĀWHITI EAST COAST CONTRACTED FUNDING 000s: \$87,425 PROJECTS FUNDED: 14	TARANAKI CONTRACTED FUNDING 000s: \$6,119 PROJECTS FUNDED: 5	TE MATAU-A-MĀUI HAWKE'S BAY CONTRACTED FUNDING 000s: \$38,071 PROJECTS FUNDED: 11
MANAWATŪ-WHANGANUI/HOROWHENUA CONTRACTED FUNDING 000s: \$54,261 PROJECTS FUNDED: 14	TE TAU IHU TOP OF THE SOUTH CONTRACTED FUNDING 000s: \$26,341 PROJECTS FUNDED: 8	TE TAI POUTINI WEST COAST CONTRACTED FUNDING 000s: \$27,546 PROJECTS FUNDED: 6
WAITAHA CANTERBURY CONTRACTED FUNDING 000s: \$11,000 PROJECTS FUNDED: 5	ŌTĀKOU OTAGO CONTRACTED FUNDING 000s: \$31,953 PROJECTS FUNDED: 18	MURIHIKU SOUTHLAND CONTRACTED FUNDING 000s: \$65,205 PROJECTS FUNDED: 14
NATIONAL CONTRACTED FUNDING 000s: \$8,724 PROJECTS FUNDED: 5		

PROJECT COMPARISONS FY2022 / FY2023	01/07/21 to 30/06/22 Contracts	01/07/22 to 30/06/23 Contracts	01/07/21 to 30/06/22 Contracted Funding \$000s	01/07/22 to 30/06/23 Contracted Funding \$000s
Opening balance	155	160	770,270	784,724
New projects contracted	14	16	40,931	60,520
Additional funding for existing projects	-	-	17,600	15,400
Reduced funding for existing projects	-	-	(5,793)	(17,467)
Withdrawn projects	(8)	(3)	(35,314)	(6,787)
Completed projects	(1)	(10)	(2,970)	(12,401)
Closing balance	160	163	784,724	823,989
In year movement	5	3	14,454	39,265

CRHL

Results – projects breakdown by sector



Regional and Sector impact study¹

Studies confirm positive impacts for sectors and communities

Independent impact studies of Kānoa – Regional Economic Development and Investment Unit-managed investments into specific regions and sectors have found positive economic, business, and community impacts due to the funding.

The Te Tai Tokerau Northland and manufacturing-engineering sector impact studies, carried out by BERL, looked at the impact of government funding administered by Kānoa in this region and sector. Both studies showed positive economic impacts including:

- ▶ funding of \$79.5 million into the manufacturing-engineering sector resulted in \$229.5 million in total extra expenditure, and funding of \$797 million into Te Tai Tokerau caused total additional expenditure of \$1.19 billion
- ▶ strong job creation: 1,979 Full-Time Equivalents (FTE) were sustained by manufacturing-engineering funding, and 5,571 FTEs for Te Tai Tokerau
- ▶ significant contribution to regional GDP: \$519.8 million in Te Tai Tokerau.

The studies also show beneficial impacts on key business indicators for the businesses and organisations funded. These benefits to the manufacturing-engineering sector include:

- ▶ increased capacity (92% of businesses) and capability (88%)
- ▶ increase in permanent employees (88%)
- ▶ increase in capacity to innovate (84%)
- ▶ upskilled employees (68%).

The Te Tai Tokerau study showed similar impacts for organisations funded, as well as positive impacts for local communities and Māori, including:

- ▶ more local people and Māori hired
- ▶ greater certainty of employment during the COVID-19 pandemic response
- ▶ a growing sense of pride in the region
- ▶ cultural benefits – not directly financial – including community projects that would not have gone ahead otherwise
- ▶ resilience to natural disasters with investments in vital infrastructure
- ▶ environmental gains from reforestation / cleaning up waterways.

“The impact studies give robust findings for what we have long heard anecdotally,” says Kānoa Head Robert Pigou.

GENERATED
THROUGH \$79.5M INVESTMENT

\$229.5M

GENERATED
AS ADDITIONAL EXPENDITURE

\$1.19B

JOBS | FTEs

1,979

PROJECTS
WITH ADDITIONAL \$29.3M PRIVATE FUNDING

47

INCREASED INNOVATION
REPORTED BY BUSINESSES

84%

ENVIRONMENTAL
IMPROVEMENTS AS RESULT OF FUNDING

56%

SOCIAL IMPACT
HUMAN CAPABILITY AND SOCIAL COHESION

¹ CRHL is a subset of the funding included in the independent impact studies and is not the sole contributor to the impacts listed

CRHL

Ōpōtiki impact study



Ōpōtiki Harbour Development Ōpōtiki

Impact Study

Ōpōtiki is the location of the largest investment held by CRHL. The Ōpōtiki Harbour Development project has been held by CRHL since the 2019/20 financial year with construction now expected to be completed in the 2023/24 year. The Harbour development supports a number of other CRHL projects including the Whakatohea Mussels (Ōpōtiki) Limited project, an equity investment that supports the production and processing of local mussels.

MBIE commissioned a study to better understand the impacts in the Ōpōtiki region on the investments that were being made. The full study is available on the Grow Regions website but key findings are presented in the following infographic.

CRHL is a subset of the funding included in the Ōpōtiki Impact Study, and is not the sole contributor to the impacts listed.

Regional Investment has had a substantial impact on the Ōpōtiki region

The funding has helped to create jobs, improve infrastructure, and support Māori businesses and community organisations. Outcomes include:

- ▶ increase in local employment
- ▶ a Te Whānau-ā-Apanui-centred economy through a number of investments including strawberry nurseries; also provided for vocational training pathways.
- ▶ installation of efficient water heating and irrigation systems, enabling Māori landowners to develop their properties
- ▶ development of IT infrastructure and capacity for Whakatōhea, which allows the iwi to integrate multiple datasets across all workstreams and activities
- ▶ development of educational pathways from high school (*Ōpōtiki College's Exploration and Activation to Thrive programme*) into training initiatives and regional employment opportunities
- ▶ several Marae upgrades, providing a hub for community and hapū social, cultural, and spiritual needs.

Investment approaches most effective for Māori

The funding helped create jobs, improve infrastructure, and support Māori businesses and community organisations. Long-term outcomes include:

- ▶ economic development
- ▶ resilient communities
- ▶ boosting social inclusion and participation
- ▶ enabling Māori to reach their full potential.

Which projects benefited the most from the investment and why?

The projects that benefited most from the Kānoa-administered government funding were predominantly community-based and community-driven, as these directly affected the financial wellbeing of community members living in an area of high deprivation.

These projects included educational and developmental initiatives for rangatahi, as well as infrastructure projects that benefited local businesses and created local jobs.

SUBSTANTIAL INVESTMENT
ŌPŌTIKI REGION



ŌPŌTIKI HARBOUR DEVELOPMENT
GENERATED ADDITIONAL
ECONOMIC VALUE

\$49m

AQUACULTURE EMPLOYMENT
ŌPŌTIKI MUSSEL FACTORY
STIMULATED APPROX 1,000 JOBS

1,000

REGIONAL PROJECTS
TOTAL COMBINED
INVESTMENT

\$2.7m

TRAINING INVESTMENT
INCLUDING RANGATAHI-
SPECIFIC PATHWAYS \$1,618,283

\$4.5m

AGRICULTURE / HORTICULTURE
TOTAL COMBINED
INVESTMENT

\$9.2m

WATER STORAGE/MANAGEMENT
TOTAL COMBINED
INVESTMENT

\$18.3m

CRHL Spotlight project

Wai Ariki hot springs and spa



Wai Ariki hot springs and spa
Rotorua, Bay of Plenty

Borrower

Pukeroa Lakefront Holdings Limited (PLHL) is a subsidiary company of Pukeroa Oruawhata Trust, an Ahu Whenua Trust, established to administer residential and commercial Māori land titles in and around Rotorua, representing Ngāti Whakaue.

Project

Wai Ariki Hot Springs and Spa is one of the biggest developments in Rotorua in the last 20 years. It is the first major purpose-built spa/bathing facility since the original Rotorua bathhouse was built over 120 years ago. This is New Zealand’s only spa owned by mana whenua and offers services that incorporate the long standing and unique Ngāti Whakaue practices and culture into their environment and services.

Wai Ariki Hot Springs and Spa, opened by Prime Minister Chris Hipkins on 15 June 2023 is a luxury wellness facility and day spa offering a range of services. Approved funding for this project was for design, construction, and operational costs. This development is located at the Rotorua Lakefront on land owned by Ngāti Whakaue that was traditionally reserved for wellness facilities.

This development is the first stage of PLHL’s wider redevelopment aspirations of 7.4 hectares land on the Rotorua Lakefront.



This planned wider redevelopment is aimed at creating an internationally recognised wellness and spa destination, with these further stages of development still under discussion. It also supports Rotorua’s shift towards higher value, lower volume tourism to match post-COVID tourism trends.

Wai Ariki Hot Springs and Spa is positioned commercially to be a complementary operation to the adjacent QE Health facility.

Funding

The total project cost for the Wai Ariki Hot Springs and Spa was \$71 million. This was funded by \$44.5 million of government loan funding from the COVID-19 Response and Recovery Fund (CRRF), \$6.5 million Provincial Growth Fund loan approved for shared enabling and infrastructure works such as geothermal plant and car park required for Wai Ariki Hot Springs and Spa and the adjacent Queen Elizabeth (QE) Health site on land leased from PLHL and \$20.2 million of co-funding from Pukeroa Lakefront Holdings Limited (PLHL) for the construction of the facility.

Outcomes

Hawkins Construction Limited commenced construction for this project on 3 May 2021 and completed the project in early June 2023.

Over this period, approximately 30 full time design and management jobs were created, as well as employing up to 250 tradespeople during the construction phase. From 2022 to 2023, on site construction workers have been circa 110 per day. It is anticipated that a 60 further jobs will be created once the operation of the Wai Ariki Hot Springs and Spa is established.

Operation of the Wai Ariki Hot Springs and Spa has been contracted to Belgravia Leisure, an Australian leisure operator. Roles have been established for the daily operation, with senior operational management roles being filled by individuals of Ngāti Whakaue descent.

CRHL Spotlight project QE Health Rebuild



QE Health Rebuild – centre for clinical health and wellness
Rotorua, Bay of Plenty

Borrower

QE Health Limited (QE Health), known affectionally as **He Whare Atawhai** – a place of kindness – is a community health provider with origins as a rehabilitation service for WWII soldiers. QE Health is owned by the Queen Elizabeth Hospital Community Trust.

Project

Plans for the project began back in 2019, physical works began in August 2021 and were completed mid-February 2023.

The recently completed QE Health building is a 3000 m² purpose-built integrated health and wellness facility. It provides a range of complementary holistic therapies combining the best of science and nature, with four separate geothermal and hydrotherapy pools, 46 individual treatment rooms, a full gym, and spaces for exercise classes and training on the Rotorua lakefront.

The new building is owned by QE Health Limited on land leased from Pukeroa Oruawhata Trust on the Rotorua Lakefront.

This project is positioned as a complementary offering to the adjacent Wai Ariki Hot Springs and Spa.

The facility was officially opened by former Minister Kiri Allan on 10 March 2023, replacing QE Health’s 80-year-old facility.

Funding

The \$8m loan and \$1.5m grant were approved 2020.

The \$8m loan was subsequently restructured to a reduced loan of \$6.5m, and a further grant of \$1.5m.



Outcomes

The land lease for QE Health’s old building was about to expire, and was not to be renewed, and the building was no longer fit for purpose. This project enabled QE Health to retain its 75 existing staff, including 15 highly skilled roles, create up to 26 internship opportunities, and support over 140 construction related roles while continuing to offer this important service to the local community.

CRHL Spotlight project

Te Puia New Zealand



Te Puia New Zealand
Rotorua, Bay of Plenty

Funding

STAPP Loan funding of \$6.1 million was provided to support Te Puia NZMAICI Limited Partnership (Te Puia) with the continued operation of a Māori cultural and geothermal attraction in Rotorua. Te Puia was significantly disrupted as a result of COVID-19, which potentially put up to 64 full time equivalent jobs at risk.

Visitors to Te Puia can watch skilled carvers and weavers demonstrate their expertise at the New Zealand Māori Arts and Crafts Institute, where indigenous material culture is on display through the lens of internationally recognised artists.

Loan Repayment and Feedback

The loan was fully repaid by Te Puia in June 2023, with Te Puia management providing the following feedback in relation to the support provided through the STAPP:



Testimonial

Again, our sincere appreciation for the guidance and help from you and your team. The communication and support during the loan process has been outstanding, especially during such uncertain times. Our organisation is proud to have been able to repay the loan in full, at the earliest opportunity.



Crown Regional Holdings Limited

Chair's Report 2023



John Rae
Chair, Crown Regional Holdings Limited

On behalf of the Board of Crown Regional Holdings Limited (CRHL), I am pleased to present the Annual Report for the year 2022-2023. It has been another productive year for CRHL managing regional investments, providing independent commercial advice to relevant Ministers, and supporting other development initiatives that enable economic growth in regional New Zealand.

This year the board said farewell to the Chair, Rodger Finlay and a Director, Graeme Mitchell. Rodger and Graeme have been board members since inception, and I am very grateful for their leadership and governance which has been instrumental through the formative years of CRHL.

The CRHL portfolio has grown substantially since its incorporation in 2019. The portfolio now contains multiple

investments under five different Government funding programmes namely the Provincial Growth Fund, the COVID-19 Response and Recovery Fund - Infrastructure Reference Group, the New Zealand Upgrade Programme - Regional Investment Opportunities, the Strategic Tourism Asset Protection Programme, and the Regional Strategic Partnership Fund.

As at 30 June 2023, the CRHL portfolio includes 163 active contracts totalling \$824.0 million. This comprises of \$579.1 million in loans, \$121.6 million in equity and \$123.3 million in capital assets. In addition, 37 investments totalling \$145.9 million are progressing through Kānoa's contracting process and these will be transferred to CRHL on execution of legal documents.

In the coming year, CRHL will also start overseeing loans and equity investments approved under two new programmes designed by the Ministry for Primary Industries in conjunction with Kānoa. The Wood Processing Growth Fund has a \$45 million allocation which aims to increase New Zealand's onshore wood processing capacity to enhance the value captured through exports and provide high-value, high-wage jobs for regional New Zealand. The North Island Weather Events - Primary Producer Finance Scheme has been allocated \$240 million to support the recovery plans of primary producers affected by extreme weather events in early 2023. Support will be via term loans which are to be novated to CRHL. These programmes will see the portfolio grow to over \$1.25 billion in the near term.

Of the 163 active investments in the portfolio, 11 investments totalling \$65.6 million have been classified as "Red" risk status - the highest risk level under the CRHL escalation policy. While this is an increase since the last reporting period, it is not unexpected when factoring the challenging economic environment New Zealand has been operating under and given the nature of these funding programmes.

New Zealand barely started seeing a return to normality from COVID-19 related disruptions when war in Ukraine, geopolitical tensions and global economic downturn started testing our resilience. High inflation, rising interest rates, tight labour market and supply chain issues continued to subdue business sentiment and weaken investor confidence. Extreme weather events in early 2023 caused significant and widespread damage to households, businesses and infrastructure in several regions. The full economic impact of these events on our regional communities is expected to persist for some years.

Although times are tough, there is much to say about the determination, resourcefulness, and "can-do" positive attitude that our regions have demonstrated over the year. Our borrowers and equity partners have continued to stay devoted to delivering projects, honouring commitments, and maximising outcomes.

As at 30 June 2023, CRHL has received interest and principal repayments totalling \$35.0 million from 55 borrowers. This includes 13 loans that have matured having fully repaid \$16.6 million in interest and principal. Only 4 loans totalling \$23.6 million have been categorized "non-performing". Kānoa continues to carefully monitor and manage the portfolio and escalate risks to the CRHL Board. CRHL has adequately provisioned for losses on the non-performing and "Red" risk status investments on the advice from Kānoa.

This year has also seen several landmark projects across the country achieve their completion milestones. These projects are the Ka Uri visitors centre in Awanui, the Matawii Water Storage Reservoir in Kaikohe, the Oceania Marine Travel Lift in Whangārei, the Ecogas Organics Processing Facility in Reporoa, the Queen Elizabeth Health Centre and its adjacent neighbour the Wai Ariki Hot Springs and Spa in Rotorua, the Harakeke Strawberry Farm near Whanganui, the New Zealand Wine Centre in

Blenheim, the Blackwater Gold Mine in Reefton and the Invercargill CBD development.

Aligned with the strengths and aspirations of our regions, CRHL has invested in a wide range of sectors including port infrastructure, renewable energy, water reservoirs, manufacturing, industrial parks, wood processing, and high value horticulture and aquaculture, tourism and digital technology. The portfolio presents a cross section of each region's growth narrative.

Increasing our productivity, financing new or upgraded infrastructure, and building resilience to climate change have been long-standing challenges for New Zealand and will continue to remain important themes for economic and regional development in the coming years. CRHL remains focused and invested on delivering great projects that create intergenerational assets for New Zealand.

I would like to acknowledge my fellow directors: Dame Patsy Reddy GNZM CVO QSO DStJ, Neville Harris QSO, Anne-Marie Broughton, Elizabeth Hopkins and Rosie Mercer for their invaluable contribution to these ambitious government programmes. My sincere gratitude to Neville, for providing excellent leadership as the acting Chair after Rodger's departure in February, until my appointment as Chair in June.

I would also like to thank our Shareholding Ministers, MBIE and Kānoa for their continued support to CRHL and commitment to our regional economies.

John Rae
Chair, Crown Regional Holdings Limited

CRHL Spotlight project

Ecogas Reporoa

Ecogas Organics Processing Facility

Reporoa, Waikato



The Reporoa Bio-Gas project is a Joint Venture (JV) between Ecogas GP Ltd shareholders, Pioneer Energy (85%) and Eco Stock (15%). Ecogas developed New Zealand's first commercial scale Organics Processing Facility (OPF) using anaerobic digestion technology. Located just north of Tāupo, the OPF is positioned to take advantage of its central location – receiving waste from various sources around the North Island – many of which would otherwise be landfilled.

Initial processing removes contaminating materials breaking down the material mechanically to ensure the waste entering the bio-digester are in a form best suited to biological processing. The bio-digestion process then breaks down the waste into outputs that have value.

Ecogas has secured a long-term contract to process Auckland City Council's household food scraps, providing a strong baseline contract. Additional materials are also now processed on site and Ecogas' management team is building its supply chain logistics with founding partner EcoStock.

Funding

In November 2019 a \$7 million PGF loan was made available for the construction of the Reporoa anaerobic digester facility. The remainder of the capital funding was provided by Pioneer Energy's shareholder,



the Central Lakes Trust. The project meets government initiatives including the reduction of waste to landfills and efforts to further generate circular economy outcomes. The facility was opened by the Minister for Energy, Minister Woods in October 2022.

Products: Biogas

Biogas is generated through the digestion process and can be utilised in a number of different ways. It is burned to create electricity and heat for the operation of the OPF and is also used to charge Ecogas' EVs. Ecogas is working with First Gas on a renewable gas injection project which will see the OPF's gas sold into the grid for commercial and residential use.

Additionally, T&G Fresh has a significant tomato greenhouse facility located on property adjacent to the OPF. The Biogas is used as process heat, helping to maintain the facility's environment at optimal growing levels.

Biofertiliser

Once processed, the residual liquid in the digester is a nutrient rich organic solution that can be sold into fertiliser markets as Fertify Regenerative Fertiliser™. The fertiliser is the last step in closing the food loop, by returning the nutrient from food and other organic waste back into productive land.

The project meets government initiatives including the reduction of waste to landfills and efforts to further generate circular economy outcomes. Ecogas currently employs 6 FTEs and is looking to grow the team by another 2-4 FTEs in the next 12 months.

CRHL Spotlight project

26 Seasons Strawberries

26 Seasons Strawberries

Foxton, Horowhenua



Borrower

26 Seasons Limited is a controlled environment agriculture company that uses an indoor hydroponics growing system to grow strawberries in Foxton New Zealand.

Project supported

The Project is to establish a pilot-scale facility in Foxton. The Borrower intends to scale up strawberry production at its Foxton facility from 8,000 plants to approximately 53,000 plants by acquiring and installing strawberry plants and equipment in the existing premises.

Funding

A \$2 million loan from the Regional Strategic Partnership Fund (RSPF) for a \$4 million project.

Outcomes

A two-phase expansion which will create an additional 8 Full-Time Equivalents (FTE) positions in 2023.

This expansion will enable 26 Seasons to supply to supermarket stores in New Zealand during the autumn/winter months when traditionally strawberries need to be imported.



CRHL Spotlight project

Monarch Wildlife Cruises and Tours



Monarch Wildlife Cruises and Tours

Dunedin

Borrower

Following the COVID-19 pandemic Monarch Wildlife Cruises merged with Elm Wildlife Tours.

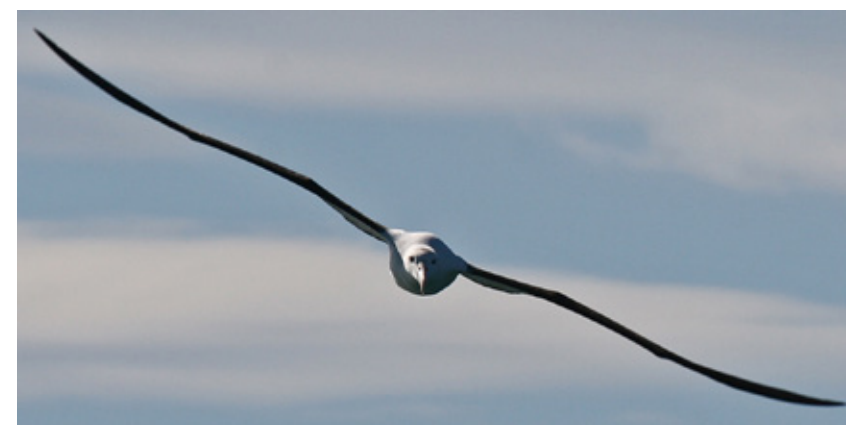
Monarch Wildlife Cruises and Tours provide unique tours to some of some of the rarest wildlife in the world found on the wild and rugged Otago Peninsula. Its goal is to offer tours that consistently deliver quality and memorable customer experiences that exceed guest expectations.

Loan

A loan from the Strategic Tourism Asset Protection Programme was given to the value of \$130,000.

Monarch operates as a sustainable business: economically, environmentally and socially. Monarch works closely with several conservation groups like the Dunedin Wildlife Hospital and Yellow-eyed Penguin Trust. As a part of its sustainable business practices, Monarch has a tree-planting programme to offset its carbon footprint.

Monarch employees around 22 local staff in a variety of roles, building and connecting their local community. Monarch also donates complimentary tours to ‘worthy causes’ – including local schools and charitable groups.



Testimonial

The co-owner Neil Harraway says that without the STAPP assistance the business would have been shuttered, and restarting would have been challenging as the core staff would have had to find other jobs, and their expertise and experience would have been very challenging to replace. The assistance meant we kept core staff and our restart was very smooth.

CRHL

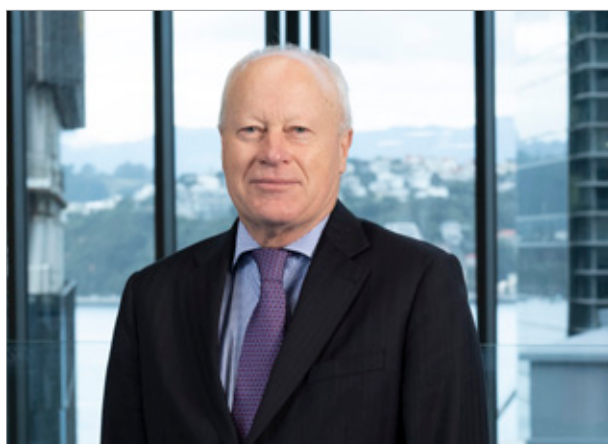
Director profiles



John Rae | Chair

John Rae, appointed to the CRHL Board in June 2023

John is a professional Director and advisor to a number of companies around New Zealand. He is a Chartered Member of the Institute of Directors and has/had Director or Chairman roles for a number of New Zealand companies involved in the infrastructure, investment, agriculture, horticulture, energy, iwi, waste and economic development sectors. He was involved in banking in New Zealand and London in various treasury and capital market roles before returning to New Zealand and undertaking a number of private equity, venture capital and corporate finance transactions in New Zealand and Australia. For 9 years until early 2010, John was Managing Director of Stevenson Group, one of New Zealand's largest private companies with more than 600 employees. He was responsible for a major transformation of this almost 100 year old company into a successful, diversified investment group with significant interests in construction materials, quarrying, mining, agriculture, engineering and property. John's current roles include Chair of Thos. Corson Holdings Limited, Director of Bremworth Limited, a Panel Member on the Waste Minimisation Fund and Chair of Gisborne Holdings Limited – the Tairāwhiti region's investment CCTO.



Neville Harris QSO | Director

Neville Harris QSO, appointed to the CRHL Board in September 2019.

He 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. Neville was a Deputy Secretary at the Ministry of Economic Development until 2013. He is an independent director of Kiwifruit New Zealand and is also a member of the Racing Integrity Board. Neville was previously a member of the Independent Advisory Panel of the Provincial Growth Fund. Subsequent to year end, Neville served as Acting Chair of the Board between 1 February 2023 to 31 May 2023.



Rt. Hon. Dame Patsy Reddy
(GNZM CVO QSO DStJ) | Director

Dame Patsy Reddy GNZM CVO QSO DStJ, appointed to the CRHL Board in June 2022.

Former Governor-General Dame Patsy Reddy has served on numerous public and private sector boards across the arts, government and business sectors. She has also had significant experience working in investments, mergers and acquisitions. Her current governance roles include being the Chair for New Zealand Rugby and the NZ Symphony Orchestra Foundation; and Trustee of the Aspen Institute New Zealand. Dame Patsy was a founding trustee and advisory board member for NZ Global Women and is a Distinguished Fellow of the NZ Institute of Directors.



Anne-Marie Broughton
(Ngā Rauru Kīitahi, Ngā Ruahine, Ngāti Ruanui,
Te Atihaunui A Papārangī, Ngāti Rangī,
Ngā Puhī) | Director

Anne-Marie Broughton, appointed to the CRHL Board in June 2022.

Anne-Marie is a consultant specialising in Māori Economic Development and a Professional Director. Her directorships include Parininihi Ki Waitōtara Incorporation – a Taranaki Māori agri-business, and Whanganui and Partners Economic Development Agency. Anne-Marie is on the Ministry for Primary Industries Sustainable Food and Fibre Futures Investment Advisory Panel and is a Trustee of Agri-Women's Development Trust. She is active in her rural community and serves as Chair and Trustee of Whenuakura Marae and is on the Whanganui West Catchment Group Committee. Anne-Marie was a member of the Ministerial Advisory Group under former Minister of Māori Economic Development – Te Ururoa Flavell.

CRHL

Director profiles continued



Elizabeth Hopkins | Director

Elizabeth Hopkins, appointed to the CRHL Board in June 2022.

Elizabeth Hopkins is the Director of Research and Innovation at the University of Canterbury, and is also a Director of Precision Chroma Ltd. She has a background in science and technology commercialisation and has run a publicly listed biotechnology enterprise. Elizabeth trained as a research biologist at Oxford University where she investigated the role of genetic inheritance in breast cancer. She was a founding Director of NZBio, and has held several other governance roles including being Chair of the Trans-Tasman Intellectual Property Attorney’s Board and a member of MBIE’s Science Board.



Rosie Mercer | Director

Rosie Mercer, appointed to the CRHL Board in June 2022.

Rosie Mercer is a civil engineer and Chartered Member of Engineering New Zealand. She is the Chief Executive Officer at Marsden Maritime Holdings Ltd, and before that was Ports of Auckland’s General Manager of Sustainability. Her career started at engineering services group Beca, delivering airfield and highway projects in New Zealand and overseas. She also served in the New Zealand Defence Force. Rosie was previously Deputy Chair of the Provincial Growth Fund’s Independent Advisory Panel.

CRHL

Directors’ Satisfaction Survey

CRHL Annual objective

One of CRHL’s annual objectives is to enter into a management agreement with MBIE. The CRHL Board entered into a Management Agreement (Agreement) with MBIE on 27 May 2022 and this continues until such time as a new Agreement is entered into. The Agreement outlines the manner in which MBIE will manage and administer investments on behalf of CRHL.

Each year, as part of MBIE’s statutory reporting, the Directors of CRHL are surveyed for their satisfaction level based on the work that MBIE has completed in relation to the management agreement.

These results are published in the MBIE Annual Report and are reproduced below.

VOTE BUSINESS, SCIENCE AND INNOVATION		2022/23	
Appropriation	Performance Measure	Result	Target
ECONOMIC AND REGIONAL DEVELOPMENT: INFRASTRUCTURE REFERENCE GROUP FUND MCA			
<ul style="list-style-type: none"> This appropriation is intended to achieve the support of regional economic development by providing operational and capital funding for infrastructure initiatives that lift regional productivity potential. <p><i>Investment through Crown-owned companies</i></p> <ul style="list-style-type: none"> This category is intended to achieve the holding of the Crown’s infrastructure-related investments by Crown Regional Holdings Limited. The purpose of the investment is to reduce the economic impact of the COVID-19 on the construction industry 	Note 1	4.5	Note 2 Note 3
ECONOMIC AND REGIONAL DEVELOPMENT: PROVINCIAL GROWTH FUND MCA			
<ul style="list-style-type: none"> This appropriation is intended to achieve a lift in the productivity potential of the regions through the delivery of regional, sectoral and infrastructure initiatives. <p><i>Management of investments in Crown-owned companies</i></p> <ul style="list-style-type: none"> This category is intended to achieve the effective delivery and management of funds administered by Crown Regional Holdings Limited. 	Note 1	4.5	Note 2 Note 3
PROVINCIAL GROWTH FUND INVESTMENT MANAGEMENT – CROWN REGIONAL HOLDINGS LIMITED			
<ul style="list-style-type: none"> This category is intended to achieve the effective delivery and management of Provincial Growth Fund investments by entities including Crown Regional Holdings Limited and the Provincial Growth Fund Limited and their subsidiaries 	Note 1	4.5 ↑ 4.3 FY21/22	Note 2
ECONOMIC AND REGIONAL DEVELOPMENT: REGIONAL STRATEGIC PARTNERSHIP FUND MCA			
<ul style="list-style-type: none"> This appropriation is intended to achieve improved regional economic and business development, accelerate Māori economic aspirations and support sector transformations. <p><i>Investment through Crown-owned companies</i></p> <ul style="list-style-type: none"> This category is intended to achieve the holding of the Crown’s regional strategic partnership fund investments by Crown Regional Holdings Limited. The purpose of the investments is to improve regional economic and business development, accelerate Māori economic aspirations and support sector transformations 	Note 1	4.5 ↑ 4.3 FY21/22	Note 2

NOTES

- Note 1 = The satisfaction of the CRHL Directors with agreed service levels and timeframes, on a scale of 1 to 5
- Note 2 = Average score of 4 out of 5 or better
- Note 3 = New Measure for FY2022/2023

Explanation of Accounting Terms used in this report

What kind of loans do we have?

Concessionary loans

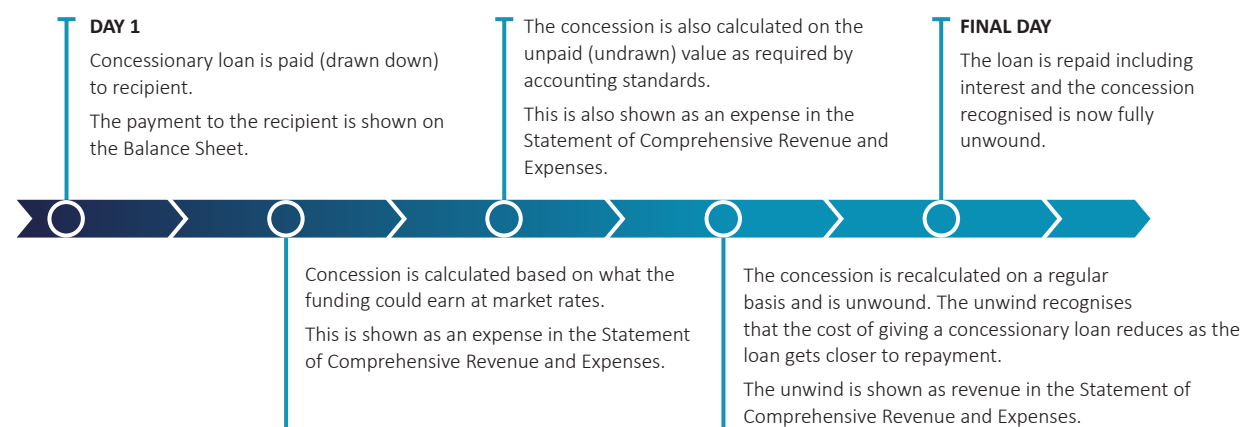
Concessionary loans offer more generous terms than market loans. The characteristics of these loans can include:

- ▶ Below market interest rates, including no interest
- ▶ 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 not assessed 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.

- ▶ The funding paid to the recipient is shown on the balance sheet as an asset called Loans and advances
- ▶ At the time the funding is paid, it is calculated what this funding could have earned 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.
- ▶ The concession is recalculated on a regular basis, and unwound or reversed to recognise the value of lost earnings falls 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.

Concessionary loans timeline



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 the 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. Value of such loan in the accounts consists of loan drawdowns less any repayments made and concession 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 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
- ▶ Concessionary loans with event-driven repayments

Fair value is calculated by using the projected estimated cash earned 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 the 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 expected credit loss model is a concept used in accounting for loans and advances to estimate the probability of not receiving 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 difficulties 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 of other organisations. When CRHL buys shares in another organisation, such investment are 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.**

This is 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.**

This is when CRHL and a few others have made similar investments in an organisation. The investors all agree to sharing control on relevant activities concerning the organisation. No one investor can progress an activity unless all investors agree.

Physical Assets

CRHL holds two investment contracts that relate to physical assets.

These projects are held as either Fixed Assets under Construction, or Property, Plant and Equipment if the construction is complete. The physical assets are valued at cost during the construction stage and reviewed annually to ensure the value reflects the amount that could be recovered, should the physical asset be sold on the market.

Once a physical asset is complete, it must be accounted for in line with accounting standards. For a physical asset to be capitalised onto the Balance Sheet as Property, Plant and Equipment, there must be economic benefit (e.g., revenue earned) or service potential (e.g., access to better facilities) to CRHL. If this benefit or service potential is only partially achieved by CRHL, the value shown on the Balance Sheet must be impaired or reduced. In some circumstances all of the benefit or service potential will be achieved by other entities or New Zealand as a whole. In this situation the value of the physical asset will be impaired to nil until such time as CRHL starts receiving benefits or service potential.

Other contracts CRHL can enter into

CRHL can enter into lease arrangements in respect of its physical assets. Accounting standards define that there are two types of leases and each has a different impact on how the physical assets are accounted for.

When CRHL has a lease with a third party allowing them to use the physical asset but not be responsible for it, this is called an operating lease. Accounting standards require that the physical asset is held on CRHL's Balance Sheet and depreciated over its useful life. The income from the operating lease is then recognised as revenue.

But when CRHL has a lease with a third party that makes the third party responsible for the physical asset this is called a finance lease. The asset is written down to nil in CRHL's books, and all the future revenue to be earned from the lease is then recognised as a receivable (a different type of asset) on the Balance Sheet. Then over time this receivable converts into revenue.

CRHL

Statement of Service Performance

Reporting Entity

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.

CRHL’s primary objective is to act as an asset holding company to hold loans, equity and asset 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, Regional Strategic Partnership Fund (RSPF) and other regional economic development initiatives. CRHL does not operate to make a financial return.

In the Statement of Service Performance CRHL has reported against performance measures included in the Statement of Performance Expectations. The Statement of Service Performance for CRHL is for the year ended 30 June 2023 and was approved by the Board on 31 October 2023.

CRHL’s performance measures are reported on page 31, opposite. Additional information is provided on pages 2 to 15, 18 to 23 and page 32.

Statement of Compliance

The Statement of Performance has been prepared in accordance with Tier 1 PBE financial reporting standards, which have been applied consistently throughout the period. The financial statements and service performance information have been prepared in accordance with PBE Standards and in accordance with Generally Accepted Accounting Practice (GAAP).

Disclosure of Judgements, Estimates and Assumptions

Service Performance measures have been selected for each objective listed in the CRHL Statement of Intent 2021–2025. In selecting the service performance measures, judgements have been made in determining which aspect of performance are relevant and material to users of the information.

Judgements for specific objectives

▶ Objective 1

The measure identified to demonstrate the progress of CRHL acting as an asset holding Company for regional economic development is the assets held in each region. No target information is given, as the CRHL Constitution states that the Company has no decision-making rights over the assets it holds.

▶ Objective 2

The Management Agreement between CRHL and MBIE sets out the services MBIE will perform for CRHL. The current agreement was signed in May 2022. To better reflect the outcomes from this Agreement MBIE annually surveys the CRHL Directors using the MBIE Survey Monkey account to ensure that the services provided are at the agreed levels and timeframes. This satisfaction level is a relevant and reliable measure of the quality of those services and has been reproduced in the CRHL Annual Report to support this objective.

▶ Objective 3

Five contract measures with targets have been identified as providing CRHL with the ability to supervise and monitor MBIE’s performance. These measures have a material impact on ensuring that the contracts held by CRHL are being actively managed.

▶ Objective 4

The overarching purpose of Regional Investment funds is to improve the well-being of New Zealanders living in regional New Zealand. More information can be found on the following website: www.growregions.govt.nz/.

New Zealand regions receive investment from many funds including those held by CRHL. Impact studies have been commissioned during 2022/23 by MBIE, and CRHL has referenced them in relation to Objective 4 and the measurement of the funds overarching objectives.

The three studies are:

- ▶ **Te Tai Tokerau Region.** CRHL has 13 projects with a total value of \$77.444 million making the region the third largest in CRHL’s portfolio. Many of the investments held have an infrastructure focus, so contribute indirectly to the region’s growth.
- ▶ **Manufacturing / engineering sector.** Though smaller than some of the CRHL sector investment categories this impact study clearly showed the impact spend in the manufacturing / engineering sector can have.
- ▶ **Ōpōtiki.** This impact study was released after June 2023 but is very relevant as it is the location of CRHL’s largest investment, Ōpōtiki Harbour Development, as well as a number of other associated investments in the region.

All impact studies can be found on the [Grow Regions website](http://www.growregions.govt.nz/).

Statement of Performance

CRHL Performance Measures at 30 June 2023

The table below sets out CRHL’s performance measures as at 30 June 2023.

Performance Measure	Performance Target		Annual Report Result		Annual Report Commentary
	FY22/23	FY21/22	FY22/23	FY21/22	
1 Contract Management					
The percentage of counterparties that have a contract management plan in place	100%	100%	97%	97%	<ul style="list-style-type: none"> ▶ There were 149 contracted loans at 30 June 2023 with only 10 requiring completion of a contract management plan. ▶ There are 14 equity/asset contracts of which 1 has a contract management plan outstanding.
The percentage of counterparties that receive contact from MBIE at least once every quarter.	100%	100%	100%	99%	<ul style="list-style-type: none"> ▶ All loan and equity recipients were contacted by MBIE within the last quarter, and outcomes reported to the Board in monthly reporting.
2 Contract Delivery					
The percentage of counterparties that complete deliverables as per contract or for which variations are agreed prior to delivery period being completed.	100%	85%	100%	100%	<ul style="list-style-type: none"> ▶ The Board receives regular reporting from MBIE on the status of its full CRHL investment portfolio. From this, the Board gets assurance that counterparties are meeting their deliverables as required under the contract in place.
3 Contract Payment					
The percentage of payments made to counterparties within 11 working days of a valid drawdown notice being received.	100%	100%	99%	100%	<ul style="list-style-type: none"> ▶ There were 106 loan and 51 equity drawdowns processed and paid during the financial year.
4 Portfolio Risk Management					
The percentage of investments, notified by the Head of Kānoa, MBIE (or his delegate) to the CRHL Chair within 24 hours following MBIE increasing the RAG ¹ status of the investment to Red.	100%	100%	100%	100%	<ul style="list-style-type: none"> ▶ CRHL had 11 investments categorised as RED at 30 June 2023.

Output class statement

	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000
Operating Revenue			
Revenue – Crown	3,818	2,220	2,220
Other Revenue	34,759	20,560	31,367
Total Operating Revenue	38,577	22,780	33,587
Total Operating Expenses	25,639	14,156	80,849
Surplus/(Deficit)	12,938	8,624	(47,262)

1 = Red Amber Green

CRHL Investment Profile

as at 30 June 2023

The table below sets out the active contracts held by CRHL as at 30 June 2023. These contracts represent the current portfolio that is being supervised and monitored by the CRHL Directors as per the Company's objectives.

This table does not include the contracts that have been completed or withdrawn during the financial year.

	ACTUAL 2023	ACTUAL 2022
SUMMARY CRHL INVESTMENT PROFILE		
Number of Contracts	163	162
Range of loan values	\$0.070 to \$115.300 M	\$0.043 to \$115.300 M
Total contracted value of investments profile	823.989	784.724
Number of Contracts not yet paid		
Number of contracts fully paid	111	104
Number of contracts partially paid	33	40
Number of contracts paid	144	144
Net drawdowns (less loan repayments)	630.603	513.593
<i>Made up of:</i>		
LOANS		
Number of loans paid	131	132
Range of loan maturities	6 months to 15 years	6 months to 15 years
<i>Range of loan principal</i>	\$0.070 to \$16.504 M	\$0.043 to \$16.504 M
Loan drawdowns (less loan repayments)	456.552	376.976
EQUITY		
Number of equity investments paid	11	10
Equity drawdowns	70.550	60.150
ASSETS		
<i>Assets under construction</i>		
Number of assets under construction	1	1
Drawdowns for assets under construction	96.431	69.397
<i>Completed assets</i>		
Number of completed assets	1	1
Assets completed	7.070	7.070

Statement of Responsibility

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 2023.

Signed for and on behalf of the Board:



John Rae
Chair, Crown Regional Holdings Limited
31 October 2023



Neville Harris
Director, Crown Regional Holdings Limited
31 October 2023

Independent Auditor's Report



To the readers of Crown Regional Holdings Limited's financial statements and performance information for the year ended 30 June 2023

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, including the performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 38 to 85, that comprise the statement of financial position as at 30 June 2023, 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 30 to 31 and pages 86 to 87.

In our opinion:

- the financial statements of the Company on pages 38 to 85:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 30 to 31 and pages 86 to 87:
 - presents fairly, in all material respects, the Company's performance for the year ended 30 June 2023, 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.
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.

Our audit was completed on 31 October 2023. This is the date at which our opinion is expressed.

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 49 to 61 and 68 to 69 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 2023. 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.

Independent Auditor's Report continued

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 29 and 32 to 33, but does not include the financial statements and the performance information, and our auditor's report thereon.

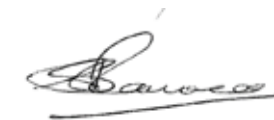
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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 (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

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



Clint Ramoo

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

Financial Statements

For the year ended 30 June 2023

Contents

Statement of Comprehensive Revenue and Expenses

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Note 1 Statement of accounting policies

Note 2 Loans and advances

Note 3 Investments in associates and joint ventures

Note 4 Investment securities

Note 5 Fixed assets under construction

Note 6 Leases

Note 7 Provision for concessionary loss on undrawn loan commitments

Note 8 Revenue

Note 9 Other expenses

Note 10 Contingent liabilities and contingent assets

Note 11 Commitments

Note 12 Capital Management

Note 13 Related party transactions

Note 14 Financial instruments

Note 15 Events after the balance date

Report on Appropriation funding

Statement of Comprehensive Revenue and Expenses

For 12 months ended 30 June 2023

	Note	Actual 2023 \$000	Actual 2022 \$000	Budget 2023 \$000
Revenue				
Interest from loans and advances	8	22,723	15,083	15,166
Interest from bank deposits	8	5,619	2,697	414
Other grants	8	6,417	13,607	5,000
Funding from crown	8	3,818	2,200	2,200
Total revenue		38,577	33,587	22,780
Expenses				
Concession on undrawn loan commitments	7	3,832	(14,506)	-
Concession on initial recognition of loans and advances	2	(3,505)	(2,475)	-
Fair value movement of loans and advances	2	8,998	(33,108)	(11,025)
Fair value loss on investment securities	4	(5,438)	(9,605)	-
Loan impairment losses	2	(13,642)	(8,200)	(931)
Share of profit/(losses) from joint ventures	3	(131)	(126)	-
Share of profit/(losses) from associates	3	(2,608)	(2,451)	-
Impairment losses – Equity accounted investments	3	(9,366)	(1,723)	-
Gain/(losses) on finance lease arrangements	6	-	(7,070)	-
Directors' remuneration	13	(209)	(97)	(134)
Other expenses	9	(3,570)	(1,488)	(2,066)
Total expenses		(25,639)	(80,849)	(14,156)
Net surplus/(deficit)		12,938	(47,262)	8,624
Total comprehensive revenue and expense		12,938	(47,262)	8,624

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 2023

	Note	Actual 2023 \$000	Actual 2022 \$000	Budget 2023 \$000
Assets				
Current assets				
Cash and cash equivalents	14	237,386	141,901	42,494
Term deposits	14	40,000	50,000	100,000
Loans and advances	2	16,221	6,639	-
Trade and other receivables	14	1,414	6,536	406
Total current assets		295,021	205,076	142,900
Non-current assets				
Loans and advances	2	270,365	201,543	331,236
Fixed assets under construction	5	97,662	73,126	95,000
Investments in associates	3	16,736	19,861	70,296
Investment securities	4	6,817	12,256	36,975
Investments in joint ventures	3	7,663	6,243	13,369
Total non-current assets		399,243	313,029	546,876
Total assets		694,264	518,105	689,776
Liabilities				
Current liabilities				
Trade payables	14	1,866	243	219
Other payables		-	4,427	-
Provision for concessionary loss on undrawn loan commitments	7	3,947	20,887	-
Total current liabilities		5,813	25,557	219
Total liabilities		5,813	25,557	219
Net assets		688,451	492,548	689,557
Equity				
Contributed capital	12	874,734	691,769	680,933
Accumulated surplus/(deficit)		(186,283)	(199,221)	8,624
Total equity		688,451	492,548	689,557

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 2023

	Note	Actual 2023 \$000	Actual 2022 \$000	Budget 2023 \$000
Balance at the beginning of the period		492,548	539,810	680,933
Share capital	12	182,965	-	-
Net surplus/(deficit) for the period		12,938	(47,262)	8,624
Total equity as at 30 June		688,451	492,548	689,557

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 2023

	Note	Actual 2023 \$000	Actual 2022 \$000	Budget 2023 \$000
Cash flows from operating activities				
Cash provided from:				
Receipts from MBIE		4,000	2,017	2,200
Co-funding received for the Ōpōtiki Harbour Development Project		10,025	10,000	5,000
Cash disbursed to:				
Payments to suppliers		(3,555)	(1,477)	(2,066)
Payments to Directors		(207)	(116)	(134)
Net GST		1,400	(1,210)	-
Net cash flow from operating activities		11,663	9,214	5,000
Cash flows from investing activities				
Cash provided from:				
Interest received from bank deposits		5,407	2,649	414
Interest received from loans and advances		2,180	1,652	5,633
Other loans and advances repaid		16,964	11,595	4,955
Principal term deposits matured		290,000	510,000	-
Cash disbursed to:				
Amounts placed on term deposits		(280,000)	(310,000)	-
Acquisition of investments in associates		(4,200)	(1,700)	(16,140)
Acquisition of investments in joint ventures		(6,200)	(4,100)	(3,070)
Acquisition of investments in equity shares		-	(14,500)	(8,490)
Suspensory loans paid by CRHL		(5,315)	(19,401)	(11,025)
Other loans and advances paid by CRHL		(91,127)	(177,880)	(108,892)
Fixed assets under construction		(26,852)	(49,761)	(28,035)
Net cash flow from investing activities		(99,143)	(51,446)	(175,675)
Cash flows from financing activities				
Cash provided from:				
Capital contribution from the Crown	12	182,965	-	-
Net cash flow from financing activities		182,965	-	-
Net movement in cash		95,485	(42,232)	(159,650)
Opening cash and cash equivalents balance		141,901	184,133	302,144
Closing cash and cash equivalents balance	14	237,386	141,901	142,494

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

The accompanying notes form part of these Financial Statements.

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

	Note	Actual 2023 \$000	Actual 2022 \$000
Net surplus/(deficit)		12,938	(47,262)
Add/(less) items classified as investing or financing activities:			
Interest income		(28,342)	(17,780)
Concession on initial recognition of loans and advances	2a	3,505	2,475
Concession on undrawn loan commitments	7	(3,832)	14,506
Provision for impairment of loans and advances	2b	13,642	8,200
Fair value losses on loans and advances	2a	(8,998)	33,108
Gain/(losses) on finance lease arrangements	6	-	7,070
Fair value loss on investments securities		5,438	9,605
Gains/(losses) from investments in associates	3	2,608	2,451
Gains/(losses) from investments in joint ventures	3	131	126
Impairment losses - equity accounted investments	3	9,366	1,723
Total items classified as investing or financing activities		(6,482)	61,484
Add/(less) movements in working capital:			
(Increase) in receivables		5,288	(5,032)
(Decrease)/increase in payables		(81)	24
Net movement in working capital items		5,207	(5,008)
Net cash flow from operating activities		11,663	9,214

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

The accompanying notes form part of these Financial Statements.

Notes to the Financial Statements

Note 1 Statement of accounting policies

Reporting entity

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.

CRHL’s primary objective is to act as an asset holding company to hold loans, equity and asset 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, Regional Strategic Partnership Fund (RSPF) 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 2023, and were approved by the Board on 31 October 2023.

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 reporting 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

Except where NZ GAAP permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

New accounting standards and interpretations

In the current year, CRHL has applied amendments to Accounting Standards and Interpretations that are effective for Annual periods that begin on or after 1 July 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New standards – applicable for the year ending 30 June 2023

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.

CRHL has adopted this standard for the financial year ending 30 June 2023. The main impact of the new standard is that additional information has been disclosed on those judgements that have the most significant impact on the selection, measurement, aggregation and presentation of service performance information. This is disclosed on pages 30–31 of the Annual Report.

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 and creates a strong link between an entity’s risk management strategies and the CRHL early adopted Public Benefit International Financial Reporting Standard (*PBE IFRS 9 Financial Instruments*)

CRHL has adopted this standard for the financial year ended 30 June 2023. Adoption of this standard has not had a significant impact on the classification and measurement of financial instruments as the classification and measurement principles under PBE IPAS 41-*Financial Instruments* are similar to the previous standard, *PBE IFRS 9-Financial Instruments*.

Standards and Amendments issued and not yet effective and not early adopted

2022 Omnibus Amendments to PBE Standards

These amendments commence to apply for annual reporting periods beginning on or after 1 January 2023. The 2022 Omnibus Amendments include several general updates and amendments to a number of Tier 1 and Tier 2 PBE Accounting standards. These amendments are not expected to have significant impacts on CRHL financial statements.

Notes

to the Financial Statements continued

Note 1 Statement of accounting policies continued

Amendments to PBE IPSAS 1 Disclosure of Fees for Audit Firms' Services

This amendment commences to apply for annual reporting periods beginning on or after 1 January 2024. The amendment aims to address concerns about the quality and consistency of disclosures and entity provides about fees paid to its audit or review firm for different types of services. This amendment is not expected to have significant impacts on CRHL financial statements.

No new standards, amendments or interpretations to existing standards that are not yet effective have been early adopted by CRHL in these financial statements. The directors expect to adopt any new relevant standards, amendments, or interpretations to existing standards in the period within which they become mandatory. The adoption of these changes is not expected to have any material impact on the disclosures or on the amounts reported in these financial statements.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate:

- ▶ Loans and advances (Note 2)
- ▶ Investments in associates and joint ventures (Note 3)
- ▶ Investment securities (Note 4)
- ▶ Fixed assets under construction (Note 5)
- ▶ Leases (Note 6)
- ▶ Provision for concessionary loss on undrawn loan commitments (Note 7)
- ▶ Revenue (Note 8)
- ▶ Other expenses (Note 9)
- ▶ Contingent liabilities and contingent assets (Note 10)
- ▶ Commitments (Note 11)
- ▶ Capital Management (Note 12)
- ▶ Related party transactions (Note 13)
- ▶ Financial instruments (Note 14)
- ▶ Events after the balance date (Note 15)
- ▶ Service Performance Reporting (Pages 30–31)

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, with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. While cash and cash equivalents at 30 June 2023 are subject to the expected credit loss requirements of PBE IPSAS 41, 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 recognise 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.

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.

Notes

to the Financial Statements continued

Note 1 Statement of accounting policies continued

Critical accounting estimates and judgements

In preparing these financial statements, CRHL has made estimates and judgements concerning the future. These estimates and judgements might differ from the subsequent actual results. Estimates and judgements 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.

Critical estimates and judgements in applying accounting policies

The areas involving significant estimates of judgements are:

- ▶ Estimation uncertainties and judgements made in the valuation of loans and advances (Note 2)
- ▶ Estimation uncertainties and judgements made in the fair valuation of investment securities (Note 4)
- ▶ Determination of appropriate classification of loans based on terms of the agreement (Note 2)
- ▶ Determination of appropriate classification of investments in associates and joint ventures. (Note 3)
- ▶ Impairment of non-financial assets. (Note 3)
- ▶ Determination of appropriate classification of leasing arrangements. (Note 6)
- ▶ Determination of appropriate service performance measures (pages 30–31)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectation of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Other obligations under the Crown Entities Act 2004

Directions issued by Ministers

The Shareholding Ministers did not give any written direction under any enactment to CRHL in the 2022/23 financial year. 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.
- ▶ *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 expense which is recognised in the Statement of Comprehensive Revenue and Expense on initial recognition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except if there is a change in business model for managing assets. Any such reclassifications are applied in the period after the change in business model.

Notes

to the Financial Statements continued

Note 2 Loans and advances continued

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.

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; and a financial asset that is overdue for 90 days or more.

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.

ECL are probability-weighted and determined by evaluating a range of possible outcomes, taking into account time value of money, past events, current conditions and forecasts for future economic conditions.

The ECL models use three main components to determine expected credit loss:

- ▶ Probability of default ("PD"): the probability that a counterpart will default;
- ▶ Loss-given default ("LGD"): the loss that is expected to arise in the event of a default; and
- ▶ Exposure at default ("EAD"): the estimate outstanding amount of credit exposure at the time of default.

Changes to ECL are assessed through three economic scenarios:

- ▶ A central scenario reflecting the expected track for the economy;
- ▶ An upside scenario; and
- ▶ A downside scenario.

The macroeconomic variables used in these scenarios are based on current economic forecasts which are: Consumer Price Index ("CPI"), Gross Domestic Product ("GDP"), unemployment rate and interest rates. The probability weightings attached to each scenario are reviewed by management when there is material changes in macroeconomic conditions impacting the economy. Details of the scenarios and probability weightings applying at year-end are outlined in this note.

Significant increase in credit risk ("SICR")

The determination of a SICR (i.e., the movement from stage 1 to stage 2) is based on changes in internally assessed borrower characteristics since origination of the facility. Those changes include arrears in loan facilities (at or less than the 30-day backstop), material movements in risk grades or other information that CRHL becomes aware of that indicates that repayment of the original terms and conditions may now be uncertain. The movement between stage 2 and stage 3 is based on whether the financial assets are credit impaired at the reporting date.

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.

Notes

to the Financial Statements continued

Note 2 Loans and advances continued

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.

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 modelled provision for expected credit losses is an estimate of forward-looking losses based on the CRHL's view of three different economic scenarios. These economic scenarios continue to be reassessed as more data becomes available on the actual impacts of COVID-19 on the economy over the last twelve months as well as how COVID-19 and other macro-economic factors may impact the economy over the forecast period.

In determining ECL, management makes a number of key judgements and assumptions, including but not limited to the following components:

- ▶ modelling inputs – PD, EAD and LGD
- ▶ the criteria under which exposures move between the IFRS stages, particularly when moving to and from Stage 1 and demonstrating a significant increase in credit risk (Stage 2);
- ▶ the macroeconomic inputs used within each of the economic scenarios; and
- ▶ the weightings given to each economic scenario.

These judgements and assumptions are reviewed and assessed at least half-yearly or when underlying economic conditions materially change.

Changes in ECL model assumptions and inputs

The modelled provision for ECL is an estimate of forward-looking losses based on CRHL's view of three different economic scenarios. CRHL's assumptions around the macroeconomic factors used within each scenario and the weighting applied to each scenario are key judgements applied to the ECL models. CRHL has adjusted the macroeconomic variables used in the ECL model and weightings used in each scenario based on current economic forecasts. The economic variables reflect the continuing uncertainty and higher potential downside risks for the global and domestic economy to deteriorate more than expected over the forecast period.

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

	2023	2022
Discount rates	2.73%-11.01%	4.44%-6.00%
Default rates applied for Stage 1 loans	0.32%-3.58%	0.54%-2.59%
Default rates applied for Stage 2 loans	1.03%-11.13%	1.07%-10.56%
Default rates applied for Stage 3 loans	34%-100%	36%-39%
Loss given default rates applied	35%-75%	35%-75%

ECL model uses the following scenarios:

	Scenario Weighting Applied 2023	Scenario Weighting Applied 2022
Scenario 1: low but steady economic and employment growth, supported by a lower interest rate forecast	50%	55%
Scenario 2: a mild upside with a higher track for GDP and interest rates	5%	5%
Scenario 3: a mild downside with a short-term impact on GDP, lower employment growth and interest rates	45%	40%

Notes

to the Financial Statements continued

Note 2 Loans and advances continued

(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 IPSAS 41 *Financial Instruments* and whether a borrower is on track with fulfilling forgiveness conditions.

The fair value of suspensory loans in these 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.

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, STAPP fund, RSPF fund and other funds 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 2023 \$000	Actual 2022 \$000
Loans and advances at amortised cost			
Concessionary loans	(a)	189,856	139,622
Other loans and advances	(a)	44,308	39,235
Total loans and advances at amortised cost		234,164	178,857
Less: Provision for impairment of loans and advances	(b)	(17,367)	(6,103)
Net loans and advances at amortised cost	14	216,797	172,754
Loans and advances at fair value through surplus and deficit			
Concessionary loans	(a)	64,889	31,491
Suspensory loans	(a)	2,571	3,937
Market rate loans	(a)	2,329	
Net loans and advances at fair value through surplus and deficit	14	69,789	35,428
Total loans and advances		286,586	208,182
<i>Consists of:</i>			
Current		16,221	6,639
Non-current		270,365	201,543
Total loans and advances		286,586	208,182

Loans and advances include \$2.331 million of accrued interest as at 30 June 2023 (30 June 2022: \$0.980 million).

Notes

to the Financial Statements continued

Note 2 Loans and advances continued

(a) Concessionary and suspensory loans

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

	Actual concessionary loans \$000	Actual suspensory loans \$000	Market rate loans	Total \$000
12 months ended 30 June 2022:				
Carrying value at the beginning of the period	86,116	129	38,788	125,033
Additions (nominal value)	150,817	22,464	10,144	183,425
Reclassification of loans and advances from amortised cost	14,751	0	0	14,751
Concession on initial recognition of loans and advances	(998)	(1,477)	-	(2,475)
Utilisation of provision for concessionary loss on undrawn commitments	(65,295)	(5,094)	-	(70,389)
Concession unwind	9,849	1,222	-	11,071
Repayments made during the period	(1,727)	-	(9,782)	(11,509)
Interest accrued for the period	1,335	386	2,302	4,023
Interest repaid in the period	(373)	-	(1,430)	(1,803)
Loans and advances written off	-	(3,947)	-	(3,947)
Fair value gains/(losses) on loans and advances	(23,362)	(9,746)	(787)	(33,895)
Total loans at 30 June 2022	171,113	3,937	39,235	214,285
12 months ended 30 June 2023:				
Additions (nominal value)	82,865	3,765	9,811	96,441
Concession on initial recognition of loans and advances	(3,244)	(261)	-	(3,505)
Utilisation of provision for concessionary loss on undrawn commitments	(11,991)	(1,117)	-	(13,108)
Concession unwind	14,811	934	-	15,745
Repayments made during the period	(14,458)	-	(2,737)	(17,195)
Interest accrued for the period	3,839	596	2,543	6,978
Interest repaid in the period	(1,591)	-	(1,214)	(2,805)
Fair value gains/(losses) on loans and advances	14,610	(4,882)	(730)	8,998
Reclassification of loan movements during the year	(1,209)	(401)	(271)	(1,881)
Total loans at 30 June 2023	254,745	2,571	46,637	303,953

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 2023 \$000	Actual 2022 \$000
Concessionary loans and advances measured at amortised cost		
<i>Assumptions:</i>		
Fair value	234,164	139,622
Interest rates applied	0.75%-8.72%	0%-6.62%
Discount rates	2.73%-10.09%	2.85%-11.12%
<i>Sensitivity analysis:</i>		
Impact on fair value of increase in discount rate by 1%	(6,344)	(7,300)
Impact on fair value of decrease in discount rate by 1%	6,836	9,323
Concessionary loans and advances measured at fair value		
<i>Assumptions:</i>		
Fair value	67,218	31,491
Interest rates applied	0% - 8.01%	0%-3%
Discount rates	7.85% - 17.4%	6.50%-18.68%
<i>Sensitivity analysis:</i>		
Impact on fair value of increase in discount rate by 1%	(2,226)	(1,526)
Impact on fair value of decrease in discount rate by 1%	2,653	1,629

Notes

to the Financial Statements continued

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 for loans measured at amortised cost and provision for impairment of loans and advances as at 30 June 2023.

	Actual 2023			
	Stage 1 \$000	Stage 2 \$000	Stage 3 \$000	Total* \$000
Gross carrying amount:				
Balance at the beginning of the period	172,087	28,486	6,020	206,593
Additions	41,429	36,217	2,179	79,825
Repayments	(2,382)	(220)	(2,102)	(4,704)
Reclassifications to fair value concessionary loans	(2,000)	(12,065)	-	(14,065)
Net transfers between stages	(56,183)	43,825	12,358	-
Gross loans and advances	152,951	96,243	18,455	267,649
Concession on loans and advances:				
Balance at the beginning of the period	(21,507)	(5,940)	(288)	(27,735)
Net transfers between stages	(5,357)	(2,920)	149	(8,128)
Net concession expense on loans and advances	4,194	(3,778)	(416)	-
Reclassification of loans to fair value through surplus or deficit	358	2,020	-	2,378
Loans and advances net of concession	130,639	85,625	17,900	234,164
Provision for impairment of loans and advances:				
Balance at the beginning of the period	(1,540)	(1,075)	(3,488)	(6,103)
Transfers between stages	544	(462)	(82)	-
New collective provisions made	(414)	(686)	-	(1,100)
New individually assessed provisions made	-	-	(12,169)	(12,169)
Reclassification of loans to fair value through surplus or deficit	175	447	1,383	2,005
Provision for impairment of loans and advances	(1,235)	(1,776)	(14,356)	(17,367)
Net loans and advances	129,404	83,849	3,544	216,797

* Total loans and advances at amortised cost

Movements of the gross carrying amounts and provision for impairment of loans and advances as at 30 June 2022:

	Actual 2022			
	Stage 1 \$000	Stage 2 \$000	Stage 3 \$000	Total* \$000
Gross carrying amount:				
Balance at the beginning of the period	113,648	301	4,063	118,012
Additions	103,420	8,630	1,680	113,730
Repayments	(9,898)	(500)	-	(10,398)
Reclassifications to fair value concessionary loans	(10,866)	-	(3,885)	(14,751)
Net transfers between stages	(24,217)	20,055	4,162	-
Gross loans and advances	172,087	28,486	6,020	206,593
Concession on loans and advances:				
Balance at the beginning of the period	(18,104)	(123)	(101)	(18,328)
Net transfers between stages	7,100	(4,536)	(173)	2,391
Net concession expense on loans and advances	(10,503)	(1,281)	(14)	(11,798)
Loans and advances net of concession	150,580	22,546	5,732	178,858
Provision for impairment of loans and advances:				
Balance at the beginning of the period	(612)	(61)	(1,179)	(1,852)
Transfers between stages	245	(11)	(234)	-
New collective provisions made	(1,398)	(1,003)	-	(2,401)
New individually assessed provisions made	-	-	(2,075)	(2,075)
Amount reversed	225	-	-	225
Provision for impairment of loans and advances	(1,540)	(1,075)	(3,488)	(6,103)
Net loans and advances	149,040	21,471	2,244	172,755

* Total loans and advances at amortised cost

Notes

to the Financial Statements continued

Note 2 Loans and advances continued

At 30 June 2023, CRHL had no loans that were past due but not impaired (30 June 2022: nil).

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

	Actual 2023 \$000	Actual 2022 \$000
<i>Assumptions:</i>		
Loan impairment provision	(17,367)	(4,475)
Default rates applied for Stage 1 loans	0.32%-3.58%	0.54%-2.59%
Default rates applied for Stage 2 loans	1.03%-11.13%	1.07%-10.56%
Default rates applied for Stage 3 loans	34%-100%	36%-39%
<i>Sensitivity analysis:</i>		
Impact on impairment provision of 25% increase in default rates	1,012	(769)
Impact on impairment provision of 25% decrease in default rates	(1,012)	769
Impact on impairment provision of 10% increase in default rates	271	308
Impact on impairment provision of 10% decrease in default rates	(271)	(308)

Segment analysis

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

	Actual 2023 \$000	Actual 2022 \$000
Agriculture and horticulture	147,325	119,739
Other Business	120,324	261,649
Gross loans and advances	267,649	381,388

Explanation of major variances against budget

Loans and advances at 30 June 2023 were \$60.871 million less than budget. This is mainly due to :

- ▶ Borrowers meeting preconditions for loan drawdowns slower than initially anticipated due to various factors;
- ▶ 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.

Notes

to the Financial Statements continued

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.

The carrying amount of equity accounted for investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use.

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 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.

Investments in associates

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

	Actual 2023 \$000	Actual 2022 \$000
Whakatohea Mussels (Ōpōtiki) Limited	16,736	18,363
Ōpōtiki Marina and Industrial Park Limited	–	1,498
Total investments in associates	16,736	19,861

Whakatohea Mussels (Ōpōtiki) Limited

During the financial year, CRHL purchased an additional 1,866,666 shares in Whakatōhea Mussels (Ōpōtiki) Limited (WMOL) at a price of \$2.25 per share. This resulted in CRHL having a total of 11,148,929 shares (30 June 2022: 9,282,263 shares) in WMOL which represents 38.213% of total shareholding (30 June 2022: 34.9%). WMOL is an 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.

As at 30 June 2023, due to the significant losses incurred by the entity, management performed an impairment review on the carrying amount of the investment. The losses were mainly driven by the adverse weather patterns as well as significant increase in costs of doing business. Management concluded that an impairment had occurred and an impairment loss of \$3.218 million has been recognised in the Statement of Comprehensive Revenue and Expenses.

The impairment review was performed by comparing the carrying amount of WMOL with the recoverable amount. The recoverable amount has been determined based on the net asset value of the investment. This has been assessed as the best estimate of the recoverable amount of the investment.

Ōpōtiki Marina and Industrial Park Limited

As at 30 June 2023, CRHL had invested 1,500,000 shares (30 June 2022: 1,500,000 shares) in Ōpōtiki Marina and Industrial Park Limited (OMIPL) representing 17.589% shareholding (30 June 2022: 17.589%). 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.

As at 30 June 2023, and in view of significant delays experienced in obtaining the required consent to enable the development of the Marina, management has performed an impairment review of the carrying amount of this investment. It has been concluded that an impairment has occurred and the carrying value of the investment of \$1.498 million has been fully impaired.

Financial information

The table below provides summarised financial information on the associates that are material to CRHL for the 12 months ended 30 June 2023 and 30 June 2022. 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.

Notes

to the Financial Statements continued

Note 3 Investments in associates and joint ventures continued

The summarised financial information for OMIPL is shown for the 12 months ended 31 March 2023 because the cost of compliance outweighs the benefit of having these prepared again at 30 June 2023. Adjustments have been made to account for any significant transactions that may have occurred in the same reporting period as CRHL.

	Actual 2023		Actual 2022	
	WMOL \$000	OMIPL \$000	WMOL \$000	OMIPL \$000
Operating results				
Total revenue	16,444	-	7,023	9
Total expenses	(26,366)	(14)	(17,213)	(14)
Income tax (expense)/benefit	2,774	-	2,923	-
Profit/(loss) for the year	(7,148)	(14)	(7,267)	(5)
Other comprehensive income/(expense)	323	-	262	-
Total comprehensive income/(expense)	(6,825)	(14)	(7,005)	(5)
Assets				
Cash and cash equivalents	60	805	1,028	617
Trade and other receivables	1,999	16	5,467	80
Other current assets	1,933	1,835	2,677	1,316
Property, plant and equipment	55,371	7,001	53,667	7,001
Other non-current assets	6,317	-	5,181	-
Total assets	65,680	9,657	68,020	9,014
Liabilities				
Trade and other payables	4,497	82	2,078	525
Other current liabilities	14,836	-	7,934	-
Non-current borrowings	2,623	-	12,282	-
Other non-current liabilities	-	-	-	-
Total liabilities	21,956	82	22,294	525
Net assets	43,724	9,575	45,726	8,489
CRHLs share in net assets, %	38.21%	17.59%	34.90%	17.59%
CRHLs share in net assets	16,736	1,684	15,958	1,493
Goodwill	3,218	(186)	2,405	5
Less impairment	(3,218)	(1,498)		
Investment in associate at 30 June	16,736	-	18,363	1,498

The associates had no other contingent liabilities or capital commitments as at 30 June 2023 (30 June 2022: 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 2023 (12 months ended 30 June 2022: nil).

Investments in joint ventures

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

	Actual 2023 \$000	Actual 2022 \$000
Ariki Tahī Sugarloaf Wharf Limited	840	896
Ngati Awa the Strand Development Limited	843	1,309
Te Rāhui Herenga Whakatāne 2021 Limited Partnership (LP)	5,480	4,038
Te Huata 1 Partnership (LP)	500	-
Total investments in joint ventures	7,663	6,243

Ariki Tahī Sugarloaf Wharf Limited (ATSWL)

As at 30 June 2023, CRHL held 30 ordinary shares (30 June 2022: 30 ordinary shares) and 3,000,000 perpetual preference shares (30 June 2022: 3,000,000 perpetual preference shares) in the company with a total nominal value of \$3 million (30 June 2022: \$3 million). At 30 June 2023, CRHL held 33.333% voting rights in the company (30 June 2022: 33.333%).

CRHL, Coromandel Marine Farmers Association Incorporated and Thames-Coromandel District Council established ATSWL as a joint venture in the prior year. CRHL's investment funds the redevelopment and expansion of the 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.

ATSWL is an LLC incorporated in New Zealand and is domiciled and operates in New Zealand.

As at 30 June 2023, in view of significant delays experienced in the development of ATSWL, management has performed an impairment review of the carrying amount of the investment. It has been concluded to retain the impairment loss booked in the year ended 30 June 2022 of \$1.723 million.

The impairment review was performed by comparing the carrying amount of ATSWL with the recoverable amount. The recoverable amount has been determined based on the net asset value of the investment. This has been assessed as the best estimate of the recoverable amount of the investment.

Ngati Awa the Strand Development GP Limited (NASDGL)

As at 30 June 2023, CRHL held 1,350,000 ordinary shares (30 June 2022: 1,350,000 ordinary shares) in the company with a total nominal value of \$1.350 million (30 June 2022: \$1.350 million). At 30 June 2023, CRHL held 33.750% voting rights in the company (30 June 2022: 33.750% voting rights).

In the prior year, CRHL and Ngati Awa Group Holdings Limited established Ngati Awa the Strand Development GP Limited (NASDGL) 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.

NASDGL is an LLC incorporated in New Zealand and is domiciled and operates in New Zealand.

Notes

to the Financial Statements continued

Note 3 Investments in associates and joint ventures continued

As at 30 June 2023, and in view of significant delays experienced in the project which involves development of a visitor hub, management has performed an impairment review of the carrying amount of the investment. It has been concluded that an impairment has occurred and an impairment loss of 0.338 million has been recognised in the Statement of Comprehensive Revenue and Expenses.

The impairment review was performed by comparing the carrying amount of NASDGL with the recoverable amount. The recoverable amount has been determined based on the net asset value of the investment. This has been assessed as the best estimate of the recoverable amount of the investment.

Te Rāhui Herenga Whakatāne 2021 Limited Partnership (LP)

As at 30 June 2023, CRHL held 4,100,000 unsecured notes in the Company with a total nominal value of \$4.100 million and 5,700,000 ordinary shares with a total value of \$5.700 million. (30 June 2022: 4,100,00 unsecured notes with a total nominal value of \$4.100 million). As at 30 June 2022, CRHL held 33.33% voting rights in the company. (30 June 2022: nil).

CRHL, Te Rāhui Lands General Partner Limited ("TRRLP") and Te Rāhui Lands Trust ("Lands Trust") established Te Rāhui Herenga Whakatāne 2021 LP as a joint venture. CRHL's investment will enable the rehabilitation of the Lands Trust's land in Whakatāne and the development of a commercial boat harbour on part of that land.

Te Rāhui Herenga Whakatāne 2021 LP is an entity incorporated in New Zealand and is domiciled and operates in New Zealand. As at 30 June 2023, and in view of the significant delays experienced in the project, management has performed an impairment review of the carrying amount of the investment. It has been concluded that an impairment has occurred and an impairment loss of \$4.312 million has been recognised in the Statement of Comprehensive Revenue and Expenses.

The impairment review was performed by comparing the carrying amount of Whakatāne LP with the recoverable amount. The recoverable amount has been determined based on the net asset value of the investment. This has been assessed as the best estimate of the recoverable amount of the investment.

Te Huata 1 Limited Partnership

During the year, CRHL and Te Huata Charitable Trust (THCT) established the Te Huata 1 Limited Partnership as a joint venture. CRHL's investment will enable the development of a mussel spat hatchery project in the Eastern Bay of Plenty.

Te Huata 1 Limited Partnership is an entity incorporate in New Zealand and is domiciled and operates in New Zealand. As at 30 June 2023, CRHL held 500,000 ordinary shares in the Company with a total nominal value of \$0.500 million (30 June 2022: nil). As at 30 June 2023, CRHL held 10% voting rights in the Company (30 June 2022: nil).

Financial information

The table below provides summarised financial information on the joint ventures for the 12 months ended 30 June 2023 and 30 June 2022. 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. The joint ventures had no other contingent liabilities or capital commitments as at 30 June 2023 (30 June 2022: nil), for which CRHL has a corresponding commitment. CRHL share of losses from joint ventures for the year ended 30 June 2023 is \$0.185m (2022: \$0.126m).

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 2023 (12 month ended June 2022: nil).

	Actual 2023				Actual 2022		
	TH1 ¹ \$000	Ariki Tahī ² \$000	Ngati Awa ³ \$000	Te Rāhui ⁴ \$000	Ariki Tahī ¹ \$000	Ngati Awa ² \$000	Te Rāhui ⁴ \$000
Operating results							
Total revenue	–	–	28	374	–	83	9
Total expenses	–	(168)	(409)	(213)	(112)	(162)	(193)
Profit/(loss) for the year	–	(168)	(381)	161	(112)	(79)	(184)
Assets							
Cash and cash equivalents	5,000	998	908	13,987	1,568	1,055	3,674
Trade and other receivables	–	15	12	50	17	11	63
Other current assets	–	–	1,567	58	–	1,693	–
Property, plant and equipment	–	1,590	39	3,486	1,240	196	–
Other non-current assets	–	–	–	–	–	–	2,487
Total assets	5,000	2,603	2,526	17,581	2,825	2,955	6,224
Liabilities							
Trade and other payables	–	81	6	241	135	36	273
Other current liabilities	–	–	23	–	–	42	–
Other non-current liabilities	–	–	–	895	–	–	923
Total liabilities	–	81	29	1,136	135	78	1,196
Net assets	5,000	2,522	2,497	16,445	2,690	2,877	5,028
CRHL's share in net assets, %	10.00%	33.33%	33.75%	33.33%	33.33%	33.75%	33.33%
CRHL's share in net assets	500	840	843	5,480	896	971	1,676
Goodwill	–	1,723	338	4,256	1,723	338	2,362
Less impairment	–	(1,723)	(338)	(4,256)	(1,723)	–	–
Investment in joint venture at 30 June	500	840	843	5,480	896	1,309	4,038

- 1 Te Huata 1 Limited Partnership (LP)
- 2 Ariki Tahī Sugarloaf Wharf Limited
- 3 Ngati Awa the Strand Development Limited
- 4 Te Rāhui Herenga Whakatāne 2021 Limited Partnership (LP)

Explanation of major variances against budget

CRHL's investments in associates at 30 June 2023 were lower than budget by \$53.560 million. This is mainly due to delays in finalisation of investment agreement, including delays in additional investment on existing contracts.

Notes

to the Financial Statements continued

Note 4 Investment securities

Accounting policy

CRHL's investments in investment securities, are financial assets in accordance with PBE IPSAS 41. These include both equity investments and debt securities.

CRHL's investments in investment securities are initially recognised at fair value. They are subsequently measured at Fair Value Through Surplus or Deficit (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 previously been determined with reference to the price established on the secondary market between a willing buyer and seller.

As at 30 June 2023, Geo40 had made plans to significantly curtail its operations through temporary closure of its main silica plant, Ohaaki Northern Plant. This resulted in the silica plant being fully impaired in the entity's financial statements for year ended 31 March 2023. These events have had a negative impact on the entity's liquidity position as at 30 June 2023, with material indicators of uncertainty in the going concern of the entity. Given these circumstances, management has determined to fully impair the equity investment as at 30 June 2023.

Invercargill Central Limited

The fair value of the investment has been determined using an 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 17.5% 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.

	2023		2022	
	Low	High	Low	High
Discount rate	16.5%	18.5%	16%	18%
Value of investment in Invercargill Central Limited ('000)	2,000	2,500	1,500	1,900

Whanganui Port Limited Partnership

During the year, CRHL made no additional investment into Whanganui Port Limited Partnership (2022: \$3.000 million). The fair value has been determined by reference to CRHL's share of net asset in this company as there is no market information on the value of the limited partnership's shares.

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

	Actual 2023 \$000	Actual 2022 \$000
Equity investments		
Invercargill Central Limited	2,300	1,700
Geo40 Limited	–	7,556
Debt securities		
Whanganui Port Limited Partnership	4,517	3,000
Total investments securities	6,817	12,256

The overall fair valuation loss realised on investments in equity shares was \$5.438 million (2022: \$9.605 million).

Explanation of major variances against budget

Investments in equity at 30 June 2023 were \$30.158 million less than budget. This is mainly due to delays in finalisation of investment agreement, including delays in additional investment on existing contracts.

Notes

to the Financial Statements continued

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.

CRHL's assets under construction relate to 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 asset relating to renovations and improvements to wharf and berthing facilities at Greymouth and Westport ports is leased in a finance leasing arrangement to the respective Councils (Grey District Council and Buller District Council). The asset was completed and leased in the year ending 30 June 2022. There were no changes in the leasing arrangement in the year ending 30 June 2023.

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

	Actual 2023 \$000	Actual 2022 \$000
Ōpōtiki harbour development	97,662	73,126
Total fixed assets under construction	97,662	73,126

Explanation of major variances against budget

Fixed assets under construction were higher than budgeted mainly due to greater progress in the construction projects than initially anticipated.

Note 6 Leases

Accounting policy

Leases are classified as finance leases when the risks and rewards of ownership are transferred substantially to the lessee; all other leases are classified as operating leases.

Finance leases – CRHL as Lessor

When CRHL enters into finance leasing arrangement, the asset is derecognised. Amounts due from the lessee under the finance lease are recognised as receivables at the amount of the net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Operating lease – CRHL as Lessor

Assets subject to operating leases are recognised in the statement of financial position with rental income plus initial direct costs incurred in arranging the lease, recognised on a straight-line basis over the lease term.

Critical accounting estimates and judgements

Leasing arrangement with Buller District Council and Grey District Council

In prior year, on completion of construction of the two floating pontoons, CRHL entered into a leasing arrangement with each of the respective councils where the two floating pontoons are located: Buller District Council and Grey District Council. The lease is a peppercorn lease with nominal rent per annum.

Management has assessed that the arrangement results in a finance leasing arrangement. Judgement has been involved in determination of the following;

- ▶ The party that ultimately bears the risk and rewards of ownership of the asset. The legal ownership of the asset lies with CRHL. It has been determined that risk and rewards of ownership of the asset lies with the lessee.
- ▶ The term of the lease. The lease includes an annual renewal option and a judgement has been made that the Councils will exercise the renewal option for the estimated life of the pontoons.

There were no changes in the nature of the leasing arrangement or the judgements made by management in the year ending 30 June 2023.

	Actual 2023 \$000	Actual 2022 \$000
Loss on finance lease arrangement (Lease arrangement on floating pontoons in Greymouth and Westport)	–	7,070

Notes

to the Financial Statements continued

Note 7 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 2023 \$000	Actual 2022 \$000
Opening balance	20,887	76,769
New provision raised	2,849	23,413
Provision utilised	(13,108)	(70,388)
Provision reversed	(6,681)	(8,907)
Closing balance	3,947	20,887

The movements in the table above that relate to concession on undrawn commitments recognised as an expense in the Statement of Comprehensive Revenue and Expenses, are detailed below:

	Actual 2023 \$000	Actual 2022 \$000
New provision raised	2,849	23,413
Provision reversed	(6,681)	(8,907)
Concession on undrawn commitments	(3,832)	14,506

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 2023, the undrawn loan commitments with no conditions or where all conditions were met by the borrowers, amounted to \$59.711 million (30 June 2022: \$132.331 million).

Explanation of major variances against budget

The concession expense on undrawn loan commitments is \$3.947 million higher than budgeted as there was no budgeted amount due to the nature of the account.

Note 8 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.

Other Grants

This relates to co-funding arrangement with Bay of Plenty Regional Council (BOPRC) for the development of Ōpōtiki Harbour Development project. Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. There are no unfulfilled conditions and other contingencies attached to the grant recognised for the 12-month period ended 30 June 2023. There was no receivable recognised in respect to this grant as at 30 June 2023 (30 June 2022: \$3.582 million).

Interest income

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

	Actual 2023 \$000	Actual 2022 \$000
Revenue from exchange transactions		
Interest from loans and advances	6,978	4,012
Interest from bank deposits	5,619	2,697
Total revenue from exchange transactions	12,597	6,709
Revenue from non-exchange transactions		
Funding from Crown	3,818	2,200
Other grants	6,417	13,607
Interest from loans and advances/Concession unwind	15,745	11,071
Total revenue from non-exchange transactions	25,980	26,878
Total revenue	38,577	33,587

Explanation of major variances against budget

Interest earned from loans and advances was \$7.557 million greater than budgeted due to higher than anticipated loans with interest charged. Interest on bank deposits is \$5.205 million greater than budgeted due to having a higher cash balance than anticipated. This was due to additional capital contribution received in the year.

Notes

to the Financial Statements continued

Note 9 Other expenses

Accounting policy

Other expenses are recognised when goods and services are received.

	Actual 2023 \$000	Actual 2022 \$000
Fees to Audit New Zealand for audit of financial statements	149	108
Service agreement with MBIE	2,870	840
Other overheads and expenses	551	540
Total other expenses	3,570	1,488

As at 30 June 2023 and 30 June 2022, CRHL had no operating leases as lessee.

Note 10 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 2023 CRHL had no contingent liabilities (30 June 2022: nil).

Contingent assets

At 30 June 2023 CRHL had no contingent assets (30 June 2022: nil).

Note 11 Commitments

As at 30 June 2023 loan commitments amounted to \$59.711 million (2022: \$132.331 million). Loan commitments are undrawn loan facilities with no conditions or where all conditions were met by the borrowers.

Capital commitments consisted of capital expenditure committed but not yet incurred relating to the Ōpōtiki Harbour Development Project of \$18.869 million (2022: \$46.023 million) and the floating pontoon projects in Greymouth and Westport of \$0.930 million (2022: \$0.930 million).

Note 12 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 2023 \$000	Actual 2022 \$000
<i>Share capital</i>		
Balance at the beginning of the period	661,000	661,000
Capital contribution	182,965	–
Total share capital	843,965	661,000
<i>Non-cash contribution from MBIE</i>		
Balance at the beginning of the period	30,769	30,769
Total non-cash contribution from MBIE	30,769	30,769
Total contributed capital at 30 June	874,734	691,769

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

	Actual 2023 Shares	Actual 2022 Shares
Balance at the beginning of the period	661,000,000	661,000,000
Capital contribution	182,965,000	–
Total share capital	843,965,000	661,000,000

Notes

to the Financial Statements continued

Note 12 Capital Management continued

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 \$1,026,965,100 ordinary shares of \$1, with 843,965,000 being fully paid and 183,000,100 being unpaid as at 30 June 2023 (30 June 2022: \$843,965,100 ordinary shares, with 661,000,000 being fully paid and 182,965,100 being 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.

Investment funding streams

As at 30 June 2023, 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.
- ▶ Regional Strategic Partnership Fund (RSPF) which is intended to support regions to make steps towards achieving their economic potential. This will enable regional economies to be stronger and more resilient to improve the economic prospects, wellbeing and living standards for all New Zealanders.

Explanation of major variances against budget.

Share capital was \$193.801 million higher than budget due to additional capital contribution in the year.

Note 13 Related party transactions

CRHL is controlled by the Crown

CRHL recognised funding from the Crown of \$3.818 million to provide its services for 12 months ended 30 June 2023 (12 months ended 30 June 2022: \$2.200 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 2023 \$000	Actual 2022 \$000
<i>Board member fees during the period were:</i>		
John Rae	5	-
Rodger Finlay	36	37
Neville Harris	41	24
Graeme Mitchell	3	24
Dame Patsy Reddy	31	3
Anne-Marie Broughton	31	3
Elizabeth Hopkins	31	3
Rosie Mercer	31	3
Total Board member fees	209	97

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.

Notes

to the Financial Statements continued

Note 13 Related party transactions continued

Directors' interests

JOHN RAE (CHAIR – FROM 1 JUNE 2023)

- ▶ Chair, WET Gisborne Limited, Gisborne Holdings Limited, Te Rāhui Herenga Waka Whakatane Limited, Thos. Corson Holdings & Subsidiaries, Abodo Wood Ltd
- ▶ Managing Director and Shareholder, FJ Hawkes & Co. Limited
- ▶ Director, Bremworth Limited, Midland Fund Management Ltd, WGL G1.2 Ltd
- ▶ Director and Shareholder, Gobble Limited, Hawkes Ltd, Kingyo Foods Ltd, Playtime Holdings 2022 Ltd
- ▶ Panel member, Waste Minimisation Fund, Independent Advisory Panel, Provincial Growth Fund (Term has expired)
- ▶ Member, Cabjaks Advisory Board
- ▶ Trustee, JR Family Trust

RODGER FINLAY (CHAIR, 1 JULY 2022 – 31 JANUARY 2023)

- ▶ Deputy Chair, Reserve Bank of New Zealand
- ▶ Deputy Chair and Shareholder, Rural Equities Limited
- ▶ Director and Shareholder, RGH Holdings Limited
- ▶ Director and Investor, Mundane World Leaders Fund
- ▶ Director, Ngati Tahu Holdings Corp, Ngati Tahu Capital Ltd, NZ Rural Trust Nominees Ltd, NZ Rural Property Trust Management Ltd and REL Trustee Services Ltd
- ▶ Trustee, Burnett Valley Trust

NEVILLE HARRIS (DIRECTOR, ACTING CHAIR FROM 1 FEB 2023 – 31 MAY 2023)

- ▶ Director, Kiwifruit NZ
- ▶ Director and Shareholder, Tourmalet Ltd
- ▶ Member, Racing Integrity Board
- ▶ Panel Member, Independent Advisory Panel Provincial Growth Fund (term expired)

DAME PATSY REDDY (DIRECTOR)

- ▶ Chair, NZ Rugby Ltd, NZSO Foundation
- ▶ Director, NZ Rugby Commercial GP Ltd, NZ Rugby Promotions Ltd, Computerised Match Ticketing Ltd
- ▶ Director and Shareholder, Lawson Nominees Ltd
- ▶ Director and Trustee, Aspen Institute New Zealand
- ▶ Patron, Centre for Brain Research – University of Auckland, Transparency International New Zealand, Sarjeant Gallery Te Whare o Rehua Whanganui, Hospice Wairarapa and Wellington Charity Hospital
- ▶ Shareholder, Urban Harvest Ltd, NZ Rugby Ltd, Computerised Ticketing Ltd and NZ Rugby Promotions Ltd

ROSIE MERCER (DIRECTOR)

- ▶ CEO, Marsden Maritime Holdings.
- ▶ Director, Marsden Cove Canals Management Ltd, Marsden Cover Marinas Ltd
- ▶ Shareholder, Maunu Estates Ltd

ANNE-MARIE BROUGHTON (DIRECTOR)

- ▶ Chair and Trustee, Whenuakura Marae
- ▶ Director, Whanganui and Partners Limited, Parininihi Ki Waitotara Incorporation, Mana Earth Ltd and Mataarangi Ltd
- ▶ Committee Member, Whanganui West Catchment Group Incorporated Society
- ▶ Trustee, Agri-Womens Development Trust and Mataarangi Trust and Parininihi Ki Waitotara Trust
- ▶ Chair, Independent Advisory Panel, Provincial Growth Fund (term expired)
- ▶ Member, MPI Sustainable Food

ELIZABETH HOPKINS (DIRECTOR)

- ▶ Chair, Trans-Tasman Intellectual Property Attorneys Board
- ▶ Board member (representing University of Canterbury's shareholding), Precision Chroma
- ▶ Employee, University of Canterbury.

The Board Directors' attendance record for the financial year is detailed below:

Director	2023			2022		
	Board Meetings Scheduled	Out of Cycle meetings	Attendance %	Board Meetings Scheduled	Out of Cycle meetings	Attendance %
Rodger Finlay ¹	5	0	100%	11	3	93%
Neville Harris ²	8	2	80%	11	3	100%
Graeme Mitchell	–	–	–	11	3	93%
Dame Patsy Reddy	8	2	100%	1	1	100%
Anne-Marie Broughton	8	2	80%	1	1	100%
Elizabeth Hopkins	8	2	80%	1	1	100%
Rosie Mercer	8	2	100%	1	1	100%
John Rae ³	1	0	0%			

¹ Chair 1 July 2022 - 31 Jan 2023

² Acting Chair, 1 Feb 2023 - 31 May 2023

³ Chair, from 1 June 2023

Shareholding Ministers

Shares in CRHL are held by the Crown acting by and through Minister of Finance and Minister for Regional 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 2023 (30 June 2022: 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.

Notes

to the Financial Statements continued

Note 13 Related party transactions continued

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- 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 2023 \$000	Actual 2022 \$000
Trade and other receivables - current		
– Receivables from MBIE	–	211
Trade and other payables - current		
– Payable to MBIE	–	81

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

	Actual 2023 \$000	Actual 2022 \$000
Revenue		
– Funding from MBIE	3,818	2,200
Expenses		
– Service agreement with MBIE	2,870	840
– Other recharges to MBIE	–	128

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

Note 14 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 2023 \$000	Actual 2022 \$000
Financial assets measured at amortised cost		
Cash and cash equivalents	237,386	141,901
Term deposits	40,000	50,000
Loans and advances	216,797	172,754
Trade receivables	1,414	6,536
Total financial assets measured at amortised cost	495,597	371,191
Financial assets measured at fair value		
Investments in shares	6,817	12,256
Loans and advances	69,789	35,428
Total financial assets measured at fair value	76,606	47,684
Financial liabilities measured at amortised cost		
Trade payables	1,866	243
Total financial liabilities measured at amortised cost	1,866	243

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

Notes

to the Financial Statements continued

Note 14 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 2023			
Investments in equity shares	–	–	6,817
Loans and advances	–	–	69,789
30 June 2022			
Investments in equity shares	–	7,556	4,700
Loans and advances	–	–	35,428

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 2023 \$000	Actual 2022 \$000
Cash and cash equivalents		
AA–	237,386	141,901
Total cash and cash equivalents	237,386	141,901
Term deposits		
AA–	40,000	50,000
Total term deposits	40,000	50,000

Notes

to the Financial Statements continued

Note 14 Financial instruments continued

Loans and advances held by CRHL at 30 June 2023 were unrated. The table below represents the maximum gross credit risk exposure of CRHL at 30 June 2023 and 30 June 2022.

	Actual 2023		Maximum exposure to credit risk \$000
	Financial assets on balance sheet \$000	Off-balance sheet commitments \$000	
	Cash and cash equivalents	237,386	
Term deposits	40,000	-	40,000
Loans and advances	286,586	79,510	366,096
Investments in equity shares	6,817	-	6,817
Trade receivables	1,414	-	1,414
Total financial assets on balance sheet and off-balance sheet commitments	572,203	79,510	651,713

	Actual 2022		Maximum exposure to credit risk \$000
	Financial assets on balance sheet \$000	Off-balance sheet commitments \$000	
	Cash and cash equivalents	141,901	
Term deposits	50,000	-	50,000
Loans and advances	208,182	132,331	340,513
Investments in equity shares	12,256	-	12,256
Trade receivables	6,536	-	6,536
Total financial assets on balance sheet and off-balance sheet commitments	418,875	132,331	551,206

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 2023 CRHL held unsecured loans and advances with total gross value of \$61.516 million (30 June 2022: \$65.836 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 properties.

Note 15 Events after the balance date

The following events and transactions occurred subsequent to year end:

- ▶ During the four months ended 31 October 2023, 19 loan agreements totalling \$61.620 million were novated to CRHL with further investments still being negotiated.

There has been a significant change in circumstances in below borrowers;

- ▶ Ruapehu Alpine Lifts Limited (RAL) has been in voluntary liquidation since October 2022. Subsequent to year end, in October 2023, New Zealand Cabinet agreed to move RAL out of liquidation and into receivership and to provide additional funding to enable the entity to continue operating until March 2024. The valuation of the loans advanced to the entity as at 30 June 2023 has appropriately considered this change of circumstances.
- ▶ Geo-40 paused its main silica operations at the Northern Plant in July 2023. Closure of this plant resulted to material uncertainty on the going concern of the entity. This has been considered in the valuation of both the loan advanced to the entity and the equity interest that CRHL holds in the entity. In September 2023, Geo40 was able to secure additional funding of USD 4.0m. It is expected that this additional funding will enable the entity to sustain its operations for the foreseeable future.

There are no other material events that occurred subsequent to the reporting date which require recognition or additional disclosure in these financial statements.

Report on Appropriation funding

Appropriation funding table

The table below shows the funding made available by the Crown through the Estimates and Supplementary Estimates compared to that recognised by Crown Regional Holdings Limited in the year for each of its appropriations.

	Actual 2022 \$000	Estimates 2023 \$000	Supplementary estimates 2023 \$000	Actual 2023 \$000
Vote Business Science and Innovation: Economic and Regional Development: Provincial Growth Fund (Multi-Category Appropriation)				
<i>Management of Investments in Crown-owned companies</i> Revenue – Crown	–	–	1,909	1,909
<i>Provincial Growth Fund Investment Management – Crown Regional Holdings Limited</i> Revenue – Crown	2,200	2,000	1,909	1,909
<i>Investment through Crown-owned companies</i> Revenue – Crown	–	–	77,319	27,319
Total	2,200	2,000	81,137	31,137
Vote Business, Science & Innovation: Economic and Regional Development: Infrastructure Reference Group (Multi-Category Appropriation)				
<i>Investment through Crown-owned companies</i> Revenue – Crown	–	–	22,013	22,013
Total	–	–	22,013	22,013
Vote Business, Science & Innovation: Economic and Regional Development: Regional Investment Opportunities (Multi-Category Appropriation)				
<i>Investment in Infrastructure</i> Revenue – Crown	–	–	10	–
<i>Investment through Crown-owned Companies</i> Revenue – Crown	–	–	18,442	18,452
Total	–	–	18,452	18,452

Appropriation funding table – continued

	Actual 2022 \$000	Estimates 2023 \$000	Supplementary estimates 2023 \$000	Actual 2023 \$000
Vote Business, Science & Innovation: Economic and Regional Development: Regional Strategic Partnership Fund (Multi-Category Appropriation)				
<i>Investment through Crown-owned companies</i> Revenue – Crown	–	133,055	140,000	42,181
<i>Supporting regionally significant firms impacted by Cyclone Gabrielle</i> Revenue – Crown	–	–	20,000	20,000
Total	–	133,055	160,000	62,181
Vote Business, Science & Innovation: Economic and Regional Development: Strategic Tourism Assets Protection Programme (Multi-Category Appropriation)				
<i>Investment through Crown-owned companies</i> Revenue – Crown	–	–	52,990	53,000
<i>Tourism Investments</i> Revenue – Crown	–	–	10	–
Total	–	–	53,000	53,000
Total Appropriation	2,200	135,055	334,602	186,783

CRHL Spotlight project

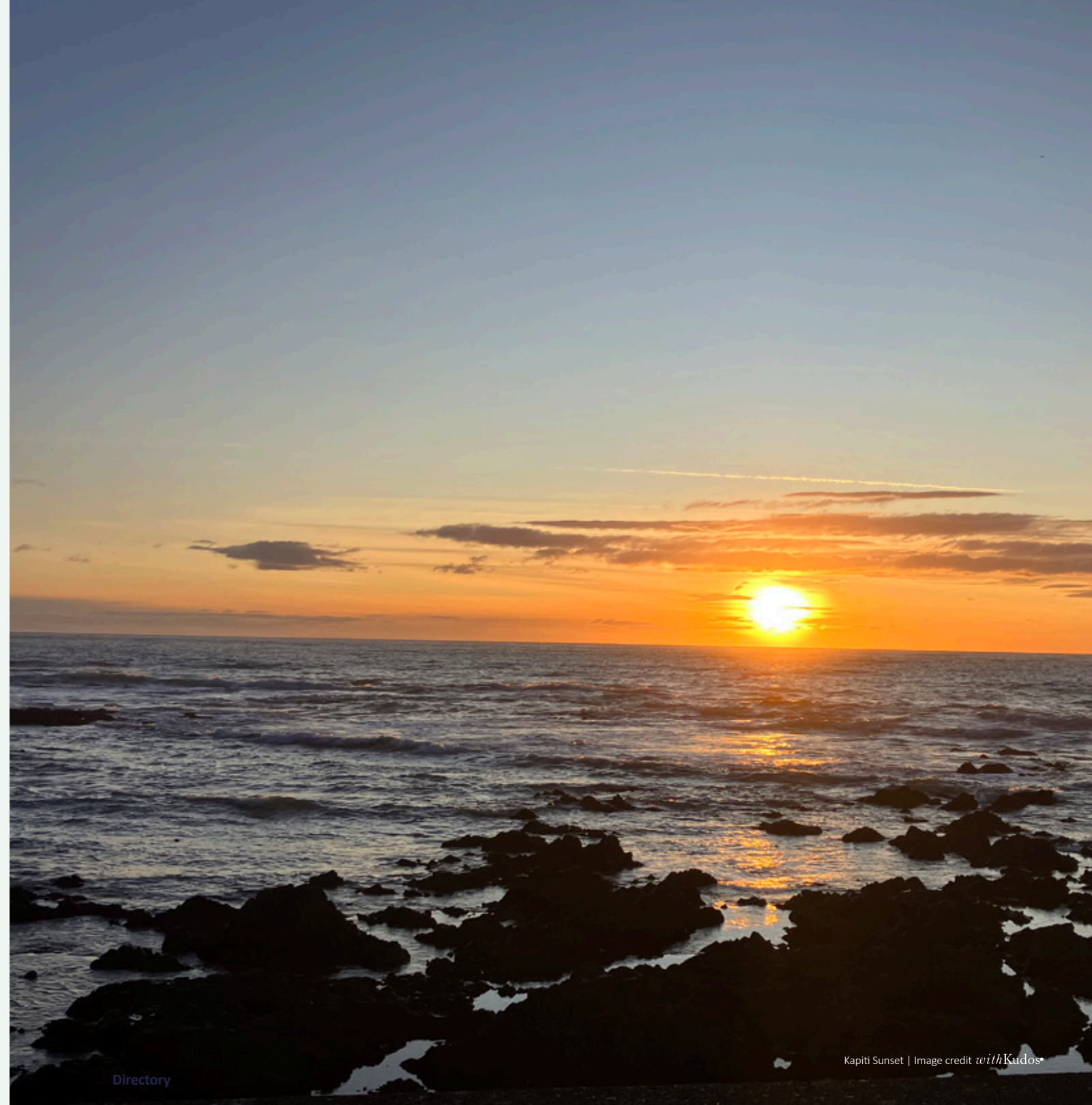
Waimangu Volcanic Valley



Waimangu Volcanic Valley
Waikato
 (\$150,000 STAPP loan repaid)

Testimonial

The funding made a hugely positive impact on the business survival and positioned us to recover this season, as originally intended by the programme.



Kapiti Sunset | Image credit *withKudos*

[Directory](#)

Directory

Shareholders

Minister of Finance
 Minister for Regional 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

John Rae, Chair
 Neville Harris
 Dame Patsy Reddy GNZM CVO QSO DStJ
 Anne-Marie Broughton
 Elizabeth Hopkins
 Rosie Mercer



CRHL CROWN REGIONAL
HOLDINGS LIMITED



Te Kāwanatanga o Aotearoa
New Zealand Government