

WHANGANUI PORT LIMITED PARTNERSHIP

STATEMENT OF INTENT FOR YEAR COMMENCING 1 JULY 2024

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 2024.

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 2024 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.

11 Financial Forecasts

Statement of comprehensive revenue and expense

Forecast 1 July 2024 to 30 June 2028

	2025 \$000	2026 \$000	2027 \$000	2028 \$000
Revenue				
Operating revenue	416	419	423	427
Rental income	1,622	1,654	1,686	1,719
Interest received	200	-	-	-
Other revenue	300	300	300	300
	2,538	2,373	2,409	2,446
Expenses				
Depreciation	340	340	340	340
Audit Fee	20	20	20	20
Rates and Insurance	594	594	594	594
Management Fees	796	743	743	743
Repairs and Maintenance	440	440	440	440
Consultancy	137	137	137	137
Legal Fees	69	69	69	69
Cleaning & Sanitation	42	42	42	42
Compliance Cost	40	40	40	40
Other expenses	253	10	45	70
	2,731	2,435	2,470	2,495
Profit / (Loss)	(194)	(62)	(61)	(48)
Other comprehensive revenue and expense				
	-	-	-	-
Total comprehensive income	(194)	(62)	(61)	(48)

Statement of changes in equity

Forecast 1 July 2024 to 30 June 2028

	2025 \$000	2026 \$000	2027 \$000	2028 \$000
Balance at 1 July	60,676	75,482	84,520	84,459
Comprehensive revenue and expense				
Total comprehensive income for the year	(194)	(62)	(61)	(48)
Transactions with shareholders				
Whanganui District Council contribution	15,000	9,100	-	-
Balance at 30 June	75,482	84,520	84,459	84,411

Statement of financial position

As at 30 June

	2025 \$000	2026 \$000	2027 \$000	2028 \$000
Assets				
Current assets				
Cash and cash equivalents	1,157	1,182	1,072	1,024
Debtors and other receivables	685	685	685	685
	1,842	1,867	1,757	1,709
Non-current assets				
Property, plant and equipment	56,796	65,726	65,557	65,388
Investment property	30,665	30,665	30,665	30,665
	87,461	96,391	96,222	96,053
Total assets	89,303	98,258	97,979	97,762
Liabilities				
Current liabilities				
Trade & other payables	1,421	1,338	1,120	951
	1,421	1,338	1,120	951
Non-Current liabilities				
Borrowings & other financial liabilities	12,400	12,400	12,400	12,400
	12,400	12,400	12,400	12,400
Total liabilities	13,821	13,738	13,520	13,351
Net assets	75,482	84,520	84,459	84,411
Equity				
Limited Partnership units	55,602	64,702	64,702	64,702
Accumulated funds	19,880	19,818	19,757	19,709
	75,482	84,520	84,459	84,411

Note:

816k Harbour Endowment funds included in above Cash and cash equivalents for all years.

Statement of cash flows

Forecast 1 July 2024 to 30 June 2028

	2025 \$000	2026 \$000	2027 \$000	2028 \$000
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers	2,338	2,373	2,409	2,446
Interest received	200	-	-	-
<i>Cash was applied to:</i>				
Payments to suppliers	(2,421)	(2,179)	(2,348)	(2,324)
Net cash flows from operating activities	116	194	61	123
Cash flows from investing activities				
<i>Cash was provided from:</i>				
Sale of investment property	-	-	-	-
<i>Cash was applied to:</i>				
Purchase of fixed assets	(24,349)	(9,270)	(171)	(171)
Purchase of investments	-	-	-	-
	(24,349)	(9,270)	(171)	(171)
Cash flows from financing activities				
Proceeds from borrowings	-	-	-	-
Proceeds from issue of units	15,000	9,100	-	-
Net cash from financing activities	15,000	9,100	-	-
Net increase/(decrease) in cash and cash equivalents	(9,233)	24	(110)	(49)
Cash & cash equivalents at the beginning of the year	10,390	1,157	1,182	1,072
Cash & cash equivalents at the end of the year	1,157	1,182	1,072	1,024

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 2024

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 (Te Puwaha). Te Puwaha 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 2024. The financial statements were authorised for issue on 18 September 2024 by Port General Partner Board.

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 2021.

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.

Interest

Interest revenue is recognised using the effective interest method.

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.

Restricted assets – these include land and buildings which are part of Operational portfolio. They are restricted assets because they form part of restricted Harbour Endowment portfolio but are not of an investment nature.

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.

Tranche 1 to 4 with a total of 12.4 million 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.

Convertible notes

WPLP issued convertible notes which include both equity and liability components, as well as an embedded derivative. In determining the classification we have taken into account the contingent settlement provision first and recognised the convertible note entirely as a financial liability in line with paragraph 30 of PBE IBSAS 28 that states that such an instrument is a liability.

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 is 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 13.

Significant Accounting policies:

Specific policies and disclosures have been made to account for the Convertible notes.

Changes in accounting policies:

No changes in accounting policies.