

## **WHANGANUI PORT LIMITED PARTNERSHIP**

### **STATEMENT OF INTENT FOR YEAR COMMENCING 1 JULY 2023**

This statement is submitted by the partners of the Whanganui Port Limited Partnership in accordance with section 64 of the Local Government Act 2002. It sets the overall intentions and objectives of the Whanganui Port Limited Partnership for the three financial years beginning on 1 July 2023.

The Whanganui Port Limited Partnership (WPLP) is a limited partnership formed by Whanganui Port General Partner Limited (Port GP) and Whanganui District Council (WDC). WDC is the limited partner of the Partnership.

#### **1 Definitions**

“Crown” means the New Zealand Government.

“WDC” means the Whanganui District Council.

“WPLP” means the Whanganui Port Limited Partnership.

#### **2 Objectives**

The WPLP primary objectives are to manage and operate the Whanganui Port, including upgrades and developments as part of the larger Whanganui Port Infrastructure Revitalisation Project (Te Pūwaha). Te Pūwaha project has been developed in terms of both economic development for the region, as well as increasing recreational and commercial activity at the port. WPLP essentially exists to manage and operate the Whanganui Port and manage the Endowment Land in accordance with the Whanganui Harbour Act 1988. If WPLP did not exist, then it is considered that WDC would continue to perform this function. The creation of WPLP has arisen due to the requirements of the Provincial Growth Fund funding for the restoration of the port.

#### **3 Governance**

The WPLP partners have delegated governance and statutory management responsibilities to the Whanganui Port General Partner limited via the Whanganui Port Limited Partnership Agreement.

#### **4 Nature and scope of activities**

4.1 Harbour Endowment: Managing of investment Portfolio.

4.2 Sea Port Operations: Manage and operate the Whanganui Port.

4.3 Te Pūwaha Project: Capital upgrades and developments as part of the larger Whanganui Port Infrastructure Revitalisation Project.

#### **5. Accounting policies**

The Statement of accounting policies for the year ended 30 June 2022 is attached in Appendix 1.

#### **6 Performance targets**

6.1 The forecast performance targets for the next three years are:

- 6.1.1 Ensure compliance with all agreements including those with Crown and the Whanganui Port Limited Partnership;
- 6.1.2 Securityholders agreement, Partnership Agreement, Operating Agreement
- 6.1.3 Deliver the port revitalisation as specified by the Securityholders Agreement
- 6.1.4 Manage port operations and property endowment portfolio as set out in the Partnership Agreement.
- 6.1.5 Manage revenue and cost lines to enable the partnership to be at least break even.

## **7 Distributions to shareholders**

- 7.1 Under the WPLP Agreement the partners contribute equally to losses and share any profits.
- 7.2 The WPLP will not have any funding to pay a dividend in the foreseeable future. Resources will be allocated to the sustainability of the service and reduction of the operating deficit.

## **8 Information to be provided to shareholders**

- 8.1 Information will be provided as required in the Whanganui Port Limited Partnership Agreement.
- 8.2 WPLP will produce reports in accordance with the Local Government Act 2002 and generally accepted accounting practice.
- 8.3 The financial statements will be prepared and audited by 30 September.
- 8.4 WPLP will produce monthly management reports in accordance with WDC management reporting systems.

## **9 Reputation**

WPLP will operate on a “no surprises” basis and will ensure that:

- 9.1 Senior officers of WDC are informed of sensitive media releases prior to their release.
- 9.2 WDC is informed well in advance of any significant events relating to the organisation, whether positive or negative.
- 9.3 All issues that might affect, or are perceived to affect, WDC’s reputation are immediately communicated to the mayor and chief executive.

## **10 Advocacy**

WPLP will:

- 9.1 Fully inform WDC when advocating to third parties, including full disclosure of any written submissions.
- 9.2 Ensure that all advocacy and communication to third parties are consistent with council policy positions.

Mark Petersen

**Chair**

**Whanganui Port General Partner Limited**

**On behalf of Whanganui Port Limited Partnership**

# Statement of accounting policies

For the year ended 30 June 2023

## REPORTING ENTITY

The Whanganui Port Limited Partnership (WPLP) is a limited partnership formed by Whanganui Port Limited (WPL) and Whanganui District Council (WDC). WDC is the limited partner of the Partnership in accordance with the Act. WPGPL will be the initial general partner of the Partnership and will act on behalf of the Partnership to carry out the Project (as defined below) and carry on the Business (as defined below), and to otherwise manage all aspects of the Partnership's affairs. WDC will initially contribute towards the capital of the Partnership on the basis set out in agreement. WPLP is a Council Controlled Organisation (CCO) of the Whanganui District Council (WDC) as defined by section 6 of the Local Government Act 2002 and is domiciled in New Zealand. The Partnership has issued Notes which are convertible to Units on the terms and subject to the conditions set out in the Security holders Agreement.

The objectives of WPLP are to manage and operate the Whanganui Port, including upgrades and developments as part of the larger Whanganui Port Infrastructure Revitalisation Project. The larger port revitalisation project has been developed in terms of both economic development for the region, as well as increasing recreational and commercial activity at the port. WPLP essentially exists to manage and operate the Whanganui Port and manage the Endowment Land in accordance with the Wanganui Harbour Act 1988. If WPLP did not exist, then it is considered that WDC would continue to perform this function. The creation of WPLP has arisen due to the requirements of the Provincial Growth Fund funding for the restoration of the port. WPLP has designated itself as a public benefit entity (PBE) for Financial Reporting Purposes.

The financial statements of WPLP are for the year ended 30 June 2023.

## BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period. The going concern basis is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the WPLP to continue as a going concern.

### Statement of compliance

The financial statements of WPLP have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards on the basis that the WPLP does not have public accountability (as defined) and has total annual expenses of less than \$30 million. These financial statements comply with these PBE Standards. WPLP is also a PBE Combination as per PBE IPSAS 40 which constitute an operation through acquisition, as WPLP gain control of one or more operations. WPLP gain control of Harbour Endowment as well as Sea Port Operations on 6 December 2022.

The financial statements are prepared using the historical cost method.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. The WPLP's functional currency is New Zealand dollars.

## **SPECIFIC ACCOUNTING POLICIES**

The following accounting policies, which materially affect the measurement of surplus or deficit and financial position, have been applied:

### **Revenue**

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below:

#### *Provision of commercially based services*

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date.

#### *Sale of goods*

Revenue from sales of goods is recognised when a product is sold to the customer.

### **Cash and cash equivalents**

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

WDC from time to time funds the working capital of WPLP. At balance date this is represented as a current asset in the statement of financial position. The WDC current account is included in the statement of cash flows as it represents actual WPLP cash inflows and out flows.

### **Receivables**

Receivables are recorded at their face value, less any provision for impairment. A receivable will be impaired when there is evidence that the amount due will not be fully collected. The amount that is impaired is the difference between the amount due and the present value of the amount expected to be collected.

### **Property plant and equipment**

Property, plant and equipment consists of:

*Operational assets* – these include land, buildings, motor vehicles and plant and equipment.

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

#### *Additions*

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

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

#### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

### *Depreciation*

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

Buildings	25 to 80 years	1 – 4%
Plant, vehicles and equipment	3 to 20 years	5 – 33%
Furniture & Fittings	5 to 10 years	10 - 20%

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

### **Investment property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition the asset shall be carried at its fair value.

### **Impairment of property, plant and equipment**

Property, plant and equipment subsequently measured at cost that have an indefinite useful life, or are not yet available for use are not subject to amortisation and are tested annually for impairment.

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

### *Value in use for non-cash- generating assets*

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

### **Borrowings**

The Convertible Notes from Ministry of Business, Innovation and Employment (MBIE) classified as a financial liability in full. Financial statements are prepared in line with PBE IPSAS 41.

The 1<sup>st</sup> tranche of 3 mil has been received and the total financial liability from MBIE will be 12.5 million once all milestones are met. Intention is to transfer this to equity once all conditions are met.

### **Payables**

Short-term creditors and other payables are recorded at their face value.

**Equity**

Equity is the community's interest in WPLP and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- accumulated funds
- property, plant and equipment reserves
- units

***Property revaluation reserves***

This reserve relates to the revaluation of property, plant, and equipment to fair value.

***Units***

The equity of the WPLP comprises units issued to WDC on the transfer of Port assets and cash contributions. This are expressly for the Whanganui Port upgrades and development as per the Security holders' Agreement. There is no requirement to generate a commercial return from this activity, with all income derived from commercial activity at the Port and returns from the endowment land investments is required to be applied only towards the operation and development of the Whanganui Port.

One of the expected project outcomes under the Security holders' Agreement is that the Port and associated enterprises will achieve \$4 million net operating profit (EBITDA) from marine precinct revenue streams in the mid to long-term. An intention to generate profits and return the profits to its equity holders is indicative of a for-profit entity. However, there are restrictions on distributions to unitholders. Specifically, the WPLP is unable to make a distribution to unitholders as this would breach the statutory duty to apply income derived from the use or disposal of endowment land under section 9 of the Wanganui Harbour Act 1988. As the \$4 million is before depreciation, this is further evidence that the WPLP is not expecting to generate and distribute significant amounts to its equity holders.

Once all conditions are met with Financial Liability from MBIE intention is to convert 12.5 million to Equity. It is also noted that distributions to MBIE are not expected but to be transferred to local Iwi as part of the Whanganui Land Settlement Negotiations at some point in the future.

On balance, based on the restrictions imposed and the future intended transfer of MBIE units to local Iwi, management deems the nature of the equity interest to be focused on benefiting the community rather than equity holders.

**Goods and Service Tax (GST)**

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

Commitments and contingencies are disclosed exclusive of GST.

**Income Tax**

No income tax is recognised as the Whanganui Port Limited Partnership is transparent for tax purposes with all income, expenses, gains and losses flowed through to the individual partners in accordance with each partner's share of partnership income.

**Critical accounting estimates and assumptions**

In preparing these financial statements WPLP has made estimates and assumptions concerning the future which may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the

circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Property, plant and equipment useful lives and residual values*

At each balance date WPLP reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the WPLP to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by WPLP, and expected disposal proceeds from the sale of the asset. An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of comprehensive income, and carrying amount of the asset in the statement of financial position. WPLP minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset replacement programs
- review of second hand market prices for similar assets
- analysis of prior assets sales

WPLP has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 9.

**Changes in accounting policies:**

No changes in accounting policies.