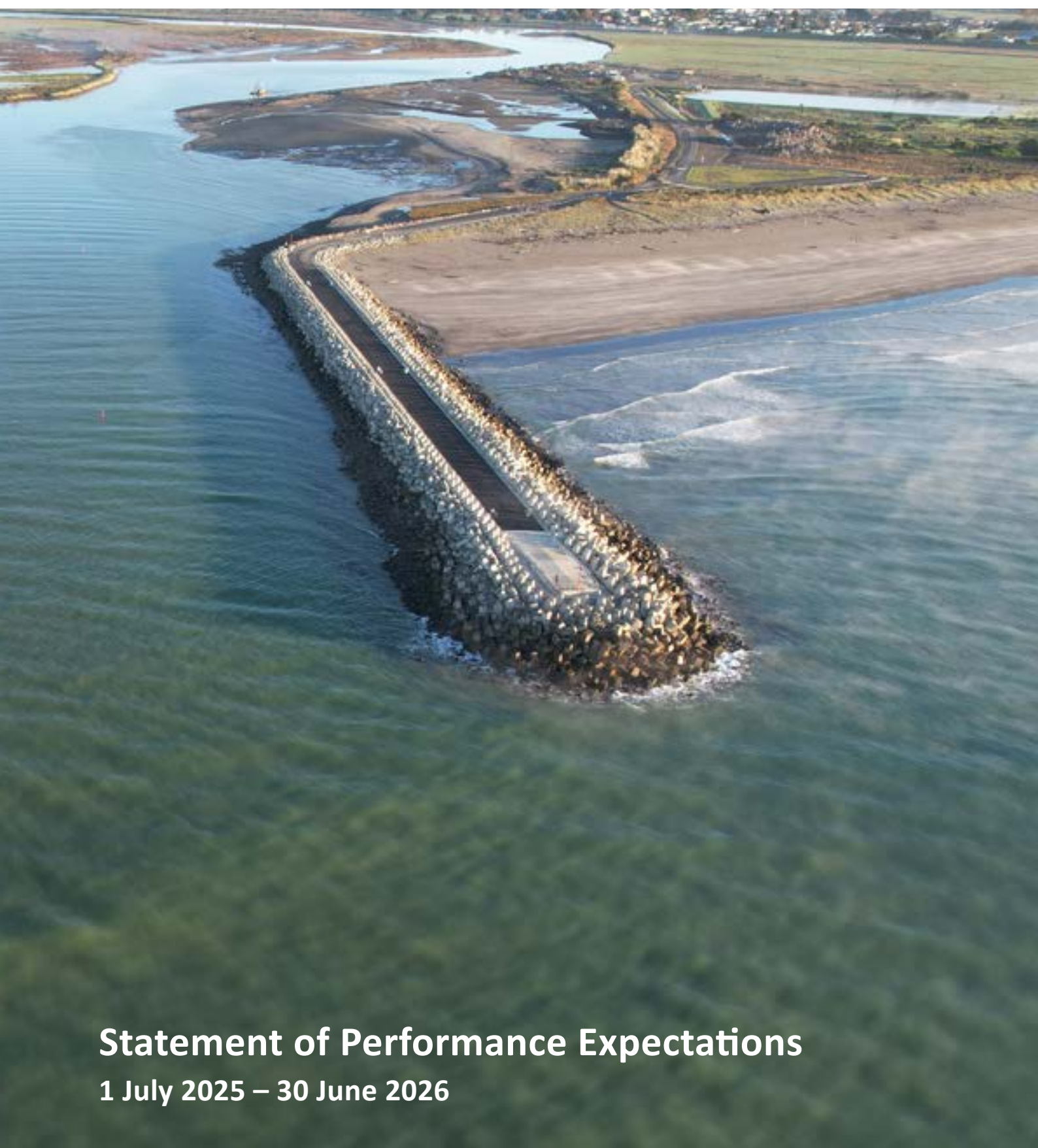




Statement of Performance Expectations

1 July 2025 – 30 June 2026

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CRHL Introduction to the 2025–2026 Statement of Performance Expectations

Introduction

This Statement of Performance Expectations is submitted by the Board of Directors of Crown Regional Holdings Limited (the Company or CRHL), pursuant to the Crown Entities Act 2004 (the Act). This Statement of Performance Expectations sets out the forecast performance of the Company for the period from 1 July 2025 to 30 June 2026.

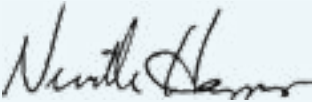
The Company’s prospective financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and its audited accounts will comply with the Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable Financial Reporting Standards as appropriate to profit-oriented public benefit entities.

Statement of responsibility

The Company is responsible for the prospective financial statements contained in this document, including the appropriateness of the underlying assumptions.



John Rae
Chair
25 June 2025



Neville Harris
Director
25 June 2025

CRHL Purpose and objectives

CRHL purpose

To build economies, grow industries and strengthen communities by investing in regional economic development in New Zealand, including by providing various forms of financial support for recipients in regional New Zealand.¹



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

SERVICE PERFORMANCE MEASURES				
1 CONTRACT MANAGEMENT	2 CONTRACT DELIVERY	3 CONTRACT PAYMENT	4 PORTFOLIO RISK MANAGEMENT	5 ADVICE TO MINISTERS
The percentage of counterparties that: (a) have a contract management plan in place (b) receive contact from MBIE at least once every quarter	The percentage of counterparty contract deliverables ³ delivered in accordance with the contract, or for which variations are agreed before relevant delivery date for the deliverable	The percentage of payments made to counterparties within 11 working days of a valid drawdown notice being received	The percentage of investments notified by the Deputy Chief Executive of Kānoa – Regional Development & Commercial Services ⁴ to the CRHL Chair within one business day following MBIE increasing the RAG ⁵ status of the investment to Red	The percentage of advice given to Ministers on the Regional Infrastructure Fund (RIF) and Wood Processing Growth Fund (WPGF) as a proportion of total projects considered by Ministers from these funds.
PERFORMANCE TARGET	PERFORMANCE TARGET	PERFORMANCE TARGET	PERFORMANCE TARGET	PERFORMANCE TARGET
100%	100%	100%	100%	100%

1 Source – Crown Regional Holdings Limited, Constitution
2 Source – Crown Regional Holdings Limited, Statement of Intent 2021- 2025
3 = Provision of quarterly and annual reports and completion of payments
4 = Or his delegate
5= Red Amber Green

Part one

Background information

Objectives

The overall objective of the Crown, via regional economic development initiatives, is to invest in regional economic development in New Zealand, including by providing various forms of financial support for recipients in the New Zealand regions. The Crown’s decision making in relation to the investments is governed by specific criteria for each fund and the decision-making is published by the Ministry of Business, Innovation and Employment (MBIE) from time to time. The criteria also includes non-financial items intended to show the outcome sought for each fund. The Crown wishes to hold its interests in certain regional economic development investments through a limited liability company called Crown Regional Holdings Limited (CRHL), but in doing so the Crown wishes to ensure that the primary responsibility for management and administration of those investments remains with the Crown.

The objectives of the Company are to:

- ▶ act as an asset holding company to hold investments made through the PGF and other regional economic development initiatives;
- ▶ maintain and comply with the Investment Management Agreement with Kānoa – Regional Economic Development & Investment Unit, (Kānoa), which is part of MBIE, under which CRHL will outsource the day-to-day management and administration of investments to Kānoa;
- ▶ supervise and monitor the performance of MBIE’s obligations under the Investment Management Agreement, consistent with CRHL’s company constitution;
- ▶ operate commercially and in a manner that optimises investments, minimises costs, reflects the funds’ overarching objectives and ensures the timely distribution of any surplus funds;
- ▶ provide its own advice to the relevant Ministers of prospective investments that Kānoa has assessed.

Classes of Outputs

The Company has no reportable classes of outputs.

The Company makes only minimal outputs (within the meaning of section 2(1) of the Public Finance Act 1989) that are incidental to its objectives as set out in Section 2 above. These outputs are mostly derived from investment income received on bank deposits, loans and equity investments.

Nature and scope of functions and operations

Funding

The Company will receive operational funding to cover day-to-day costs from the Crown. In time, it will also generate investment income from the investments that have been and continue to be novated (transferred) to it by Kānoa.

Managing and Realising Assets

The Company will manage the investments on behalf of the Crown. This may include providing funds consistent with existing agreements, managing interest and principal repayments of the loans and taking whatever steps are necessary to manage the loans, equity and asset investments.

In practice, CRHL will outsource the day-to-day management and administration of all such investments to MBIE under the Investment Management Agreement.

The Company will also acquire, manage and realise any other assets or investments as directed or approved by its Shareholding Ministers.

Impacts, outcomes and objectives

Commercial objectives

The Company is expected to operate commercially and in a manner that optimises investments, minimises costs, and reflects the funds’ overarching objectives and ensures the timely distribution of any surplus funds.

Distribution Policy

The distribution policy provides for an annual distribution to be made to the Crown based on the available cash at the end of the year less cash required for forecast operating costs and investments over the subsequent year, and a cash buffer as agreed from time to time by the Crown. Such distributions will be by way of return of capital or dividends.

Part one Continued

Statement of significant assumptions

The key significant forecast assumptions are:

- ▶ investments will continue to be novated to the Company as soon as is practicable.
- ▶ the Investment Management Agreement with MBIE will continue to remain in effect.

Performance Measures

The New Zealand Accounting Standards Board (NZASB) has issued PBE FRS 48 Service Performance Reporting (the Standard) to establish requirements for the reporting of service performance information. The Standard was introduced to provide better information to users of the general purpose financial reports of public benefit entities.

The Directors of CRHL have reviewed the performance measures in light of the Standard and where applicable the measures have been updated to reflect the accountability and decision making rights of the Company.

The following performance measures will apply to CRHL with 100% compliance to be targeted:

- ▶ **Contract management:** the percentage of counterparties that have a contract management plan in place where all conditions precedent have been met.
- ▶ **Contract management:** The percentage of counterparties that receive contact from Kānoa at least once every quarter.
- ▶ **Contract delivery:** The percentage of counterparty contract deliverables (provision of quarterly and annual reports and completion of payments) delivered in accordance with the contract, or for which variations are agreed before relevant delivery date for the deliverable.
- ▶ **Contract payment:** The percentage of payments made to counterparties within 11 working days of a valid drawdown notice being received.
- ▶ **Portfolio risk management:** The percentage of investments notified by the Deputy Chief Executive of Kānoa – Regional Development & Commercial Services to the CRHL Chair within one business day following MBIE increasing the RAG status of the investment to Red.
- ▶ **Advice to Ministers:** The percentage of advice given to Ministers on the RIF and WPGF as a proportion of total projects considered by Ministers from these funds.

CRHL Spotlight project Harakeke Strawberry Farm



Harakeke Strawberry Farm
Whanganui



Project details

Te Rūnanga o Ngā Wairiki Ngāti Apa is a Post-Settlement Governance Entity responsible for the management of the collectively owned assets of the members of the Ngā Wairiki and Ngāti Apa Iwi.

The Rūnanga’s long term strategy:

- ▶ Education
- ▶ Training, and
- ▶ Employment Pathways (ETEP) is being achieved via an “Integrated Investment Model” whereby members of the Iwi, as well as all people in the district, can have access to life-long training and employment.

A \$1.621m loan has been given to establish a five hectare strawberry farm based on land already owned by the Iwi, South of Whanganui.

Loan \$1.621 million

Part two

Forecast Financial Statements

Forecast Financial Statements Contents

- ▶ Prospective Statement of Comprehensive Revenue and Expenses for the year ending 30 June 2026
- ▶ Prospective Statement of Financial Position as at 30 June 2026
- ▶ Prospective Statement of Changes in Equity for the year ending 30 June 2026
- ▶ Prospective Statement of Cash Flows for the year ending 30 June 2026
- ▶ Notes to the prospective financial statements

Prospective Statement of

Comprehensive Revenue and Expenses

For the year ending 30 June 2026

	Note	2025/26 Full year budget \$000
Revenue		
Interest income on loans and advances		27,904
Unwind of concessions	1	40,830
Funding from Crown - operating		4,000
Other interest earned		17,155
Total revenue		89,889
Expenses		
Concessions granted	1	(133,449)
Fair value gain/(loss) on loans and advances		–
Provision for impairment of loans and advances		–
Service agreement with Ministry of Business, Innovation and Employment		(2,870)
Audit Fees		(124)
Directors fees		(217)
Other overheads and expenses		(789)
Total expenses		(137,449)
Net surplus / (deficit)		(47,560)
Total comprehensive revenue / (expense)		(47,560)

Note to above table

- 1 A loan is concessionary when the terms entered into are below standard market conditions. An expense (referred to as “concessions granted”) is recognised on drawn and undrawn portion of a loan and represents a difference between the interest charge per standard market conditions and those offered by the Crown. Over the life of the loan the concession is reduced to nil (referred to as “unwind of concessions”).

Prospective Statement of Financial Position

For the year ending 30 June 2026

	2025/26 Full year budget \$000
Current assets	
Cash and cash equivalents	381,215
Trade and other receivables	11,779
Total current assets	392,994
Non-current assets	
Interest receivable	6,087
Loans and advances	915,704
Less: Concessions granted	(250,813)
Less: Fair value (decrease)/increase	(41,808)
Less: Provision for impairment of loans and advances	(25,000)
Equity investments	72,924
Investments in associates	53,128
Investments in joint ventures	44,407
Fixed assets	112,628
Total non-current assets	887,257
Total assets	1,280,251
Current liabilities	
Trade and other payables	834
Provision for concessionary loss on undrawn loan commitments	38,745
Total current liabilities	39,579
Total liabilities	39,579
Net assets	1,240,672
<i>Represented by:</i>	
Shareholders' equity	
Share capital	1,485,078
Retained earnings	(244,406)
Total shareholders' equity	1,240,672

Prospective Statement of Changes in Equity

For the year ending 30 June 2026

	2025/26 Full year budget \$000
Opening equity	974,732
Equity injection from the Crown - cash calls	313,500
Net surplus / (deficit) for the period	(47,560)
Closing equity	1,240,672
<i>Made up of:</i>	
Share capital	1,485,078
Retained earnings	(244,406)
Total assets	1,240,672

Prospective Statement of Cash Flow

For the year ending 30 June 2026

	2025/26 Full year budget \$000
Cash flows from operating activities	
Crown revenue	4,000
Interest received	28,369
Payment to Ministry of Business, Innovation and Employment	(2,870)
Other operating expenses	(1,130)
<i>Net cash flows from / (to) operating activities</i>	28,369
Cash flows from investing activities	
Net Loan (advances made) / repayments received	(190,201)
Equity Investments	(60,116)
Purchase of fixed assets	-
<i>Net cash flows from / (to) investing activities</i>	(250,317)
Cash flows from financing activities	
Proceeds from calls on capital from the Crown	313,500
<i>Net cash flows from / (to) financing activities</i>	313,500
Net increase / (decrease) in cash and cash equivalents	91,552
Opening balance of cash and cash equivalents	289,663
Closing balance of cash and cash equivalents and term deposits	381,215

CRHL Spotlight project Turanga Horticulture

Turanga Horticulture
Tairāwhiti



Project details

A \$5.000 million loan was given to develop 62 hectares of Māori owned land into higher value horticulture.

To ensure a reliable water supply, the project looks to leverage off other local regional projects that are establishing a water storage facility.

Regional impact

- ▶ During the development phase of the project, approximately 12 local staff will be employed.
- ▶ Once completed, four ongoing workers will be maintained.

Loan \$5.000 million



Notes to the Prospective Financial Statements

Note 1 Reporting entity

Crown Regional Holdings Limited (CRHL, formerly Provincial Growth Fund Limited) is a limited liability company 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, 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.

CRHL is exempt from income tax and has an exemption under the *Anti-Money Laundering and Countering Financing of Terrorism Act 2009*.

Pursuant to section 65ZD of the *Public Finance Act 1989*, on 10 December 2019, the Crown acting by and through the Minister of Finance agreed to provide an indemnity to CRHL. This indemnity covers losses, liabilities, damages, costs, charges and expenses which CRHL suffers as a result of the performance, or non-performance, of MBIE under a management agreement.

CRHL is prevented from borrowing any funds unless authorised by Shareholding Ministers as per sections 162 and 160 of the *Crown Entities Act 2004*.

The prospective financial statements for CRHL are for 12 months ending 30 June 2026 and were approved by the Board on 13 June 2025.

Note 2 Basis of preparation

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

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

Actual financial results achieved for each forecast period are likely to vary from information presented and the variations may be material.

Presentation currency and rounding

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

Measurement basis

The prospective financial statements have been prepared on the basis of historical cost unless otherwise noted within the specific accounting policies below.

Note 3 Significant accounting policies

Revenue

Funding from the Crown

CRHL is primarily funded from 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.

Interest income

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. All cash and cash equivalents are held in New Zealand.

Loans and advances

Loans and advances measured at amortised cost

Loans and advances are initially measured at fair value, and subsequently at amortised cost using the effective interest method.

An expected credit loss model (ECL) is used to recognise impairment losses. 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 loan 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.

Loans and advances measured at fair value through surplus or deficit

Loans and advances measured at fair value through surplus or deficit are initially measured at fair value, and subsequently continue to be measured at fair value with any realised and unrealised gains and losses recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expenses. The fair value is determined by projecting forward estimated cash inflows from borrowers and discounting them back at an appropriate discount rate.

Investment securities

Investment securities include both equity investments and debt securities. Investment securities are initially recognised at fair value. They are subsequently measured at fair value through surplus or deficit with the associated gains or losses recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expenses.

The fair value is assessed on an annual basis by reference to market value, for example, the quoted price for investments or recent observable trades in similar assets. Where there is no active market or observable trades, equity investments are valued using the discounted cash flow analysis or net asset valuation methodology.

Notes

to the Prospective Financial Statements cont'd

Note 3 Significant accounting policies continued

Investments in associates

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.

Investments in associates are accounted for using 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.

Investments in joint venture

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.

Investments in joint ventures are accounted for using 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.

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 is recognised.

Fixed assets

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

Work in progress is recognised at cost less impairment and is not depreciated.

Leases

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.

Goods and Services Tax (GST)

All items in the prospective financial statements, except for receivables and payables, are presented exclusive of GST.

Note 4 Critical accounting estimates and judgements

In preparing these prospective 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.

The areas involving significant estimates of judgements are:

- ▶ Estimation uncertainties and judgements made in the valuation of loans and advances;
- ▶ Estimation uncertainties and judgements made in the fair valuation of investment securities;
- ▶ Determination of the appropriate classification of loans based on terms of the agreement;
- ▶ Determination of the appropriate classification of investments in associates and joint ventures;
- ▶ Impairment of non-financial assets;
- ▶ Determination of appropriate classification for leasing arrangements; and
- ▶ Determination of appropriate service performance measures.

These estimates reflect expectations 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 forecasts. The effect of those differences may significantly impact accounting estimates included in these prospective financial statements.

CRHL Spotlight project

Scrapegrace



Scrapegrace
Ōtepoti Dunedin



Project details

In March 2023 a loan from the Regional Strategic Partnership Fund (RSPF) was approved by Ministers for up to \$2.90 million for the expansion of its operations in Otago.

Scrapegrace is New Zealand’s largest distiller of single malt whiskey, gin and vodka. The loan has contributed towards the building of a second barrel store, a new distillery, and expansion of existing bottling facilities.

This development will see an increase in capacity to meet the growing national and international demand. It also allowed Scrapegrace to make efficiencies by consolidating the number of production sites it maintains, and lower emissions through deployment from a diesel boiler of an innovative electrode boiler.

Loan \$2.900 million



Te Rere O Kapuni (Dawson Falls)
Taranaki

Directory

Shareholders

Minister of Finance
Minister for Regional Development

Registered office

15 Stout Street, Wellington Central
Wellington 6011, New Zealand

Contact address

15 Stout Street, Wellington Central
Wellington 6011, New Zealand

Auditor

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

Bank

Westpac Bank of New Zealand Limited

Board of Directors

John Rae – Board Chair
Neville Harris QSO
Rosie Mercer
Angela Edwards
Micheal Greenslade
Matt Bolland

