CRHL CROWN REGIONAL HOLDINGS LIMITED

Annual Report 2022

PRESENTED TO THE HOUSE OF REPRESENTATIVES PURSUANT TO SECTION 150(3) OF THE CROWN ENTITIES ACT 2004

Te Kāwanatanga o Aotearoa
New Zealand Government

B-37

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Cover image:
Ōpōtiki Harbour Development

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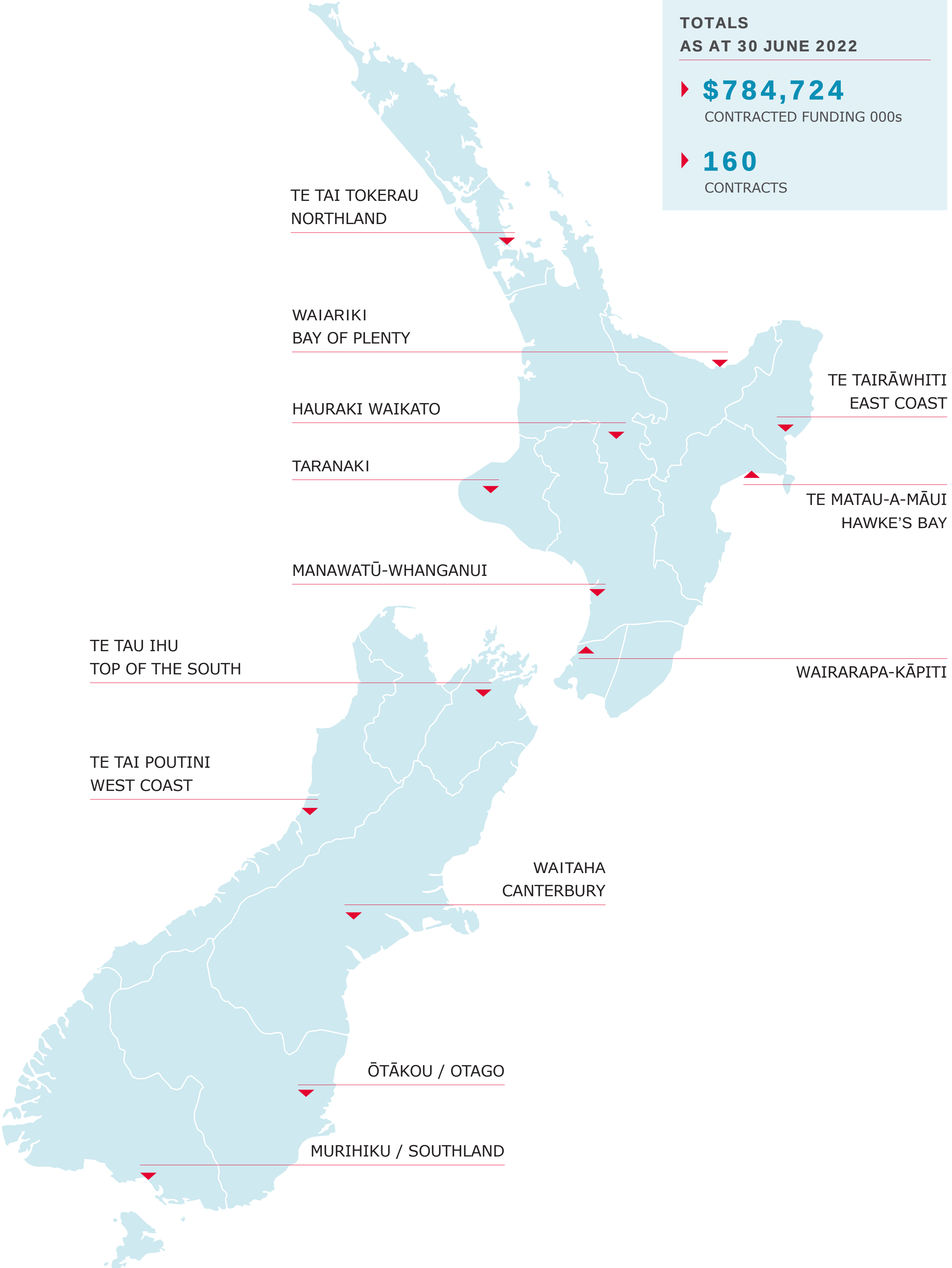
www.growregions.govt.nz

CRHL regional map

TOTALS
AS AT 30 JUNE 2022

- **$784,724**
  CONTRACTED FUNDING 000s
- **160**
  CONTRACTS



Funding and projects breakdown

Region	Contracted funding 000s	Projects funded
TE TAI TOKERAU NORTHLAND	$76,443	12
WAIARIKI BAY OF PLENTY	$323,576	39
HAURAKI WAIKATO	$52,454	11
TE TAIRĀWHITI EAST COAST	$62,235	10
TARANAKI	$6,119	5
TE MATAU-A-MĀUI HAWKE'S BAY	$54,023	11
MANAWATŪ-WHANGANUI	$38,087	8
WAIRARAPA-KĀPITI	$2,840	2
TE TAU IHU TOP OF THE SOUTH	$16,834	6
TE TAI POUTINI WEST COAST	$28,850	7
WAITAHA CANTERBURY	$11,067	6
ŌTĀKOU OTAGO	$33,735	21
MURIHIKU SOUTHLAND	$68,137	16
PAN-REGIONAL FUNDING	$10,324	6
CONTRACTED FUNDING AND PROJECTS TOTALS (Total contracted funding 000s / Total contracts funded)	$784,724	160

For a full list of projects Kānoa – Regional Economic Development & Investment Unit have funded go to www.growregions.govt.nz/funding

CRHL
Spotlight projects

Ōpuke Thermal Pools and Spa Complex

($7.5 million loan)

Development of the solar-heated pools and spa.

Enables local employment and supports sustainable high-quality local tourism.

Raukokore Kiwifruit and Water Storage Development

($15.6 million loan)

Whenua Māori community irrigation scheme, which is supporting the development of 200 hectares of kiwifruit orchard and other horticulture crops throughout Raukokore and Waihau Bay.

Whakatōhea Mussels (Ōpōtiki) Limited

($20.7 million equity)

Build a new mussel processing factory in Ōpōtiki.

Together with the expansion of marine farming, this food processing factory is expected to lead the growth of the off-shore aquaculture industry in the Eastern Bay of Plenty.

Leaderbrand

($15 million loan)

Development of 11.15 hectares of covered crop production using fixed roof plastic houses.

Allows rain water to be collected and stored for future use, and will increase production by getting 5 rather than 1.5 rotations per annum.

Te Pūrongo a te Toihau o CRHL mō te tau 2022

Rodger Finlay
Chair, Crown Regional Holdings Limited

E ngākau harikoa ana tēnei te tāpae atu nei i te Pūrongo ā-Tau tuatoru a Crown Regional Holdings Limited (CRHL). I tino whai hua ngā wero mō CRHL i ngā marama tekau mā rua kua huri. Kei te haere tonu ngā raru Kōwheori-19 me ōna pānga ki ngā utanga, ki te mākete whai mahi me ngā ara tukutuku. Āpiti atu ki tēnei, e pā mai ana ngā mākete tākohukohu o te ao ki a tātou i runga i ngā pēhitanga ōhanga ki tēnei whenua, ā, puta noa i te ao. He taiao mōrearea tēnei mō Aotearoa whānui, inā rā, e rongotia whānuitia ana ngā heipūtanga mā roto i ngā pēhitanga pikiutu, tukutuku hoki. Mātua rā, kua tino uaua kē atu i ngā whakararu mai o te pakanga ki Ukraine – he raru ka kaha pā tonu mai hei ngā tata nei ki tua, ā, me ētahi heipūtanga tē whakapaetia huri noa i te ao.

Ahakoa tēnei, kua pakari haere tonu te kōpaki haumitanga a CRHL i tōna 160 kirimana e whakahaeretia ana i ngā ahumahi rerekē puta noa i Aotearoa. Atu i te 30 o Hune 2022, i eke te tapeke o te kōpaki haumitanga ki te $785 miriona, ka mutu, ko te whakapae ka eke ki tua i te $1 piriona i ngā marama tekau mā rua e whai mai ana. Mō te āhua ki te kōpaki o tēnei wā nei, kua utua te $514 miriona ki ngā kaiwhiwhi. Nā tēnei i āta tau ai te $377 miriona o ngā moni taurewa; neke atu i te $60 miriona o ngā haumitanga tōrite, tae noa ki ngā huarawa e rua $76 miriona te nui kua utua o roto mai o te kōpaki. I ngā wāhi kīhai rawa i utua, kei runga tonu i te āhua o ngā kirimino/hinonga kāore anō kia tutuki i a rātou ngā paerewa me ngā kaunekenga utu. Mā tēnei ara ka tauāraitia te tūranga a CRHL kia utua anake ngā moni ki ngā kaupapa e whakatutuki ana i ngā kawenga i whakaaetia e ngā rōpū e rua.

He wāhanga nui tā ngā pānga tuku pūtea, ahakoa te tino kaupapa i roto i ngā marama tekau mā rua he whakapakari kē i ētahi o ngā pakihi, hāunga ngā mahi taunaki tipunga ki ngā pakihi. Ehara i te mea ko ngā kaiwhiwhi kei te rongo i ngā pānga, engari, ko ngā hapori whānui me ngā rohe hoki. Inā angitu ai he pakihi, whānui rawa ana te whāngaitia o ēnei angitutanga ki ngā ōhanga ā-rohe: mai i ngā pikinga utu i te wharekai, ki ngā whare noho, ki ngā mātanga tiaki kāinga me ngā manuhiri. I te nuinga o te wā, he uaua te whai māramatanga ki ngā putanga whānui o ngā haumitanga, heoi, e whāngaitia ana ēnei māramatanga ki ngā rōpū e whai wāhi mai ana.

E rima nga Tahua Karauna kei te kōpaki o CRHL, ka mutu, he huhua ngā putanga, ngā whāinga me ngā tūraru. Mārama whānui ana kāore te katoa e angitu (arā, ka utua anōtia, ka whakatutuki rānei i ngā putanga whānui i hua mai rā i te haumitanga tūturu). Ko te tino whāinga o ngā haumitanga a CRHL he tuku tautoko ki ngā hinonga ka angitu kia tuku i te whānuitanga o ngā hua ki a Aotearoa whānui. Hei whakatauira i tēnei, ko te Tahua Kōtui Tauārai Huarawa (STAPP). Ko te whāinga matua o tēnei tahua he whakamātau ake ki te pupuri kia rewa tonu ai ētahi o ngā huarawa tāpoi matua i ngā uauatanga o te ao ōhanga me te ahunga mahi tāpoi o Aotearoa.

Mō te āhua ki ngā tūraru ki te kōpaki o CRHL, e koa ana au i ngā haumitanga e 165 i puritia e tēnei kamupene i te wā nei, e ono noa ngā haumitanga i tohua hei tūrarutanga hirahira i te pito tōmuri o te tau. He tohu tēnei i ngā mahi aromātai e haere tonu nei, me ngā whakahaerenga hoki a Kānoa i te kōpaki, inā hoki, ko ngā tūraru katoa i tuku kē ki te Poari Matua, nā runga tonu i te Kaupapa Here Whakarei[1] a te kamupene.

I kōkiritia te Aro Mātaitanga Allen + Clarke mō te Tahua Whakawhanake Rohe[2] (he mea tīmata i te marama o Hānuere 2021, ka whakamānutia i te mārama o Hune 2022) kia āta mārama ai ngā whakahaerenga a te Tahua Whanaketanga Rohe, me āna tautokotanga i ngā putanga ā-rohe. E mōhiotia ana he pae tawhiti ngā putanga e whāia ana e te Tahua Whanaketanga Rohe (puta noa i ngā haumitanga CRHL me ngā tahua tautoko i tua atu i ēnei haumitanga pērā ki ngā tahua moni), ā, e whakapaetia ana kāore ēnei putanga e tutuki i ngā tau tata nei, kia tutuki rā anō ngā kaupapa. Nā runga i tēnei, he whāiti no ate tirohanga o te arotakenga, inā, ko ngā putanga o mua anake ngā mea i aro mātaingia. Ināianei, ka tutuki te arotakenga whānui i roto i ngā tau maha nei whai muri mai i te tukunga o ngā putanga hua, kia tutuki rā anō ngā kaupapa me ngā haumitanga. Ahakoa tēnei, i 'tōtika' te arotaketia o ngā hua me ngā putanga hou, he āhuatanga papai tēnei ki te Poari Matua o CRHL mō te āhua ki āna haumitanga.

1 Escalation Policy
2 Provincial Growth Fund

Te Pūrongo a te Toihau o
CRHL mō te tau 2022 – haere tonu

Ko te aronga arotake a Allen + Clarke he tautohu i ngā āhuatanga angitu e hāngai nei ki ngā mahi, ki ngā whanaketanga ōhanga toitū, ngā urunga pāpori, ngā whai wāhinga mai me ngā whanaketanga ōhanga Māori. Hei tā te mātaitanga, e mārama ana ngā putanga kōrero mō ngā kaupapa whenua Māori e whai hua nei, ngā pakihi hou e waihangatia nei, ngā pakihi e whanake haere ana me te hunga rangatahi e whakamātautia ana, e whai mahi ana hoki. I ngā uiuinga me te hunga whai pānga, e mea ana te pūrongo "e rangona ana te hiamotanga mō ngā āheinga hou me te whai whakaaro nui ki ngā rā ki tua". Ehara i te mea ko ngā hua ōhanga anake kei te kitea, engari anō te whānuitanga ake o ngā hua pānga pāpori, taiao hoki kei te whakatutukitia, ā, hei reira rā anō te puea ai te ngākau pono ki ngā rohe me ngāi tangata whenua. Mātua rā, kua tautohua ngā wāhanga hei whakatikatika; he painga ka puta e aunoa ai ngā whakatikatika kia anga whakamua ai. Ahakoa ka whai whakaaro te pūrongo ki ngā haumitanga mō te hōtaka Tahua Whakawhanake Rohe, he wāhanga hirahira te kōpaki CRHL.

Nō te whanaketanga ake o te kōpaki haumitanga, hīkaka katoa ana te Poari Matua i tōna pōhiri mai i ngā kaitohutohu hou ki te Poari Matua i te marama o Hune, 2022. Tēnei te tuku pōhiri ki a: Kahurangi Patsy Reddy GNZM CVO QSO DStJ, ki a Anne-Marie Broughton (Ngā Rauru Kītahi, Ngāruahine, Ngāti Ruanui, Te Āti Haunui a Pāpārangi, Ngāti Rangi, Ngāpuhi), ki a Elizabeth Hopkins me Rosie Mercer. Ka whānui kē atu ngā pūkenga i ēnei kōpounga hou hei taunaki ake i te Poari Matua, nau mai tēnei mea te kanorautanga! Tō te rā ki tētahi o ngā mema o te Poari Matua, ki a Graeme Mitchell; ko ōna tohungatanga tātari, ōhanga hoki tē warewaretia. I whakapau kaha a Graeme ki te tautoko i te Poari Matua i ngā kawenga pūtea, otirā, nā āna mahi tautoko i ngā pakihi i rangatira nui ai te kaupapa.

E whakapono nei au, nā runga i te pai o te whakatūnga o CRHL, me āna mahi i roto i ngā e rima ki te whakawhanake i te ōhanga ā-rohe, kua tae te wā kia whakahoutia ngā mahi mana kaihautū. I runga i tērā, koinei taku Pūrongo ā-Tau whakamutunga, nōku e heke nei hei te pito tōmua o te tau 2023 kia whai wā au ki te aro ki ētahi atu haepapa mana kaihautū, pūrato hoki. He mahi tino pārekareka nōku i mahi ai ki te tautoko i te PGF, i a CRHL, i a MBIE, tae rawa ki ngā Minita; ka nui taku mihi ki a koutou katoa. Mātua rā hoki, me mihi au ki tērā o ōku kaitohutohu, ki a Neville Harris QSO, mō ōna tautokotanga me ōna whakapaunga kaha mā te Poari Matua; ki a Carolyn Tremain rāua ko mō MBIE; otirā, ki ngā Minita: te Minita Ōhanga me te Minita Whanaketanga Ōhanga ā-Rohe mō ā rāua mahi tautoko. E tōtika ana te noho mai o CRHL kia angitu ai te tau e tū mai nei i ngā kaupapa whakawhanake i te ōhanga ā-rohe katoa ki Aotearoa nei.

Crown Regional Holdings Limited
Chair's Report 2022

It is with great pleasure that I present the third Annual Report for Crown Regional Holdings Limited (CRHL). It has been a rewarding yet challenging twelve months for CRHL. The Covid-19 challenges have continued, impacting freight, the labour market and indeed supply chains. Combined with this, we are encountering an increasingly volatile global market, with challenging economic pressures both domestically and internationally.

It is a tough environment for all New Zealanders and the consequences are being felt widely, by way of inflationary and supply pressures. On top of this, the war in Ukraine has added a further, complex dimension – the impact of which will continue for the foreseeable future with some unexpected consequences throughout the world.

Notwithstanding this, CRHL's investment portfolio has continued to mature, with 160 projects being managed across many different industry sectors throughout New Zealand. As at 30 June 2022, the portfolio totalled $785 million of investments – and is expected to exceed $1 billion during the next twelve months. Of the current portfolio, $514 million has been paid out to recipients. This comprises $377 million of loans, over $60 million of equity investments and $76 million expended on two assets within the portfolio. Where funding has not yet been paid, it is on the basis that borrowers/entities have not yet met the required thresholds or progress milestones for payment. This approach safeguards CRHL's position to ensure money is only paid out to projects that meet the expectations originally agreed between the parties.

The impact of funding continues to make a significant difference, although in the last twelve months it has been about maintaining some businesses rather than always contributing to business growth. The impact is felt by not only the recipient but also the wider community and region. Where a business succeeds, this success feeds into the local economy in many ways: from an increased spend at the local café to additional accommodation required to house specialist workers or visitors to the site. It is often

Crown Regional Holdings Limited
Chair's Report 2022 continued

difficult to capture these broader outcomes of investments but these are nonetheless being fed back to the teams involved.

The CRHL portfolio contains investments from five different Crown funds which have a variety of outcomes, objectives and risk profiles. It is openly acknowledged that not all investments will succeed (that is, in being repaid and/or achieving the broader outcomes that motivated the original investment). CRHL's investments endeavour to provide support to entities that, if successful would provide broader benefits to New Zealand. A prime example of this is the Strategic Tourism Asset Protection Partnership fund (STAPP). The purpose of this fund had the desired goal of seeking to keep some of New Zealand's key tourism assets afloat in what can only be described as a very tough economic climate for New Zealand's tourism industry.

In relation to the risk profile of the CRHL portfolio, I am pleased to advise that of the 165 investments the company held during the relevant period, only six had been classified at the highest risk level of Red at the end of the year. This reflects continued careful monitoring and management of the portfolio by Kānoa – Regional Economic Development & Investment Unit with all risks being escalated to the Board in line with the company's Escalation Policy.

The Allen + Clarke Evaluation of the Provincial Growth Fund, (commissioned in January 2021 and released in June 2022), was undertaken to determine and understand how the Provincial Growth Fund (PGF) operated and how it contributed to regional outcomes. It is acknowledged that the outcomes sought by the PGF (across both CRHL investments and non-CRHL investments (such as grants), are long term and are not expected to be realised for some years, well after the projects have been implemented. By its very nature, the evaluation was relatively narrow and could only assess early outcomes. A full review can only be done in a number of years from now once the disseminated secondary benefits have been realised after full completion of the projects and investments. Notwithstanding this, the outputs and early outcomes were assessed overall as being 'effective' which is pleasing to the CRHL Board as far as it relates to CRHL's investments.

Allen + Clarke's evaluative focus was on identifying early markers of success in relation to jobs and sustained economic development, social inclusion, participation and Māori economic development. The study found that there was clear evidence on current projects of whenua Māori being utilised more productively, new business being created, existing business further developed and rangatahi in training or newly employed. In interviewing those directly affected, the report notes that "there was excitement about new opportunities and a sense of optimism for the future". Not only are direct economic benefits being realised, but more broadly and encouragingly, there are positive social and environmental impacts being achieved, creating a feeling of hope for regions and their tangata whenua. Importantly, areas for improvement have been identified which are beneficial to ensure continuous improvement going forward. While it is acknowledged that the report considered the full PGF investment programme including grants, the CRHL portfolio is a significant part of this.

In light of the growing investment portfolio, the Board was very pleased to welcome additional directors to the Board in June 2022.

We welcome:

- The Right Honourable Dame Patsy Reddy GNZM CVO QSO DStJ
- Ms Anne-Marie Broughton (Ngā Rauru Kiitahi, Ngā Ruahine, Ngāti Ruanui, Te Atihaunui A Papārangi, Ngāti Rangi, Ngā Puhi)
- Ms Elizabeth Hopkins, and
- Ms Rosie Mercer.

These additional appointments bring a wealth of expertise to supplement that of the current Board and a welcome element of diversity. The Board also had one member retire, namely Mr Graeme Mitchell whose audit and financial expertise will be greatly missed. Graeme provided tireless support to the Board in regard to the financial aspects together with all other regular business and his time and dedication were very much appreciated.

I believe, on the basis CRHL is now well established, and after five years of service to regional economic development, the time is right for fresh governance leadership. Accordingly, this will be my final Annual Report for CRHL as I step down at the beginning of 2023 to focus on my other governance responsibilities and commitments. I have thoroughly enjoyed my time supporting the PGF and CRHL and indeed MBIE and Ministers and thank all involved. I would particularly like to thank my other director Neville Harris QSO for his continued support and service to the Board; Carolyn Tremain and Robert Pigou of MBIE; and of course, the shareholding Ministers: the Minister of Finance and the Minister for Economic and Regional Development, for their continued efforts and support. CRHL is well placed for another successful and rewarding year for all important regional economic development in New Zealand.

Rodger Finlay

Chair, Crown Regional Holdings Limited

CRHL Spotlight project Hawk Group Limited

Hawk Group Limited
Moulded fibre packaging manufacturing
Hastings

Located in the 'fruit bowl of New Zealand', Hastings company Hawk Group manufactures moulded fibre packaging to support both domestic sales and exports of apple, pear and avocado.

Hawk Group's products are made from 100% recycled paper, with all kerbside paper and cardboard collected in Napier and Hastings delivered to Hawk for recycling into moulded fibre products.

In 2020, CRHL provided Hawk Group with a $2.88 million loan to fund an additional production line that would increase its manufacturing output, allowing it to respond to growing demand from the region and beyond.

Hawk Group is the sole manufacturer of moulded fibre trays for apple exporters, so it is critical it has adequate capacity to support the sector.

"Receiving the CRHL loan made a huge difference to our business. The new production line has helped to increase our output capacity by 105%, grown sales volumes by 30%, as well as helped to expand our domestic and Australian customer base".

"The CRHL loan also provided positive benefits for local independent engineering contractors who experienced a downturn in demand as a result of COVID-19 lockdown measures in 2020. This project provided a pipeline of confirmed work for these contractors to continue with in a tough period for businesses."

Tim Combs | Hawk Group Limited

CRHL
Director profiles

Rodger Finlay | Chair

Rodger Finlay is the Chair of the Board of Crown Regional Holdings Limited, appointed in September 2019.

He is a Fellow of Chartered Accountants Australia & New Zealand and a Chartered Fellow of the Institute of Directors. For the past 14 years, Mr Finlay has been solely engaged in governance. Mr Finlay has been appointed to the Reserve Bank of New Zealand (RBNZ) Governance Board from 1 July 2022 and previously sat on the interim transition board for RBNZ as it prepared the new governance arrangements under the new *RBNZ Act 2021*. He is currently Deputy Chair of Rural Equities Limited and is a director of various entities including Ngāi Tahu Holdings Corporation Limited. Mr Finlay was previously Chair of the Independent Advisory Panel of the Provincial Growth Fund, NZ Post, and PGG Wrightson. Subsequent to year end, Rodger retired from CRHL Board effective 31 January 2023.

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.

Graeme Mitchell | Director

Graeme Mitchell, appointed to the CRHL Board in September 2019 (Retired: June 2022).

He was a former Audit and Assurance Partner at Deloitte and the former Chair of the External Reporting Board. He was a member of the Kainga Ora Audit and Risk Committee, as well as various other audit and risk committees. He was also the Honorary Consul General for Norway. Mr. Mitchell was previously the Chair of the Human Rights Commission, Audit and Risk Committee as well as previously a director of Retirement Income Group Limited (trading as Lifetime Retirement Income).

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.

CRHL
Director profiles continued

Anne-Marie Broughton
(Ngā Rauru Kiitahi, Ngā Ruahine, Ngāti Ruanui, Te Atihaunui A Papārangi, Ngāti Rangi, Ngā Puhi) | 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.

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.

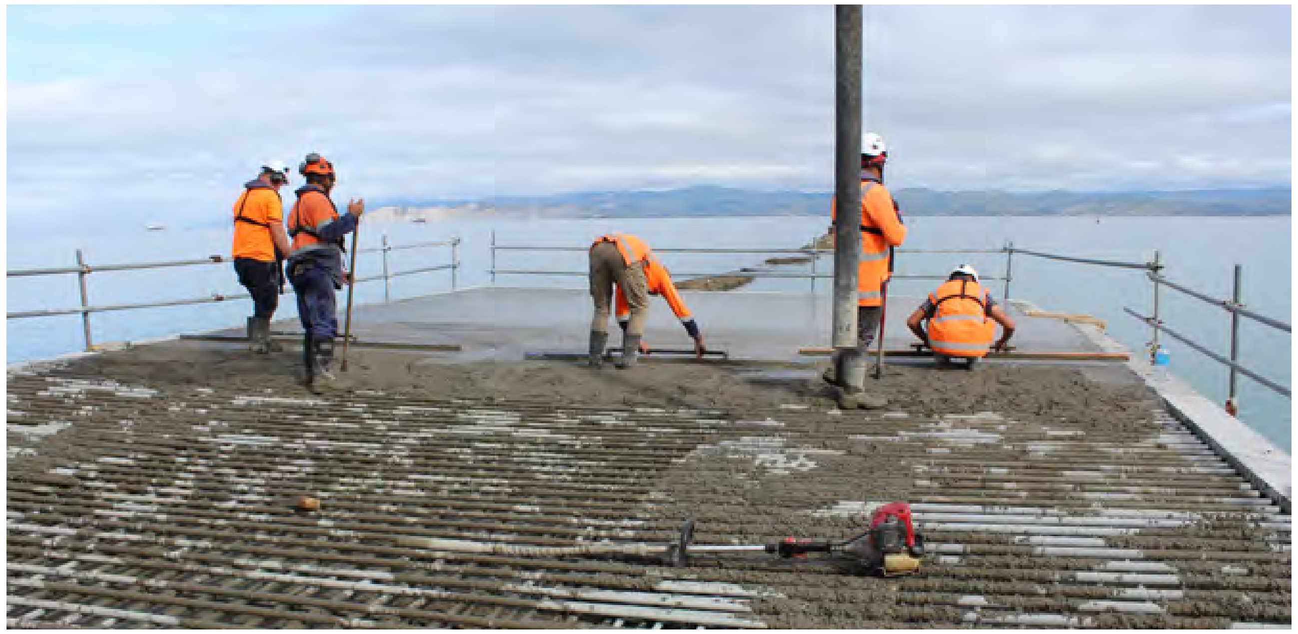
Rosie Mercer | Director

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.

From left to right: Neville Harris, Rosie Mercer, Anne-Marie Broughton, Graeme Mitchell, Elizabeth Hopkins, Dame Patsy Reddy, Rodger Finlay

CRHL Spotlight project Pultron Composites Limited



Pultron Composites Limited – introduces Mateenbar™

Gisborne

Pultron Composites is an industrial technology company. They are global specialists in the development and manufacture of smart, sustainable and competitive fibre-reinforced polymer (FRP) – alternatives for structural materials such as steel, wood and aluminium.

In July 2019, Pultron created a new company called Mateenbar Limited to focus on the growing commercialisation of its non-metallic composites concrete reinforcement product, Mateenbar™.

Mateenbar™ is a glass fibre-reinforced polymer (GFRP) rebar designed for heavy load applications. It is used widely for bridges and motorways, as well as in highly corrosive environments including underwater structures, coastal environments and industrial sites. Using Mateenbar™ as an alternative reinforcement to steel eliminates the risk of corrosion and associated costs. As there is no concrete spalling, maintenance and corrosion protection measures are not required.

Mateenbar™ is four times lighter than steel, highly durable and delivers an extended asset lifespan compared to steel rebar.

In August 2020, a $5.3m loan was contracted to Pultron Composites to grow Mateenbar Limited in strategic international markets. This assisted Pultron in a new joint venture with a global company and has significantly increased Mateenbar's manufacturing demand in the United States, as well as providing a strong path to market networks. In addition, as part of the joint venture, all manufacturing equipment, research, product development and technical advice will be provided by Pultron from New Zealand.

"Domestically, CRHL's loan has provided strong regional economic development benefits, with Pultron's workforce increasing by over 60 full-time employees and work contracted out to other regional suppliers."

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.

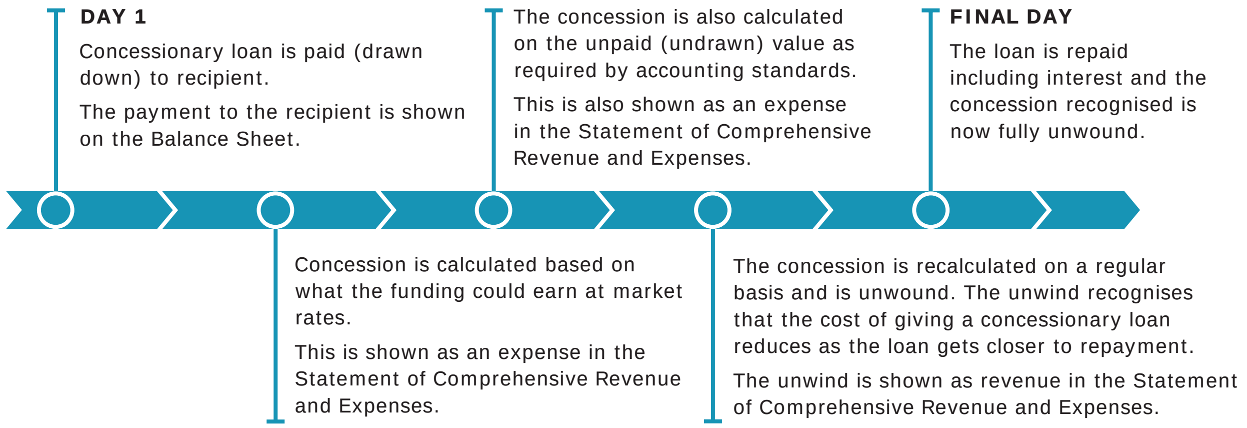
- The funding paid to the recipient is shown on the balance sheet as an asset called Loans and advances
- At the time the funding is paid, it is calculated what this funding could have earned if market rates had been used. This is called the concession and is immediately recognised as an expense to CRHL 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.

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.

Concessionary loans timeline



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.

Explanation of Accounting Terms
used in this report continued

- 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.

What has happened to the West Coast pontoons?

In the 2020/21 Annual Report, CRHL showed a total value of $33,878,000 as Fixed Assets under construction. Within this value was $6,070,000 that related to the Floating pontoons in Greymouth and Westport. During the 2021/22 year, these assets had further spend occur and were certified as complete in November 2021 at a total cost of $7,070,000.

The West Coast pontoons are providing improved access to support services used by the fishing fleets based on the West Coast of New Zealand. The pontoons are being leased to the Buller and Greymouth District Councils for a minimal amount, and as part of the lease, the Councils have agreed to pay for all repairs and maintenance required to the pontoons.

As noted above, these arrangements mean that the pontoons do not achieve any economic benefits or service potential for CRHL, so the value held in the Balance Sheet has been written down to nil until such time as the lease arrangements change.

Statement of Performance
CRHL Performance Measures as at 30 June 2022

The table below sets out CRHL's performance measures (note 1) as at 30 June 2022.

Measure	Result	Target	Commentary
Contract Management			
The percentage of counterparties that have a contract management plan	**97%**	100%	• There were 162 contracted loans at 30 June 2022 with only 1 loan requiring completion of a contract management plan. • There are 11 equity/asset contracts of which 4 have contract management plans outstanding.
The percentage of counterparties that receive contact from Kānoa – RDU at least once every quarter	**99%**	100%	• 167 loan and equity recipients were contacted by Kānoa – RDU within the last quarter, and outcomes reported to the Board in monthly reporting.
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%	• The Board receives monthly reporting from Kānoa – RDU 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.
Contract Payment			
The percentage of payments made to counterparties within 11 working days of a valid drawdown notice being received (note 2)	**100%**	100%	• There were 207 loan and 5 Equity drawdowns processed and paid during the financial year.
Portfolio Risk Management			
The percentage of investments, notified by the Head of the Kānoa – RDU (or their delegate) to the CRHL Chair within 24 Hours following the Kānoa – RDU increasing the RAG status of the investment to red	**100%**	100%	• CRHL had six investments, across 5 recipients, categorised as RED at 30 June 2022.

RAG = Red / Amber / Green

Notes:

1. The performance measures were agreed in the 2021/22 Statement of Performance Expectation and are new for the 2021/22 financial year.
2. A drawdown is deemed to be 'valid' once the documentation is complete and agreed.

CRHL Spotlight project Invercargill Inner-City Redevelopment

Invercargill Inner-City Redevelopment

Stages 1 and 2

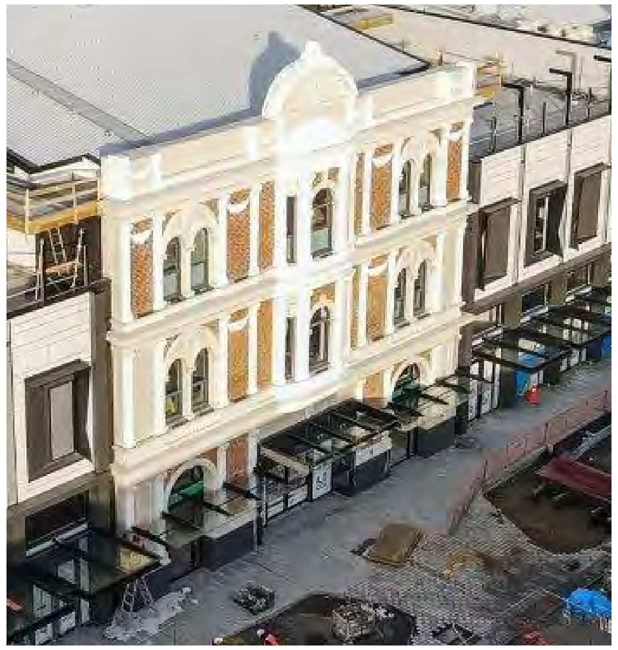
The Invercargill Inner-City Redevelopment is a $180m project to redevelop an entire block in the Invercargill city centre for retail, hospitality, office space, entertainment and carparking.

Kānoa – RDU is managing, on behalf of CRHL, the Government's $29m investments in the project. These include a $19.5m loan and equity investment from the Provincial Growth Fund and a $10m equity investment from the COVID-19 Response and Recovery Fund.

The redevelopment of the city block will be a major catalyst for improving the region's liveability, breathing life into the inner-city whilst providing the commercial sector the confidence to accelerate investment in Southland.

The project has provided substantial employment opportunities with the average weekly workers on site in excess of 200, with another additional 350 jobs projected to be created.

The project is being delivered in two stages, with Stage 1 of the project (including the new Farmers department store, several retail outlets and the 650-space carpark) now completed and opened on 14 July 2022. Stage 2 of the project is scheduled to be completed by June 2023.



Commitment to local businesses
"Where possible, the developer, Invercargill Central Limited, and the construction company, Amalgamated Builders Limited, have been using local labour and supplies. Worker shortages have been met by transferring personnel from other areas where there has been a downturn in work, such as Queenstown and Christchurch."

Invercargill Central Limited/ Amalgamated Builders Limited

CRHL Investment Profile
as at 30 June 2022

The table below sets out the active contracts held by CRHL as at 30 June 2022, and does not include those contracts completed or withdrawn during the financial year.

	ACTUAL 2022	ACTUAL 2021
SUMMARY CRHL INVESTMENT PROFILE[1]		
Number of contracts	160	155
Range of contract values	$0.043 to $115.300 M[2]	$0.043 to $99.400 M
Total contracted value of investment profile	**$784.724**	**$756.224**
Number of contracts not yet paid	**16**	**52**
Number of contracts fully paid	104	32
Number of contracts partially paid	40	71
Number of contracts paid	**144**	**103**
Net drawdowns (less loan repayments)[3]	**$513.593**	**$261.731**
Made up of:		
LOANS		
Number of loans paid	132	95
Range of loan maturities	6 months to 15 years	6 months to 15 years
Range of loan principal	$0.043 to $16.504 M	$0.043 to $15.000 M
Loan drawdowns (less loan repayments)	**$376.976**	**$195.174**
EQUITY		
Number of equity investments paid	10	6
Equity drawdowns	**$60.150**	**$39.850**
ASSETS		
Assets under construction		
Number of assets under construction	1	2
Drawdowns for assets under construction	**$69.397**	**$26.706**
Completed assets		
Number of assets completed	1	0
Assets completed	**$7.070**	**$0.000**

Notes
1. The presentation of the CRHL investment profile was changed in the year to enhance clarity of the investment profile.
2. The $115.300m investment in the Ōpōtiki Harbour includes $20m co-funding from the Bay of Plenty Regional Council.
3. Net drawdowns (less loan repayments) excludes accruals and other accounting adjustments.

Statement of Compliance
and Responsibility

Statement of Compliance

The Board of Crown Regional Holdings Limited ("CRHL") acknowledge that the Company has not been able to meet requirements of section 156 (3) (a) of the Crown Entities Act 2004 that required it to receive an audit report by 31 December 2022. This was because CRHL did not receive audit clearance from Audit New Zealand until late May 2023. Notwithstanding the close monitoring of this audit by the Board, there appeared to be significant resourcing constraints at Audit New Zealand. The Board has formally raised their concerns with the Auditor General in regard to this matter.

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 2022.

Signed for and on behalf of the Board:

Neville Harris
Director, Crown Regional Holdings Limited
Acting Chair (1 February to 31 May 2023)
13 June 2023

Rosie Mercer
Director, Crown Regional Holdings Limited
13 June 2023

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Crown Regional Holdings Limited's financial statements and performance information for the year ended 30 June 2022

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 35 to 81, that comprise the statement of financial position as at 30 June 2022, 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 page 23.

In our opinion:

- the financial statements of the Company on pages 35 to 81:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 page 23:
  - presents fairly, in all material respects, the Company's performance for the year ended 30 June 2022, including for each class of reportable outputs:
    - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed late

Our audit was completed on 13 June 2023. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required under section 156 (3)(a) of the Crown Entities Act 2004. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

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

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

Without modifying our opinion, we draw attention to Notes 2 and 4 on pages 45 to 57 and 64 to 65 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 2022. In particular the use of financial forecasts in the valuations, how

Independent Auditor's Report
continued

the discount rates and expected credit losses are determined and whether a significant increase in credit risk has occurred.

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditor's Report
continued

- 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 22, 24 to 34 and 82 to 83 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

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

Financial Statements
For the year ended 30 June 2022

Contents

Statement of
Comprehensive Revenue and Expenses

For 12 months ended 30 June 2022

	Note	Actual 2022 $000	Actual 2021 $000	Budget 2022 $000
Revenue				
Interest from loans and advances	8	15,083	5,255	9,208
Interest from bank deposits	8	2,697	1,189	400
Other grants	8	13,607	-	-
Funding from Crown	8	2,200	1,000	2,200
Total revenue		**33,587**	**7,444**	**11,808**
Expenses				
Concession on undrawn loan commitments	7	(14,506)	(98,704)	(36,487)
Concession on initial recognition of loans and advances	2	(2,475)	(27,696)	(6,247)
Fair value losses on loans and advances	2	(33,108)	(14,505)	(36,010)
Fair value loss on investments in equity shares	4	(9,605)	(7,638)	-
Loan impairment losses	2	(8,200)	(755)	(23,842)
Gains/(losses) from investments in joint ventures	3	(126)	(358)	-
Gains/(losses) from investments in associates	3	(2,451)	112	-
Impairment losses - Equity accounted investments	3	(1,723)	-	-
Gains/(Losses) on finance lease arrangement	6	(7,070)	-	-
Directors' remuneration	13	(97)	(81)	(134)
Other expenses	9	(1,488)	(1,038)	(990)
Total expenses		**(80,849)**	**(150,663)**	**(103,710)**
Net surplus/(deficit)		**(47,262)**	**(143,219)**	**(91,902)**
Total comprehensive revenue and expense		**(47,262)**	**(143,219)**	**(91,902)**

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 2022

	Note	Actual 2022 $000	Actual 2021 $000	Budget 2022 $000
Assets				
Current assets				
Cash and cash equivalents	14	141,901	184,133	94,032
Term deposits	14	50,000	250,000	-
Loans and advances	2	6,639	1,994	5,674
Trade and other receivables	14	6,536	784	2,272
Total current assets		**205,076**	**436,911**	**101,978**
Non-current assets				
Loans and advances	2	201,543	121,215	451,630
Fixed assets under construction	5	73,126	33,878	58,564
Investments in associates	3	19,861	20,612	19,000
Investments in equity shares	4	12,256	7,362	80,250
Investments in joint ventures	3	6,243	3,992	-
Total non-current assets		**313,029**	**187,059**	**609,444**
Total assets		**518,105**	**623,970**	**711,422**
Liabilities				
Current liabilities				
Trade payables	14	243	219	100
Other payables		4,427	7,172	-
Provision for concessionary loss on undrawn loan commitments	7	20,887	76,769	21,367
Total current liabilities		**25,557**	**84,160**	**21,467**
Total liabilities		**25,557**	**84,160**	**21,467**
Net assets		**492,548**	**539,810**	**689,955**
Equity				
Contributed capital	12	691,769	691,769	894,818
Accumulated surplus/(deficit)		(199,221)	(151,959)	(204,863)
Total equity		**492,548**	**539,810**	**689,955**

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 2022

	Note	Actual 2022 $000	Actual 2021 $000	Budget 2022 $000
Balance at the beginning of the period		539,810	203,082	581,857
Share capital	12	-	475,000	200,000
Investments transferred from MBIE	2, 12	-	4,947	-
Net surplus/(deficit) for the period		(47,262)	(143,219)	(91,902)
Total equity as at 30 June		**492,548**	**539,810**	**689,955**

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 2022

	Note	Actual 2022 $000	Actual 2021 $000	Budget 2022 $000
Cash flows from operating activities				
Cash provided from:				
Receipts from MBIE		2,017	1,265	2,200
Co–funding received for the Ōpōtiki Harbour Development Project		10,000	–	–
Cash disbursed to:				
Payments to suppliers		(1,477)	(1,280)	(990)
Payments to Directors		(116)	(67)	–
Net GST		(1,210)	(398)	3,913
Net cash flow from operating activities		**9,214**	**(480)**	**5,123**
Cash flows from investing activities				
Cash provided from:				
Interest received from bank deposits		2,649	808	300
Interest received from loans and advances		1,652	271	1,102
Other loans and advances repaid		11,595	2,338	1,409
Principal term deposits matured		510,000	100,000	–
Cash disbursed to:				
Amounts placed on term deposits		(310,000)	(350,000)	–
Acquisition of investments in associates		(1,700)	(14,452)	–
Acquisition of investments in joint ventures		(4,100)	(4,350)	–
Acquisition of investments in equity shares		(14,500)	(10,000)	(37,350)
Suspensory loans paid by CRHL		(19,401)	(20,278)	–
Other loans and advances paid by CRHL		(177,880)	(152,036)	(347,031)
Fixed assets under construction		(49,761)	(21,759)	(30,000)
Net cash flow from investing activities		**(51,446)**	**(469,458)**	**(411,570)**
Cash flows from financing activities				
Cash provided from:				
Capital contribution from the Crown	12	**–**	**475,000**	**200,000**
Net cash flow from financing activities		**–**	**475,000**	**200,000**
Net movement in cash		**(42,232)**	**5,062**	**(206,447)**
Opening cash and cash equivalents balance		184,133	179,071	300,479
Closing cash and cash equivalents balance	14	**141,901**	**184,133**	**94,032**

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 2022 $000	Actual 2021 $000
Net surplus/(deficit)		**(47,262)**	**(143,219)**
Add/(less) items classified as investing or financing activities:			
Interest income		(17,780)	(6,444)
Concession on initial recognition of loans and advances	2	2,475	27,696
Concession on undrawn loan commitments	7	14,506	98,704
Provision for impairment of loans and advances	2	8,200	755
Fair value losses on loans and advances	2	33,108	14,505
Gain/(losses) on finance lease arrangements	6	7,070	-
Fair value loss on investments in equity shares		9,605	7,638
Gains/(losses) from investments in associates	3	2,451	(112)
Gains/(losses) from investments in joint ventures	3	126	358
Impairment losses - equity accounted investments	3	1,723	-
Total items classified as investing or financing activities		**61,484**	**143,100**
Add/(less) movements in working capital:			
(Increase) in receivables		(5,032)	(281)
(Decrease)/increase in payables		24	(80)
Net movement in working capital items		**(5,008)**	**(361)**
Net cash flow from operating activities		**9,214**	**(480)**

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 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 2022, and were approved by the Board on 13 June 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 periods for all amounts reported in the financial statements.

New accounting standards and interpretations

There were no new accounting standards or interpretations that affect CRHL for the financial year ended 30 June 2022.

Standards early adopted

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

New standards and amendments – applicable for the year ending 30 June 2022

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

Effective for annual reporting periods beginning on or after 1 January 2021, these amended standards are based on amendments issued by the International Accounting Standards Board (IASB). The amendments address issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark rate with alternative one.

The standard has not had a significant impact to CRHL's financial statements as CRHL does not apply hedging and has not had any contracts where the benchmark interest rate has been replaced with a new alternative benchmark rate.

Amendment to PBE IPSAS 2 Cash Flow Statements

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

Adoption of this amendment has not had a significant impact on CRHL's financial statements.

Standards issued and not yet effective and not early adopted

PBE IPSAS 41 Financial Instruments

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

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

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

Notes
to the Financial Statements continued

Note 1 Statement of accounting policies continued

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 is still assessing the impact of this standard on the performance reporting requirements and disclosures to be included within the Annual Report.

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)
- Investments in equity shares (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)

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 2022 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is immaterial.

Trade and other receivables

Trade and other receivables are non-derivative financial assets initially recorded at their fair value and subsequently measured at amortised cost. Receivables recorded at the amount due, less an allowance for credit losses. CRHL applies a simplified approach to 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.

Critical accounting estimates and assumptions

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.

Notes
to the Financial Statements continued

Note 1 Statement of accounting policies continued

Coronavirus (COVID-19) pandemic

The ongoing ramifications of COVID-19 remain uncertain and continue to affect global and domestic economies as well as directly impacting CRHL borrowers. It now appears that COVID-19 and its variants will become endemic but the medium and longer term impacts on economic activity remain uncertain.

CRHL has developed various accounting estimates based on forecasts of economic conditions and of borrowers' ability to meet their financial and non-financial obligations to CRHL. These estimates reflect expectations as at 30 June 2022 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved, and accordingly actual events are likely to be different from those forecast. The effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to the expected credit losses for loans and advances held at amortised cost, fair value gains or losses for loans and advances held at fair value through profit or loss and fair value gains or losses for equity instruments held at fair value through profit or loss

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

- Loans and advances (Note 2)
- Investments in associates and joint ventures (Note 3)
- Investments in equity shares (Note 4)

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 equity instruments (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)

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 2021/22 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 the 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).

Note 2 Loans and advances

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*.

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 which is recognised in the Statement of Comprehensive Revenue and Expenses on initial recognition.

Notes
to the Financial Statements continued

Note 2 Loans and advances continued

Reclassifications

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

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 Expenses.

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 Expenses. Interest income is separately reported in surplus or deficit in the Statement of Comprehensive Revenue and Expenses.

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 Expenses.

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.

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.

The determination of a significant increase in credit risk (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.

Notes
to the Financial Statements continued

Note 2 Loans and advances continued

Derecognition

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

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

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

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 made in setting the arm's length rate are 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.

(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 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 previous twelve months, as well as how COVID-19 and other macro-economic factors may impact the economy over the forecast period.

The latest scenarios reflect the move from a COVID-19 elimination strategy to an environment where COVID-19 is likely to become endemic but at a level that allows most industries to operate, albeit with varying levels of restrictions. The weightings assigned to each scenario have been reassessed and reflect the increased uncertainty and higher potential downside risks for the domestic economy compared to those applying at a similar time in the previous year.

The assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

	2022	2021
Discount rates	4.44%–6.00%	3.12%–10.29%
Default rates applied for Stage 1 loans	0.54%–2.59%	0.27%–2.55%
Default rates applied for Stage 2 loans	1.07%–10.56%	2.70%–25.50%
Default rates applied for Stage 3 loans	36%–39%	45.0%–75.0%
Loss given default rates applied	35%–75%	10.0%–100.0%

ECL model uses the following scenarios:

	Scenario Weighting Applied 2022	Scenario Weighting Applied 2021
Scenario 1: low but steady economic and employment growth, supported by a lower interest rate forecast	55%	60%
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	40%	35%

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 IFRS 9 *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 and STAPP as published by the Ministry of Business, Innovation and Employment (MBIE) from time to time, which includes non-financial criteria.

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

	Note	Actual 2022 $000	Actual 2021 $000
Loans and advances at amortised cost			
Concessionary loans	(a)	139,622	60,868
Other loans and advances		39,235	38,816
Total loans and advances at amortised cost		**178,857**	**99,684**
Less: Provision for impairment of loans and advances	(b)	(6,103)	(1,852)
Net loans and advances at amortised cost	**14**	**172,754**	**97,832**
Loans and advances at fair value through surplus and deficit			
Concessionary loans	(a)	31,491	25,248
Suspensory loans	(a)	3,937	129
Net loans and advances at fair value through surplus and deficit	**14**	**35,428**	**25,377**
Total loans and advances		**208,182**	**123,209**
Consists of:			
Current		6,639	1,994
Non-current		201,543	121,215
Total loans and advances		**208,182**	**123,209**

Loans and advances include $0.980 million of accrued interest as at 30 June 2022 (30 June 2021: $1.958 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	Total $000
12 months ended 30 June 2021:			
Carrying value at the beginning of the period	**7,814**	**–**	**7,814**
Additions (nominal value)	127,421	12,499	139,920
Concession on initial recognition of loans and advances	(26,583)	(1,113)	(27,696)
Provision for concessionary loss on undrawn commitments	(20,553)	(2,527)	(23,080)
Concession unwind	2,826	503	3,329
Interest accrued for the period	441	124	565
Interest repaid in the period	(102)	–	(102)
Fair value gains/(losses) on loans and advances	(5,148)	(9,357)	(14,505)
Total concessionary and suspensory loans at 30 June 2021	**86,116**	**129**	**86,245**
12 months ended 30 June 2022:			
Additions (nominal value)	150,817	22,464	173,281
Reclassification of loans and advances from amortised cost	14,751	–	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)	–	(1,727)
Interest accrued for the period	1,335	386	1,721
Interest repaid in the period	(373)	–	(373)
Loans and advances written off	–	(3,947)	(3,947)
Fair value gains/(losses) on loans and advances	(23,362)	(9,746)	(33,108)
Total concessionary and suspensory loans at 30 June 2022	**171,113**	**3,937**	**175,050**

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 2022 $000	Actual 2021 $000
Concessionary loans and advances measured at amortised cost		
Assumptions:		
Fair value	139,622	60,868
Interest rates applied	0%-6.62%	0%-4.39%
Discount rates	2.85%-11.12%	3.12%-10.29%
Sensitivity analysis:		
Impact on fair value of increase in discount rate by 1%	(7,300)	(2,752)
Impact on fair value of decrease in discount rate by 1%	9,323	3,735
Concessionary loans and advances measured at fair value		
Assumptions:		
Fair value	31,491	25,248
Interest rates applied	0%-3%	0%-1.50%
Discount rates	6.50%-18.68%	4.62-12.37%
Sensitivity analysis:		
Impact on fair value of increase in discount rate by 1%	(1,526)	(1,390)
Impact on fair value of decrease in discount rate by 1%	1,629	1,510

Notes
to the Financial Statements continued

Note 2 Loans and advances continued

(b) Provision for impairment of loans and advances

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

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

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

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

* Total loans and advances at amortised cost

At 30 June 2022, CRHL had no loans that were past due but not impaired (30 June 2021: nil).

Notes
to the Financial Statements continued

Note 2 Loans and advances continued

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

	Actual 2022 $000	Actual 2021 $000
Assumptions:		
Loan impairment provision	(4,475)	(1,852)
Default rates applied for Stage 1 loans	0.54%–2.59%	0.27%–2.25%
Default rates applied for Stage 2 loans	1.07%–10.56%	2.70%–25.50%
Default rates applied for Stage 3 loans	36%–39%	45.0%–75.0%
Sensitivity analysis:		
Impact on impairment provision of 25% increase in default rates	(769)	(463)
Impact on impairment provision of 25% decrease in default rates	769	463
Impact on impairment provision of 10% increase in default rates	308	185
Impact on impairment provision of 10% decrease in default rates	(308)	(185)

Segment analysis

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

	Actual 2022 $000	Actual 2021 $000
Agriculture and horticulture	119,739	81,995
Other Business	261,649	115,113
Gross loans and advances	**381,388**	**197,108**

Explanation of major variances against budget

Loans and advances at 30 June 2022 were $250.087 million less than budget. This is mainly due to:

- borrowers meeting preconditions for loan drawdowns slower than initially anticipated due to various factors, including COVID-19, supply chain issues, and workforce availability;
- 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 the 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 2022 $000	Actual 2021 $000
Whakatōhea Mussels (Ōpōtiki) Limited	18,363	19,113
Ōpōtiki Marina and Industrial Park Limited	1,498	1,499
Total investments in associates	**19,861**	**20,612**

Whakatōhea Mussels (Ōpōtiki) Limited

During the financial year, CRHL purchased an additional 566,667 shares in Whakatōhea Mussels (Ōpōtiki) Limited (WMOL) at a price of $3 per share. This resulted in CRHL having a total of 9,282,263 shares (30 June 2021:8,715,596 shares) in WMOL which represents 34.9% of total shareholding (30 June 2021: 35.4%). 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.

Ōpōtiki Marina and Industrial Park Limited

As at 30 June 2022, CRHL had invested 1,500,000 shares (30 June 2021: 1,500,000 shares) in Ōpōtiki Marina and Industrial Park Limited (OMIPL) representing 17.589% shareholding (30 June 2021: 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.

Financial information

The following table provides summarised financial information on the associates for the 12 months ended 30 June 2021 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.

The summarised financial information for OMIPL is shown for the 12 months ended 31 March 2022 because the cost of compliance outweighs the benefit of having these prepared again at 30 June 2022. Adjustments have been made to account for any significant transactions that may have occurred in the same reporting period as CRHL.

Notes
to the Financial Statements continued

Note 3 Investments in associates and joint ventures continued

	Actual 2022		Actual 2021	
	WMOL $000	OMIPL $000	WMOL $000	OMIPL $000
Operating results				
Total revenue	7,023	9	4,577	5
Total expenses	(17,213)	(14)	(6,968)	(10)
Income tax (expense)/benefit	2,923	–	2,102	–
Profit/(loss) for the year	**(7,267)**	**(5)**	**(289)**	**(5)**
Other comprehensive income/(expense)	262	–	609	–
Total comprehensive income/(expense)	**(7,005)**	**(5)**	**320**	**(5)**
Assets				
Cash and cash equivalents	1,028	617	2,604	972
Trade and other receivables	5,467	80	364	17
Other current assets	2,677	1,316	4,974	542
Property, plant and equipment	53,667	7,001	47,085	7,000
Other non–current assets	5,181	–	848	–
Total assets	**68,020**	**9,014**	**55,875**	**8,531**
Liabilities				
Trade and other payables	2,078	525	3,352	36
Other current liabilities	7,934	–	600	–
Non–current borrowings	12,282	–	6,418	–
Other non–current liabilities	–	–	–	–
Total liabilities	**22,294**	**525**	**10,370**	**36**
Net assets	**45,726**	**8,489**	**45,505**	**8,495**
CRHL's share in net assets	34.90%	17.59%	35.40%	17.59%
CRHL's share in net assets	15,958	1,493	16,109	1,494
Goodwill	2,405	5	3,004	5
Investment in associates at 30 June	**18,363**	**1,498**	**19,113**	**1,499**

The associates had no other contingent liabilities or capital commitments as at 30 June 2022 (30 June 2021: nil), for which CRHL has a corresponding commitment.

There have been no dividends or other distributions received from associates for the 12 months ended 30 June 2022 (12 months ended 30 June 2021: nil).

Investments in joint ventures

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

	Actual 2022 $000	Actual 2021 $000
Ariki Tahi Sugarloaf Wharf Limited	896	2,657
Ngati Awa the Strand Development GP Limited	1,309	1,335
Te Rāhui Herenga Whakatāne 2021 Limited Partnership (LP)	4,038	-
Total investments in joint ventures	**6,243**	**3,992**

Ariki Tahi Sugarloaf Wharf Limited (ATSWL)

As at 30 June 2022, CRHL held 30 ordinary shares (30 June 2021: 30 ordinary shares) and 3,000,000 perpetual preference shares (30 June 2021: 3,000,000 perpetual preference shares) in the company with a total nominal value of $3 million (30 June 2021: $3 million). At 30 June 2022, CRHL held 33.333% voting rights in the company (30 June 2020: 33.333%).

CRHL, Coromandel Marine Farmers Association Incorporated, and Thames-Coromandel District Council established Ariki Tahi Sugarloaf Wharf Limited 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.

Ariki Tahi Sugarloaf Wharf Limited is an LLC incorporated in New Zealand and is domiciled and operates in New Zealand.

As at 30 June 2022, and 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 that an impairment has occurred and an impairment loss of $1.723 million has been recognised in the statement of comprehensive revenue and expenses.

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 Limited

As at 30 June 2022, CRHL held 1,350,000 ordinary shares (30 June 2021:1,350,000 ordinary shares) in the company with a total nominal value of $1.350 million (30 June 2021: $1.350 million). At 30 June 2022, CRHL held 33.750% voting rights in the company (30 June 2020: 33.750% voting rights).

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

Ngati Awa the Strand Development GP Limited is an LLC incorporated in New Zealand and is domiciled and operates in New Zealand.

Notes
to the Financial Statements continued

Note 3 Investments in associates and joint ventures continued

Te Rāhui Herenga Whakatāne 2021 Limited Partnership (LP)

During the year, CRHL, Te Rāhui Lands General Partner Limited 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 2022, CRHL held 4,100,000 unsecured notes in the Company with a total nominal value of $4.100 million. (30 June 2021: nil). As at 30 June 2022, CRHL held 33.33% voting rights in the company. (30 June 2021: nil).

Financial information

The following table provides summarised financial information on the joint ventures for the 12 months ended 30 June 2022 and 30 June 2021. As the joint ventures are private entities no quoted fair value price is available. The information disclosed reflects the amounts presented in the financial statements of the respective joint ventures, rather than CRHL's share of those amounts.

The summarised financial information has been amended to reflect adjustments made by CRHL when applying the equity method. The accounting policies applied by the joint ventures are consistent with that of CRHL. Comparative summarised financial information is not shown because this is the first year that CRHL has held these investments.

The joint ventures had no other contingent liabilities or capital commitments as at 30 June 2022 (30 June 2021: nil), for which CRHL has a corresponding commitment.

CRHL's joint ventures cannot distribute their surplus without the consent from all venture partners. There have been no dividends or other distributions received from joint ventures for the 12 months ended 30 June 2022 (12 month ended June 2021: nil).

	Actual 2022			Actual 2021	
	Ariki Tahi[1] $000	Ngati Awa[2] $000	Te Rāhui[3] $000	Ariki Tahi[1] $000	Ngati Awa[2] $000
Operating results					
Total revenue	-	83	9	1	-
Total expenses	(112)	(162)	(193)	(1,032)	(43)
Profit/(loss) for the year	**(112)**	**(79)**	**(184)**	**(1,031)**	**(43)**
Assets					
Cash and cash equivalents	1,568	1,055	3,674	2,003	1,298
Trade and other receivables	17	11	63	23	5
Other current assets	-	1,693	-	-	1,634
Property, plant and equipment	1,240	196	-	-	37
Other non-current assets	-	-	2,487	-	-
Total assets	**2,825**	**2,955**	**6,224**	**2,026**	**2,974**
Liabilities					
Trade and other payables	135	36	273	87	17
Other current liabilities	-	42	-	-	-
Borrowings	-	-	-	-	-
Other non-current liabilities	-	-	923	-	-
Total liabilities	**135**	**78**	**1,196**	**87**	**17**
Net assets	**2,690**	**2,877**	**5,028**	**1,939**	**2,957**
CRHL's share in net assets, %	33.33%	33.75%	33.33%	33.33%	33.75%
CRHL's share in net assets	896	971	1,676	646	998
Goodwill	(896)	338	2,362	2,011	337
Less impairment	(1,723)	-	-	-	-
Investment in joint venture at 30 June	**896**	**1,309**	**4,038**	**2,657**	**1,335**

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

Explanation of major variances against budget

CRHL's investments in associates at 30 June 2022 were slightly higher than budget. No investments in joint ventures were budgeted in the year due to uncertainty around terms and conditions of the individual investments made.

Notes

to the Financial Statements continued

Note 4 Investments in equity shares

Accounting policy

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

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

Critical accounting estimates and judgements

Geo40 Limited

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

Invercargill Central Limited

The fair value of the investment has been determined using 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 16% was determined based on the appropriate cost of capital, which includes a risk free rate, market risk premium, and an appropriate asset beta.
- Excess cash flows available for redemption of CRHL shares was 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.

	2022		2021	
	Low	**High**	**Low**	**High**
Discount rate	16%	18%	14%	18%
Value of investment in Invercargill Central Limited	1,500	1,900	2,103	1,385

Whanganui Port Limited Partnership

During the year, CRHL made an investment of $3.000 million into Whanganui Port Limited Partnership (2021: nil). The investment was made in the form of convertible debt. As at 30 June 2022, the criteria for conversion was yet to be met.

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

	Actual 2022 $000	Actual 2021 $000
Invercargill Central Limited	1,700	1,692
Geo40 Limited	7,556	5,670
Whanganui Port Limited Partnership	3,000	–
Total investments in equity	**12,256**	**7,362**

The overall fair valuation loss realised on investments in equity shares was $9.605 million (2021: $7.638 million).

Explanation of major variances against budget

Investments in equity at 30 June 2022 were $67.994 million less than budget. This is mainly due to delays in finalisation of investment agreements, including delays related to COVID-19.

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 renovations and improvements to wharf and berthing facilities at Greymouth and Westport ports was completed during the year and the asset was leased in a finance leasing arrangement to the respective Councils (Grey District Council and Buller District Council).

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

	Actual 2022 $000	Actual 2021 $000
Ōpōtiki Harbour Development Project	73,126	27,808
Floating pontoons in Greymouth and Westport	–	6,070
Total fixed assets under construction	**73,126**	**33,878**

Explanation of major variances against budget

Fixed assets under construction were higher than budgeted 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 a 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

During the 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.

	Actual 2022 $000	Actual 2021 $000
Loss on finance lease arrangement (lease arrangement on floating pontoons in Greymouth and Westport)	7,070	–

Explanation of major variances against budget.

The loss of finance lease arrangement is higher than expected as no amount was included.

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 2022 $000	Actual 2021 $000
Opening	76,769	1,145
New provision raised	23,413	98,743
Provision utilised	(70,388)	(23,080)
Provision reversed	(8,907)	(39)
Provision closing	**20,887**	**76,769**

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 2022 $000	Actual 2021 $000
New provision raised	23,413	98,743
Provision utilised	(8,907)	(39)
Concession on undrawn commitments	**14,506**	**98,704**

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

At 30 June 2022, the undrawn loan commitments with no conditions or where all conditions were met by the borrowers, amounted to $132.331 million (30 June 2021: $243.229 million).

Explanation of major variances against budget

The concession expense on undrawn loan commitments is $21.981 million less than budgeted due to less than anticipated drawdown on facilities by borrowers.

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 2022. The amount of receivables recognised in respect to this grant is $3.582 million.

Interest income

Interest income is recognised when earned using the effective interest rate method. The unwind of concessions is included in revenue from non-exchange transactions: Interest from loans and advances. The concession unwind is calculated using the effective interest rate at the beginning of the year.

	Actual 2022 $000	Actual 2021 $000
Revenue from exchange transactions		
Interest from loans and advances	4,012	1,926
Interest from bank deposits	2,697	1,189
Total revenue from exchange transactions	**6,709**	**3,115**
Revenue from non-exchange transactions		
Funding from Crown	2,200	1,000
Other grants	13,607	–
Interest from loans and advances	11,071	3,329
Total revenue from non-exchange transactions	**26,878**	**4,329**
Total revenue	**33,587**	**7,444**

Explanation of major variances against budget

Other grants were $13.607 million greater than budgeted as no amount was included. Interest received from loans and advances was $5.875 million greater than budgeted due to some borrowers repaying their loans earlier than anticipated. Interest on term deposits is $2.297 million greater than budgeted due to having a higher cash balance than anticipated.

Notes
to the Financial Statements continued

Note 9 Other expenses

Accounting policy

Other expenses are recognised when goods and services are received.

	Actual 2022 $000	Actual 2021 $000
Fees to Audit New Zealand for audit of financial statements	108	87
Service agreement with MBIE	840	840
Other overheads and expenses	540	111
Total other expenses	**1,488**	**1,038**

As at 30 June 2022 and 30 June 2021, CRHL had no operating leases as lessee.

Note 10 Contingent liabilities and contingent assets

Accounting policy

Contingent liabilities and contingent assets are reported when 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 2022 CRHL had no contingent liabilities (30 June 2021: nil).

Contingent assets

At 30 June 2022 CRHL had no contingent assets (30 June 2021: nil).

Note 11 Commitments

As at 30 June 2022 loan commitments amounted to $132.331 million (2021: $243.229 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 $46.023 million (2021: $55.228 million) and the floating pontoon projects in Greymouth and Westport of $0.930 million (2021: $1.930 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 2022 $000	Actual 2021 $000
Share capital		
Balance at the beginning of the period	661,000	186,000
Capital contribution	–	475,000
Total share capital	**661,000**	**661,000**
Non-cash contribution from MBIE		
Balance at the beginning of the period	30,769	25,822
Fixed assets under construction transferred from MBIE	–	4,947
Total non-cash contribution from MBIE	**30,769**	**30,769**
Total contributed capital at 30 June	**691,769**	**691,769**

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

	Actual 2022 Shares	Actual 2021 Shares
Balance at the beginning of the period	661,000,000	186,000,000
Capital contribution	–	475,000,000
Total share capital	**661,000,000**	**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 $843,965,100 ordinary shares of $1, with 661,000,000 being fully paid and 182,965,100 being unpaid as at 30 June 2022 (30 June 2021: $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.

Investments funding streams

As at 30 June 2022 and 30 June 2021, CRHL capital includes the following funding streams:

- PGF was established in Budget 2018 and comprised $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.

Explanation of major variances against budget

Share capital was $203.049 million lower than budget as loan drawdowns were less than anticipated. CRHL did not need to call on additional capital in the 12 month period ended 30 June 2022.

Note 13 Related party transactions

CRHL is controlled by the Crown

CRHL recognised funding from the Crown of $2.200 million to provide its services for the 12 months ended 30 June 2022 (12 months ended 30 June 2021: $1.000 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 2022 $000	Actual 2021 $000
Board member fees during the period were:		
Rodger Finlay	37	35
Neville Harris	24	23
Graeme Mitchell	24	23
Dame Patsy Reddy	3	–
Anne-Marie Broughton	3	–
Elizabeth Hopkins	3	–
Rosie Mercer	3	–
Total Board member fees	**97**	**81**

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

RODGER FINLAY (DIRECTOR, CHAIR)

- Chair, Independent Advisory Panel Provincial Growth Fund (term expired), NZ Post Group Ltd (retired), PGG Wrightson (term expired), St Andrews College Foundation (resigned) and Mundane Asset Management Ltd (UK)
- 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
- Independent Director, Moeraki Ltd (resigned), 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)

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

GRAEME MITCHELL (DIRECTOR)

- Director, Retirement Income Group Ltd, Lifetime Income Ltd, Lifetime Asset Management Ltd and Local Government Superannuation Trustee Ltd (term expired)
- Licensed Independent Trustee, Local Government Super Easy Kiwisaver Schemes, Trustee, Christchurch Statium Trust (resigned)
- Member of Audit and Risk Committee, Kāinga Ora – Homes and Communities
- Chair Audit and Risk Committee, Human Rights Commission (term expired)
- Independent Member Audit Committee, Porirua City Council and United Fire Brigades' Association
- Honorary Consul-General, Royal Norwegian Consulate New Zealand

DAME PATSY REDDY (DIRECTOR)

- Director, NZ Rugby Ltd
- Director and Trustee, Aspen Institute New Zealand
- Chair, New Zealand Symphony Orchestra Foundation
- Patron, Centre for Brain Research- University of Auckland, Transparency International New Zealand, Sarjeant Gallery Te Whare o Rehua Whanganui, Hospice Wairarapa
- Founding trustee and advisory member, NZ Global women (resigned)

ANNE-MARIE BROUGHTON (DIRECTOR)

- Director, Whanganui and Partners Economic Development Agency, Parininiki Ki Waitotara Incorporation, Mana Earth Ltd and Mataarangi Ltd
- Trustee and Chair, Whenuakura Marae
- Co-Chair, Whanganui West Catchment Group Incorporated Society
- Trustee, Agri-Womens Development Trust and Mataarangi Trust
- Member, MPI Sustainable Food & Fibre Futures Investment Advisory Panel

ELIZABETH HOPKINS (DIRECTOR)

- Chair, Trans-Tasman Intellectual Property Attorneys Board, Member, MBIE Science Board (resigned)
- Board member (representing University of Canterbury's shareholding), Precision Chroma
- Employee, University of Canterbury, Member, Investment committee of Kiwinet (resigned)

ROSIE MERCER (DIRECTOR)

- CEO, Marsden Maritime Holdings Limited
- Panel Member, Independent Advisory Panel Provincial Growth Fund (term expired)

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

	Board Meetings Scheduled	Out of Cycle meetings	Attendance %
Rodger Finlay (Chair)	11	3	93%
Neville Harris	11	3	100%
Graeme Mitchell	11	3	93%
Dame Patsy Reddy	1	1	100%
Anne-Marie Broughton	1	1	100%
Elizabeth Hopkins	1	1	100%
Rosie Mercer	1	1	100%

Shareholding Ministers

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

The Treasury has advised that the Shareholding Ministers have certified that there have been no related party transactions for the period ended 30 June 2022 (30 June 2021: 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 2022 $000	Actual 2021 $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 2022 $000	Actual 2021 $000
Revenue		
– Funding from MBIE	2,200	1,000
Expenses		
– Service agreement with MBIE	840	840
– Other recharges to MBIE	128	69

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 2022 $000	Actual 2021 $000
Financial assets measured at amortised cost		
Cash and cash equivalents	141,901	184,133
Term deposits	50,000	250,000
Loans and advances	172,754	97,832
Trade receivables	6,536	784
Total financial assets measured at amortised cost	**371,191**	**532,749**
Financial assets measured at fair value		
Investments in shares	12,256	7,362
Loans and advances	35,428	25,377
Total financial assets measured at fair value	**47,684**	**32,739**
Financial liabilities measured at amortised cost		
Trade payables	243	219
Total financial liabilities measured at amortised cost	**243**	**219**

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 2022			
Investments in equity shares	–	7,556	4,700
Loans and advances	–	–	35,428
30 June 2021			
Investments in equity shares	–	5,670	1,692
Loans and advances	–	–	25,376

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 the 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 2022 $000	Actual 2021 $000
Cash and cash equivalents		
AA-	141,901	184,133
Total cash and cash equivalents	**141,901**	**184,133**
Term deposits		
AA-	50,000	250,000
Total term deposits	**50,000**	**250,000**

Notes
to the Financial Statements continued

Note 14 Financial instruments continued

Loans and advances held by CRHL at 30 June 2022 were unrated. The table below represents the maximum gross credit risk exposure of CRHL at 30 June 2022 and 30 June 2021.

	Actual 2022		
	Financial assets on balance sheet $000	Off-balance sheet commitments $000	Maximum exposure to credit risk $000
Cash and cash equivalents	141,901	–	141,901
Term deposits	50,000	–	50,000
Loans and advances	208,182	132,331	340,513
Investments in equity shares	12,256	–	13,357
Trade receivables	6,536	–	6,536
Total financial assets on balance sheet and off-balance sheet commitments	**418,875**	**132,331**	**552,307**

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

The 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 2022 CRHL held unsecured loans and advances with total gross value of $65.836 million (30 June 2021: $58.117 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 nine months ended 31 May 2023, six loan agreements totalling $21.290 million and two equity agreements totalling $9.250 million were novated to CRHL with further investments still being negotiated.
- The term of CRHL's Chair, Rodger Finlay, ended on 31 January 2023. Mr Neville Harris was appointed as the Acting Chair of the Board between 1 February 2023 to 31 May 2023. From 1 June 2023, Mr John Rae was appointed as the new Chair of the CRHL Board.
- There has been a significant change in circumstances in below borrowers;
  - Ruapehu Alpine Lifts Limited (RAL) went into voluntary administration in October 2022. As at 30 June 2022, CRHL had advanced loans of $15.000 million to RAL. In December 2022, CRHL approved additional loan advances of $8.000 million, to enable support of an outcome that benefited the community. As at 31 March 2023, $4.053 million of the approved amount had been drawn down. The valuation of the loan as at 30 June 2022 has appropriately considered this change of circumstances.
  - Te Mata Mushrooms Holdings Limited ceased operations in one of its sites in August 2022 which resulted to an increase in risk associated with the investment. This risk has been appropriately considered in the valuation of the loan as at 30 June 2022.
- In August 2022, Shareholding Ministers approved and signed a subscription agreement for the Crown to subscribe for $183.000 million ordinary shares at a price of $1.00 per share. This subscription would enable CRHL to accept and hold more investments. The shares were issued as uncalled shares. As at 31 May 2023, CRHL had call on shares of $182.965 million.
- On 27 January 2023, Auckland region went into a state of emergency due to severe weather causing flooding. Over the following days, both the Northland Region and Waitomo District also went into a state of emergency due to severe weather. On 14 February 2023, a national state of emergency was declared to assist in the response to Cyclone Gabrielle. Six regions were impacted by this declaration: Northland, Auckland, Tairāwhiti, Bay of Plenty, Waikato and Hawke's Bay. The financial effect and impact to CRHL borrowers is yet to be quantified to determine whether there is a material impact on the valuation of the financial assets of CRHL.
- Interest rates have been rising, as the Reserve Bank of New Zealand (RBNZ) has lifted the Official Cash Rate (OCR) to curb inflation. In May 2023, RBNZ further increased the OCR rate from 5.25% to 5.50%. We expect this increase to have a direct impact on the applicable market interest rates. The increase in the market interest rates is expected to have below impact on CRHL investments:
  - Is likely to result to a decrease in the valuation of loans held at fair value.
  - Is likely to result to a decrease in the valuation of equities held at fair value.

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

CRHL
Spotlight projects

Oceania Marine 560T Travel Lift

($5.8 million loan)

A loan to purchase an MBH560 Cimolai travel lift (the Travel Lift) and infrastructure required, creating approximately 100 jobs.

The project will enhance the marine and manufacturing sector and help to strengthen productivity, and deliver benefit to the wider community.

Blackwater Gold Mine Exploration Project

($15 million loan)

Develop two underground tunnels to the base of the historic Blackwater gold mine on the West Coast.

The project over two years will employ 40 people in a broad range of roles.

Image credit *with*Kudos

Directory

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

Registered office
15 Stout Street, Wellington Central
Wellington 6011
New Zealand

Contact address
15 Stout Street
Wellington Central
Wellington 6011
New Zealand

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

Bank
Westpac Bank of New Zealand Limited

Board of Directors
Rodger Finlay (Previous Chair)
John Rae, Chair (Appointed 1 June 2023)
Neville Harris (Acting Chair 1 February to 31 May 2023)
Graeme Mitchell
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