Transwaste Canterbury Limited

Annual Report

For the year ended 30 June 2021

The Board of Directors is pleased to present the Annual Report of Transwaste Canterbury Limited for the year ended 30 June 2021

For and on behalf of the board

W G Cox
Chairman

G S James
Director

26 November 2021

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Directory

Company Number	951024	
Registered Office and Address for Service	PricewaterhouseCoopers Level 4, 60 Cashel Street Christchurch 8013	
Directors	Mr W G Cox (Chairperson) Mr G S James Mr I G Kennedy Mr R B McKenzie (finished 31 December 2020) Mr T H Nickels Mr R A Pickworth Mr P S Mauger Mr G S Miller Mrs M E Cadman (alternate director, finished 31 March 2021) Mr H E G Maehl (alternate director, commenced as director 31 December 2020)	

Shareholders		**No of Shares (Ordinary)**
	Waste Management NZ Limited	10,000,000
	Christchurch City Council	7,780,000
	Waimakariri District Council	780,000
	Selwyn District Council	600,000
	Ashburton District Council	600,000
	Hurunui District Council	240,000
		20,000,000

Company Secretary	PricewaterhouseCoopers Level 4, 60 Cashel Street Christchurch 8013	
Auditors	Audit New Zealand on behalf of the Auditor-General	
Solicitors	Buddle Findlay 83 Victoria Street Christchurch 8013	Chapman Tripp Level 5, 60 Cashel Street Christchurch 8013
Bankers	Westpac Banking Corporation 83 Cashel Street Christchurch 8011	
Principal Activity	To own, operate and continue development of a non-hazardous regional landfill in Canterbury.	

Directors' Report to the Shareholders
For the year ended 30 June 2021

Your directors take pleasure in presenting their Annual Report including the financial statements of the group for the year ended 30 June 2021.

Principal Activities

The company was incorporated on 31 March 1999 with the principal purposes of selecting, consenting, developing, owning and operating a non-hazardous regional landfill in Canterbury.

The company has one 100% owned operating subsidiary, Burwood Resource Recovery Park Limited (BRRP), which is a company set up to operate a Christchurch Earthquake demolition waste material management and recovery facility and to operate a landfill for disposal of residual demolition waste.

The subsidiary, Tiromoana Station Limited, was amalgamated into the parent company on 31 March 2020. Tiromoana owned the property within which the landfill site is located, with its principal purposes including holding land for landfill activities, forestry and conservation activities.

The group includes a further six wholly owned name protection subsidiaries, all of which are inactive and have no assets and liabilities.

State of Affairs

The nature of the group's business activities remained unchanged during the accounting period.

In relation to the subsidiary, Burwood Resource Recovery Park Limited, the company stopped receiving earthquake related demolition waste on 20 December 2019.

The BRRP financial statements continue to be prepared on a going concern basis as, whilst it has ceased the receipt of earthquake waste, the subsidiary has continued with the progressive closure, capping and landscaping of the landfill cells. The site has been handed back to Christchurch City Council and minor landscaping works remain to be completed. Burwood Resource Recovery Park Limited has sufficient cash resources to meet any known or potential future costs.

The results of operations during the period, financial position and state of affairs of the group are as detailed in the accompanying financial statements.

Directors' Remuneration

	Directors Fees $	Other Remuneration $
Mr W G Cox	74,213	-
Mr R B McKenzie	21,553*	-
Mr T H Nickels	37,107*	-
Mr G S James	40,106*	-
Mr I G Kennedy	37,107*	-
Mr P S Mauger	37,107	-
Mr R A Pickworth	40,106	-
Mr G S Miller	37,107	-

Directors' Report to the Shareholders
For the year ended 30 June 2021

Mrs M E Cadman (alternate)	-	-
Mr H E G Maehl*	18,554	-

*The directors fees for these directors are paid to the companies they represent.

All directors' fees are in respect of the parent company. Board members who are appointed by the parent to represent it on the board of a subsidiary do not receive additional directors' fees. The board of the subsidiary, BRRP, comprises all members of the Transwaste Board, except for the alternate directors.

No other remuneration or benefits have been paid to directors. The fees and remuneration have been entered in the interests register.

Directors' Interests

The company is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests register for the company is available for inspection by shareholders at the registered office.

The directors have disclosed an interest in the following entities pursuant to section 140 of the Companies Act 1993:

MR W G COX

	Position Held
Burwood Resource Recovery Park Limited	Director
Elastomer Products Limited	Director
Independent Fisheries Limited	Director
Barlow Brothers NZ Limited	Director
Anderson Lloyd	Board Member
MOTUS Health Limited	Director
Hurunui Biodiversity Trust	Trustee
Waimakariri Irrigation Limited and subsidiary (commenced 1 July 2020)	Director
Venues Otautahi Limited (commenced 1 September 2021)	Director
CMUA Project Delivery Limited (commenced 9 September 2021)	Director
Committee for Canterbury	Trustee
Project Crimson	Trustee

MR R B MCKENZIE (finished 31 December 2020)

	Position Held
Burwood Resource Recovery Park Limited (finished 31 December 2020)	Director
Waste Management NZ Limited	Consultant
Waste Disposal Services	Executive Committee Member

MR I G KENNEDY

	Position Held
Burwood Resource Recovery Park Limited	Director
Waste Management NZ Limited	Employee

Directors' Report to the Shareholders

For the year ended 30 June 2021

MR T H NICKELS

	Position Held
Burwood Resource Recovery Park Limited	Director
Beijing Capital Group NZ Investment Holding Limited (finished 31 December 2020)	Director
Waste Management NZ Limited, plus various wholly owned subsidiaries (finished 31 December 2020)	Director
Waste Management NZ Limited (finished 31 December 2020)	Employee
Waste Disposal Services (finished 31 December 2020) (alternate)	Executive Committee Member
Midwest Disposals Limited (finished 31 December 2020)	Director
KT Advisory Limited (commenced 20 November 2020)	Director

MR G S JAMES

	Position Held
Burwood Resource Recovery Park Limited	Director
Canterbury Material Recovery Facilities Limited	Director
Waste Management NZ Limited	Employee

MR R A PICKWORTH

	Position Held
Burwood Resource Recovery Park Limited	Director
Westpower Limited, plus various wholly owned subsidiaries	Director
Westroads Limited	Director
Ashburton Contracting Limited	Director
Whitestone Contracting Limited	Director
Pipeline Group Limited, plus various wholly owned subsidiaries	Director
McLenaghan Contracting Limited (commenced 1 August 2020)	Director

Directors' Report to the Shareholders
For the year ended 30 June 2021

MRS M E CADMAN (Alternate Director, finished 31 March 2021)

	Position Held
Waste Management NZ Limited (finished 31 March 2021)	Employee

MR H E G MAEHL (Alternate Director, commenced as director 31 December 2020)

	Position Held
Burwood Resource Recovery Park Limited (commenced 31 December 2020)	Director
Beijing Capital Group NZ Investment Holding Limited (commenced 31 December 2020)	Director
Waste Management NZ Limited, plus various wholly owned subsidiaries	Director
Waste Management NZ Limited	Employee
Midwest Disposals Limited	Director
Waste Disposal Services (commenced 1 March 2021)	Executive Committee Member

MR P S MAUGER

	Position Held
Burwood Resource Recovery Park Limited	Director
Christchurch City Council	Councillor
Coastal-Burwood Community Ward	Board Member
Canterbury Regional Landfill Joint Committee	Committee Member
Otautahi Community Housing Trust	Trustee
Civic Building Limited	Director
TMC Trailers Limited	Shareholder
M&M Aggregates Limited	Shareholder and Director
Harewood Holdings Limited	Shareholder and Director
25 KBR Limited	Shareholder and Director
Rookwood Holdings Limited	Director
Rowwdy Limited	Shareholder
NZ Transport Engineering Limited	Shareholder
Maugers Contracting Limited	Shareholder and Director

MR G S MILLER

	Position Held
Burwood Resource Recovery Park Limited	Director
Selwyn District Council	Councillor
Canterbury Regional Landfill Joint Committee	Committee Member
Central Plains Water Limited	Director
Porahui Farms Limited	Shareholder

Directors’ Report to the Shareholders
For the year ended 30 June 2021

All transactions the group has entered into with parties in which directors hold directorships have been entered into in the ordinary course of business.

Directors’ Remuneration and Other Benefits
Details of the directors’ remuneration are provided above.

Information used by Directors
No member of the board of Transwaste Canterbury Limited issued a notice requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Indemnification and Insurance of Officers and Directors
The group indemnifies all directors named in this report against all liabilities (other than to the company) that arise out of the performance of their normal duties as director, unless the liability relates to conduct involving lack of good faith. To manage this risk, the company has indemnity insurance. The annual cost of this insurance is $27,815 (2020: $27,275).

Dividend

The general policy for the company is to declare dividends calculated at 100% of the parent company net profit after tax after allowing for working capital requirements, as set out in the company’s Statement of Intent. Dividends of $22,100,000 were paid during the year, including interim project dividends of $10,000,000 relating to the Burwood Recovery Park project.

A final dividend in relation to the 2021 year of $8,400,000, which was declared after balance date, is disclosed in note 7.

Donations

The parent company made donations of $86,304 to the Kate Valley Landfill Community Trust (2020: $81,676) during the year.

Auditor’s Remuneration

The auditor of the group is Audit New Zealand, acting on behalf of the Auditor-General.

The annual remuneration for auditing services for the group provided by Audit New Zealand was $63,271 (2020: $65,144). No other services were provided by the auditor.

Chairman's Review

For the year ended 30 June 2021

REVIEW BY THE CHAIR

Year Ended 30 June 2021

Uncertainty, Challenge, but ultimately 'Pretty Darned Good'.

This line summarises Transwaste's 2020/21 year.

The year started in July 2020 with NZ having emerged from the national Covid-19 lockdown. The initial surge of activity, while anticipated post lockdown, was not expected to continue.

That expectation, over time, was proven wrong, with the country experiencing continuing strong, and in some sectors unprecedented levels of activity.

As the waste sector has always known, its own fortunes have closely followed general economic activity, especially as evidenced through the level of activity in the retail, commercial, and construction sectors.

Kate Valley Operations
While Transwaste is fully committed to supporting efforts to achieve waste minimisation and recycling, the performance of the Company's core operations at the Kate Valley landfill are driven by the number of residual tonnes sent to the facility for disposal.

These tonnes produce revenue from both landfilling operations and from the transport of a significant proportion of the waste from transfer stations to the landfill.

Budget quantities for the 2020/21 year were established at the time of the country entering lockdown, and while performance against these was expected to be uncertain, actual tonnage handled for the year was as follows-

	Actual Tonnes 2020/21	Budgeted Tonnes 2020/21
Waste to landfill	350,969	275,438
Waste transport	209,533	172,029

This resulted in waste derived revenue for Kate Valley being $50,465,000 against a budget of $40,047,000 (Last year actual $47,135,000).

This revenue has been earned while Transwaste has maintained its landfill disposal charge within the lower quartile range of all published landfill disposal charges in New Zealand.

The other major source of revenue at the landfill derives from the landfill essentially being a very large anaerobic digestor producing landfill gas which is used to feed internal combustion engines/generators to produce electricity supplied to the national grid. Management of landfill gas is highly technical to ensure the safety of the landfill and those working within its confines; and also to optimize the revenue from the energy produced.

During the 2020/21 year the revenue from energy produced from landfill gas was $1,853,000 against a budget of $1,958,000 (Last year actual $1,993,000). The energy generated and exported to the national grid was 20,386 MWh versus a planned level of exported energy of 22,320 MWh and 21,034 MWh last year.

Chairman's Review
For the year ended 30 June 2021

Reasons for this somewhat disappointing result were: constraints imposed by the electricity lines operator controlling the export of electricity from the Kate Valley generation site; the level of downtime experienced from the 4 generators on site; and the prices obtained for the energy exported. The issues that are able to be influenced by Transwaste are currently being addressed: one through the decision to upgrade the transmission line (although this is not expected to be completed for about a further two years); and the second through a revised preventative maintenance schedule for the generators.

Environmental performance of the Kate Valley landfill and its ancillary operations has seen no breaches of consent conditions, with good controls in respect of leachate, odour, and gas management.

During the year landfill cell and other site development continued in accordance with the long-term plan for the landfill as it approaches the halfway point in its life. In this regard it is pleasing to note that there remains a very close correlation with the initial whole of life plan for the landfill. The total expenditure on landfill development during the 2020/21 year was $3,546,000.

Transwaste has always committed resources to reviewing, and when considered appropriate, investigating the feasibility of emerging and potentially beneficial waste processing initiatives that will reduce the quantum of waste being disposed of in a landfill.

During the past year Transwaste spent $233,000 investigating emerging technologies and while none of these is yet considered sufficiently advanced to be used in NZ, the knowledge gained is considered to be valuable as the waste sector in NZ matures in future years.

Burwood Resource Recovery Park Operations

This operation, conducted through a wholly owned subsidiary of Transwaste Canterbury Ltd, was a project charged with receipt, processing, and disposal of earthquake related demolition and construction waste arising from the series of Canterbury earthquakes during the past decade.

Receipt and processing of this waste was completed in December 2019 – since that date the principal activity on the site has been the final placement of waste and the final shaping and capping of the site. This included the shifting and final placement of earthquake related material controlled by central government as part of its responsibilities post the earthquakes. This final placement was completed in January 2021, with final payment for this work being received from government in October 2021.

The Burwood site was handed back to the Christchurch City Council in May 2021, with subsequent landscaping details being finalised in November 2021.

All environmental conditions and contractual obligations required of Burwood Resource Recovery Park Limited relating to the Burwood site have, at the date of this Review, been met. The project commenced in 2011 and has now been completed.

Health, Safety, and Wellbeing

During the 2020/21 year, Transwaste, across all of its activities, has again had an exemplary record in respect of health and safety with no Lost Time Injuries, and no Medical Treatment Incidents.

This performance, following on similar performances in prior years is testament to the health and safety culture within the organisation and its significant contractors (of which Waste Management NZ Limited is by far the largest and most involved as the provider of landfilling and transport operating activities).

Chairman's Review
For the year ended 30 June 2021

As with all workforces, the issues of wellbeing in the workplace is receiving increased attention – and with the current and likely enduring uncertainties in our society – is likely to continue to receive focus. In particular the matter of mental health of all employees is receiving attention – and if neglected is arguably a significant health, safety, and performance risk. Transwaste is committed (through its principal contractor Waste Management NZ Limited) to ensure where practicable, it works with employees to protect and enhance their mental health and wellbeing.

Tiromoana Bush

During the 2020/21 year the development of this significant legacy asset commenced by Transwaste in 2005 has continued unabated.

There are two drivers for this continued development: firstly, mother nature who has now picked up the mantle and progressed significant natural regeneration of indigenous flora; secondly the intervention and husbandry lead by Professor David Norton with planting, predator, and weed control.

During the past year considerable effort has also been devoted to the review of the long, medium, and short-term management plans for Tiromoana Bush. It is pleasing to note in undertaking this work that has involved a careful review of what has been done to date, that the development of this most important asset for our region is already significantly ahead of where original planning predicted at this early stage of the Bush development.

Sustainability

The notion of sustainability, expressed in its most holistic form, is a key platform on which all decisions relating to the development and operation of the Kate Valley is based. During the past year considerable work has been going on relating to the identification of various critical elements of sustainability and the ways in which these can be measured and reported against in future periods.

A significant challenge for a landfill operator is in measuring and reporting potential and actual carbon emissions, and of course how the landfill operator can reduce these. The challenge arises as a landfill operator is the recipient of others' emissions and has little control over these, and little ability to influence the quantities of waste received – the waste a landfill operator receives is not generated by the operator, but by others. However, Transwaste does have significant control on how landfill emissions are managed. Currently Transwaste captures in excess of 98% of the gas emitted from the landfill. A significant portion of this gas is repurposed to generate electricity that is either used on site or sold into the National Grid.

Transwaste is making significant progress in the identification and reporting of emissions and the adoption of an assurance process that will enable robust future reporting of the Company's emissions profile and initiatives to reduce this.

Financial

The past year has seen Transwaste continue with its policy of paying its net earnings after tax as a dividend (after ensuring the Company has sufficient funding to continue operations and required development). In addition, with the winding down of the Burwood Resource Recovery Park operation, increased dividends from that operation have been paid during the past year.

Chairman's Review
For the year ended 30 June 2021

This has meant that in the year ended 30 June 2021 the following dividends have been paid –

	$ 000
Final Dividend for year ended 30 June 2020 (paid 28 August 2020)	7,100
Interim Dividend for year ended 30 June 2021 (paid 26 February 2021)	5,000
Interim Project Dividends in respect of BRRP Ltd	
(paid 26 March 2021)	5,000
(paid 30 June 2021)	5,000
Total Dividends Paid during the year ended 30 June 2021	$22,100

In addition, a final dividend for the year ended 30 June 2021 amounting to $8,400k was paid to shareholders on 27 August 2021.

Total dividends paid to shareholders from Transwaste and BRRP operations since the inception of each of the Companies amounts to 173,124,000. The amount of capital contributed by shareholders was $16m.

To allow the policy of each year paying essentially all tax paid profits as dividends, while having sufficient funding to continue to meet working capital and landfill development costs, has meant that Transwaste will again revert to managed debt funding. (This had been the policy of the Company until the advent of the Burwood Resource Recovery Park operations, which because of the business model used by Burwood Resource Recovery Park, provided the cash during the life of that project to replace the need for corporate borrowings during the 2012 – 2020 period.)

At 30 June 2021 Transwaste had concluded arrangements for a $15m bank lending facility – of which $nil had been drawn at 30 June 2021. Careful financial management will ensure that, based on existing projections for landfill operations, the facility provides the required financial capacity (including a prudent level of headroom).

Comment on financial position would not be complete for the 2020/21 year without reference to an item included in the Statement of Changes in Equity titled "Impact of Correction of errors - $1.15m".

During the 2020/21 financial year Transwaste conducted another review of its Whole of Life model. In the course of this review, it was noted that in the 2014 year the model contained an error which has resulted in the reporting of the profits after tax of that year and subsequent years to 2019 being in aggregate understated by $1.15m ($1.60m before tax). This was caused by the incorrect calculation of depreciation on landfill development expenditure.

The accumulated error for the 2014 – 2020 years has now been corrected. A summary of its impact on the company's financial statements can be found at Note 21 "Correction of Errors". The post-tax impact of the error for the 2020 year ($485k) has been included in the restatement of the financial statements for that year.

The error identification and correction has been subject to audit review and Audit NZ (the Company's auditors) have concurred with the treatment adopted. Any adjustment to dividend arising from this error correction will be addressed in subsequent dividend consideration by the Board.

Chairman's Review
For the year ended 30 June 2021

People

Organisations succeed through their people. Transwaste is no different – other than most of the people involved in management and operations are engaged via contract and are not "directly" employed. Transwaste is however dependent on these people, and through its contractual relationships takes an active interest in their welfare and performance. As has been the case for many years, in 2020/21 the people of Transwaste's principal contractor, Waste Management NZ Limited, and indeed all of its other contractors, have met the uncertainties and challenges of operating a complex business in difficult times. In fact, in 2020/21 our people have produced a result that, as stated in the heading for this Review, is "Pretty Darned Good".

Thank you to each and every person who has played their specific roles so well – and collectively have become a great team.

To the Directors of Transwaste – thank you for your support and efforts that have guided the business, and provided such a solid foundation for the years ahead.

Probably the only matters we can be certain of for the future are uncertainty and challenge. Transwaste is well placed to deal with these.

Gill Cox
Chair – Transwaste Canterbury Limited

Directors' Responsibility Statement
For the year ended 30 June 2021

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the company and the group as at 30 June 2021 and their financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the company and the group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Companies Act 1993.

The directors consider they have taken adequate steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the statement of objectives and performance, and the financial statements, set out on pages 15 to 69 of Transwaste Canterbury Limited and the group for the year ended 30 June 2021.

The board of directors of Transwaste Canterbury Limited authorised these financial statements for issue on 26 November 2021.

For and on behalf of the board

W G Cox
Chairman

G S James
Director

26 November 2021

Statement of Objectives and Performance
For the year ended 30 June 2021

Targets were set under the Statement of Intent for the three years ending 30 June 2023. A comparison of achievement against those targets is as follows:

Objective
Shareholder Interests: To operate a successful business, providing a fair rate of return to its shareholders.

Desired Outcomes	Performance Measures and Target	Achievement
(a) To effectively operate the consented regional landfill at Kate Valley to achieve specific commercial performance targets.	Total Revenue (inclusive of waste levy) of $42,073,000	$52,378,000. Overall tonnes of waste to landfill was 27% above budget, with the forecast downturn from Covid-19 not eventuating over the course of the year.
	EBIT of $13,748,000	$5,958,000 above budget at $19,706,000 (before $10,000,000 dividends received from its subsidiary, BRRP), as a result of the increased tonnes of waste to landfill compared to budget.
	Dividends of $10,300,000, plus a BRRP dividend of $11,697,000	Dividends totalling $12,100,000 were paid during the year for the Kate Valley operations, plus project dividends relating to BRRP activities of $10,000,000.
(b) To effectively manage the closure and related activities of the consented Burwood Resource Recovery Park (BRRP), following its closure in December 2019, through to handing the site back to Christchurch City Council.	Total BRRP Revenue of $1,574,000	$1,902,000 achieved.
	BRRP EBIT of $133,000	EBIT loss $(461,000), as a result of capping and landscaping costs being higher than budgeted.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2021

Objective

Healthy Environment: To ensure that the Transwaste Canterbury Group, as a minimum, meets present and future environmental standards in a manner which is consistent with the preservation of the natural environment and the careful and sustainable management of natural resources.

Desired Outcomes		Performance Measures and Target	Achievement
(a)	No proven breaches of Resource Management Act consents.	Nil established consent breaches.	Achieved. There are no known breaches and no notifications received from Environment Canterbury.
(b)	Review and update the strategic plan for Tiromoana Bush.	Strategic plan reviewed, updated with Board signoff and actioned.	The current year plan has been completed in accordance with the adopted 5 year plan to 2022.

Objective

Sustainable Environment: Support New Zealand's "Predator Free by 2050" goal, maintain and/or reduce net Green House Emissions and to use the gas captured in a socially and economically sustainable way.

Desired Outcomes		Performance Measures and Target	Progress Toward Achievement
(a)	Maintain large mammal pests (pigs and deer) to low levels in Tiromoana Bush.	No adverse impacts on restoration plantings from deer and pig rooting - evident in <5% of vegetation monitoring plots.	On track to achieve – deer and pig activity has been significantly reduced. Pig cull completed in June 2021 – 43 pigs and 1 deer.
(b)	Small mammal pests (mustelids, rodents, possums, cats, hedgehogs) reduced to levels that have minimal impact on native biodiversity in Tiromoana Bush.	The abundance of bird life (as indicated by remeasuring of the bird monitoring transects) is greater than the 2005-2009 baseline for bellbird and grey warbler.	On track to achieve – regular monthly trapping and monitoring being undertaken.
(c)	Maximise capture and destruction of landfill gas from Kate Valley landfill.	Ensure the capture and destruction of in excess of 90% of landfill gas produced by Kate Valley landfill (measured in accordance with the regulations to the Climate Change Response Act 2002).	Achieved for the year ended 31 December 2020.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2021

Objective
Sustainable Environment (Continued)

Desired Outcomes	Performance Measures and Target	Progress Toward Achievement
(d) Identify and agree GHG emissions that are required to be reported on, and develop appropriate measures.	Measures developed for agreed GHG emissions along with data gathering and reporting requirements.	In progress.
(e) Mitigation processes developed and in use to reduce GHG emissions.	Mitigation processes and initiatives developed and implemented.	In progress.
(f) Determine target KPIs for reduction of GHG emissions.	Target KPIs established, with reporting of actual performance against target KPI's for subsequent years commencing 1 July 2021.	On schedule for 1 July 2021 commencement date.
(g) To ensure the beneficial use of landfill gas to obtain the best economic value.	To increase the MWh of electricity exported from Kate Valley landfill by 50% over the three year SoI period 2021 to 2023.	In progress. Dependent on transmission line upgrades.

Objective
Legislative Compliance: To be a good Corporate Citizen by acting lawfully

Desired Outcomes	Performance Measures and Target	Achievement
(a) To ensure compliance with all relevant legislation and statutory requirements.	Annual reporting to Board on areas of compliance and non-compliance.	Achieved. Monthly reporting is undertaken. Compliance reporting up to date at Kate Valley. No non-compliances noted.
	Nil known legislative and regulatory non-compliance.	Achieved. No notices of non-compliance received.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2021

Objective
Corporate Citizenship: To be a responsible Corporate Citizen by acting fairly and honestly and to be sensitive to local issues.

Desired Outcomes	Performance Measures and Target	Achievement
(a) Finance the Kate Valley landfill trust fund (from the Disposal Charge) for the purpose of benefiting the local community immediately affected by the landfill operation.	Annual payment to Kate Valley Landfill Community Trust, to be determined on an annual basis.	Achieved. The company has made contributions to the trust for the 2020/21 year totalling $86,304.
(b) Develop and maintain education material with regard to waste management and the environment.	Modules used in the National curriculum by schools.	Achieved. Revision of material is currently under development.
(c) Plan for sites aftercare and closure – financially and revenue streams.	Adequate provisioning, which stands up to audit scrutiny, in financial statements for aftercare and closure costs.	Achieved. Methodologies comply with the applicable reporting standards.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2021

Objective
Service Quality: Meet the present and future needs of the people of Canterbury with high standards of value, quality and service and establish effective relations with customers.

Desired Outcomes		Performance Measures and Target	Achievement
(a)	Timely, high quality and reliable waste transport services.	No transfer station is unable to receive waste during its normal operating hours due to Transwaste's failure to supply containers.	Achieved.
(b)	Reliability of access to the Kate Valley landfill.	Landfill is available to waste transporters for more than 99% of normal annual transport access hours.	Achieved - no disruption to receipt of waste occurred, despite the landfill being closed due to high wind on 12 days for 50.5 hours in total.
(c)	Successful closure of the BRRP facility in accordance with agreements reached with Christchurch City Council (CCC).	Successful closure of the BRRP facility and hand back the site to CCC in accordance with agreements reached with CCC.	Closure achieved and site handed back to Christchurch City Council.

Statement of Objectives and Performance (Continued)

For the year ended 30 June 2021

Objective

Good Employer: Be a Good Employer, through either direct employment or by way of management contracts with the Waste Management NZ Ltd divisions, Canterbury Waste Services (CWS – Kate Valley operations) and Canterbury Materials Recovery Facilities (CMRF – BRRP operations).

Desired Outcomes	Performance Measures and Target	Achievement
(a) Ensure CWS/CMRF have objectives and policies that detail the relationship with employees, their remuneration, safety and other issues such as equal opportunity in employment.	No more than 15% annually of combined CWS and CMRF landfill and transport staff annual FTE turnover (excluding disestablished positions arising from the closure of BRRP).	Achieved. Turnover of permanent employees at Kate Valley was 2 at landfill and 2 in transport (1 of which was retirement) out of 45 FTEs, resulting in 8.9% annual turnover. Turnover of permanent employees of CMRF staff (excluding planned disestablishment relating to closure) was 0 FTEs, resulting in 0% annual turnover.
(b) Ensuring that its employees have secure and rewarding employment which provides the means for personal development.	10 hours per FTE annually for CWS and CMRF staff training.	Achieved. Kate Valley staff have undertaken 10.1 hours per FTE. Not achieved during run down of activities for CMRF. Staff have undertaken 4 hours per FTE.

Objective

Consultation and Community Relations: Establish and maintain good relations with the local host community of the Kate Valley landfill and Burwood areas and consult with those groups and other interest groups (including Tangata Whenua) on issues that are likely to affect them.

Desired Outcomes	Performance Measures and Target	Achievement
(a) Consult with the host community concerning landfill operations by way of direct communication and via the Community Liaison Group.	At least two Kate Valley Community Liaison group meetings held per year.	Achieved. Four Community Liaison Group meetings held in the period.
	At least two BRRP Community Liaison group meetings held per year.	Community Liaison Group meetings held when required – none were requested during the period.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2021

Consultation and Community Relations (continued):

Desired Outcomes	Performance Measures and Target	Achievement
(b) Consult with interest groups including Tangata Whenua on an as-required basis and discuss all issues likely to affect them.	Three interactions with interest groups per year.	Achieved. At least five interactions with Kate Valley neighbours and community.

Objective

Health and Safety: Strive for zero injury accidents in all operations the Company and its main contractors, CWS and CMRF, will be responsible for, whilst maintaining a high level of service and production.

Desired Outcomes	Performance Measures and Target	Achievement
(a) Ensuring that in all activities the Company and its contractors have Health and Safety Management Plans in place.	Maintain or improve current total recordable injury frequency rate (TRIFR) for the last 12 months.	Achieved – nil LTIs in all operations. Actual TRIFR for the 12 months ended 30 June 2021 is zero.
(b) Maintain Kate Valley public walkways to an acceptable standard, (track maintenance, signage).	Annual operational plans objectives met, with no serious avoidable injuries.	Achieved. Good patronage on both walkways, particularly Tiromoana Bush.
(c) No traffic incidents where CWS drivers at fault.	No at-fault incidents.	Not achieved. There was one recorded traffic incident where a CWS driver was found to be partially at fault.

Statements of Comprehensive Income
For the year ended 30 June 2021

	Notes	Group 2021 $'000	Group 2020 Restated* $'000	Parent 2021 $'000	Parent 2020 Restated* $'000
Revenue					
Sales excluding waste levy		50,709	47,398	48,807	45,806
Waste levy		3,511	3,322	3,511	3,322
Sales including waste levy	3	54,220	50,720	52,318	49,128
Rental		60	60	60	16
Other revenue		-	4	-	-
Interest		45	214	-	-
Dividends		-	-	10,000	5,000
Changes in fair value of forestry	9	581	(373)	581	(373)
Gain on sales of property, plant and equipment		-	3	-	-
Total revenue		**54,906**	**50,628**	**62,959**	**53,771**
Expenses					
Audit fees	4	63	65	45	45
Depreciation and amortisation	4,8	5,725	5,739	5,661	5,324
Impairment of receivables	4	-	(17)	-	-
Employee benefits costs	4	343	346	343	346
Landfill and facilities operating costs		22,561	19,415	20,290	18,974
Loss on sale of property, plant and equipment		24	36	-	36
Waste levy	3	3,511	3,322	3,511	3,322
Other expenses		3,389	2,379	3,403	2,114
Total expenses		**35,616**	**31,285**	**33,253**	**30,161**
Profit before finance costs and tax		**19,290**	**19,343**	**29,706**	**23,610**
Finance costs	5	68	555	248	791
Profit before tax		**19,222**	**18,788**	**29,458**	**22,819**
Income tax expense	6	5,449	5,261	5,514	4,990
Profit for the year		**13,773**	**13,527**	**23,944**	**17,829**
Other comprehensive income	14	(112)	(144)	(112)	(144)
Total comprehensive income for the year		**13,661**	**13,383**	**23,832**	**17,685**

*See note 21.

The accompanying notes form part of these financial statements

Statements of Changes in Equity

For the year ended 30 June 2021

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Group					
Balance 1 July 2019 as previously reported		16,000	625	32,913	49,538
Impact of correction of errors	21	-	-	1,155	1,155
Restated balance 1 July 2019		16,000	625	34,068	50,693
Profit for the year (restated)		-	-	13,527	13,527
Other comprehensive income	14	-	(144)	-	(144)
Total comprehensive income for the year ended 30 June 2020		-	(144)	13,527	13,383
Dividends	7	-	-	(16,900)	(16,900)
Restated balance 30 June 2020		**16,000**	**481**	**30,695**	**47,176**
Balance 1 July 2020		16,000	481	30,695	47,176
Profit for the year		-	-	13,773	13,773
Other comprehensive income	14	-	(112)	-	(112)
Total comprehensive income for the year ended 30 June 2021		-	(112)	13,773	13,661
Dividends	7	-	-	(22,100)	(22,100)
Balance 30 June 2021		**16,000**	**369**	**22,368**	**38,737**
Parent					
Balance 1 July 2019 as previously reported		16,000	-	9,789	25,789
Impact of correction of errors	21	-	-	1,155	1,155
Restated balance 1 July 2019		16,000	-	10,944	26,944
Profit for the year (restated)		-	-	17,829	17,829
Other comprehensive income	14	-	(144)	-	(144)
Balances on amalgamation		-	625	2,256	2,881
Total comprehensive income for the year ended 30 June 2020		-	481	20,085	20,566
Dividends	7	-	-	(16,900)	(16,900)
Restated balance 30 June 2020		**16,000**	**481**	**14,129**	**30,610**
Balance 1 July 2020		16,000	481	14,129	30,610
Profit for the year		-	-	23,944	23,944
Other comprehensive income	14	-	(112)	-	(112)
Total comprehensive income for the year ended 30 June 2021		-	(112)	23,944	23,832
Dividends	7	-	-	(22,100)	(22,100)
Balance 30 June 2021		**16,000**	**369**	**15,973**	**32,342**

Balance Sheets
As at 30 June 2021

	Notes	Group ($'000) 2021	2020 Restated*	1 July 2019 Restated*	Parent ($'000) 2021	2020 Restated*	1 July 2019 Restated*
Assets							
Non-current assets							
Property, plant & equipment	8	56,028	65,106	65,233	55,904	64,876	61,237
Forestry	9	2,585	2,004	2,377	2,585	2,004	-
Emission Units	10	3,328	1,609	1,041	3,328	1,609	1,041
Total non-current assets		**61,941**	**68,719**	**68,651**	**61,817**	**68,489**	**62,278**
Current assets							
Cash and cash equivalents	11	3,257	9,142	4,593	736	1,143	233
Term deposits	11	-	4,029	12,000	-	-	-
Trade and other receivables	12	7,289	5,052	4,505	6,429	5,002	4,136
Loans to related parties		-	-	-	-	-	2,220
Total current assets		**10,546**	**18,223**	**21,098**	**7,165**	**6,145**	**6,589**
Total assets		**72,487**	**86,942**	**89,749**	**68,982**	**74,634**	**68,867**
Equity							
Contributed equity	13	16,000	16,000	16,000	16,000	16,000	16,000
Reserves	14	369	481	625	369	481	-
Retained earnings	15	22,368	30,695	34,068	15,973	14,129	10,943
Total equity		**38,737**	**47,176**	**50,693**	**32,342**	**30,610**	**26,943**
Liabilities							
Non-current liabilities							
Provisions	17	21,630	30,280	28,767	21,630	30,280	28,341
Derivative financial instruments	25	-	6	-	-	6	-
Deferred income tax liability	6	2,684	2,956	3,840	2,810	3,064	3,212
Total non-current liabilities		**24,314**	**33,242**	**32,607**	**24,440**	**33,350**	**31,553**
Current liabilities							
Trade and other payables	19	5,593	3,715	3,715	5,397	3,483	3,474
Interest-bearing borrowings	16	-	-	-	3,275	4,800	5,200
Derivative financial instruments	25	357	195	-	357	195	-
Income tax payable	6	1,539	1,979	1,736	1,575	2,017	1,672
Provisions	17	1,928	613	973	1,577	157	-
Employee benefits	18	19	22	25	19	22	25
Total current liabilities		**9,436**	**6,524**	**6,449**	**12,200**	**10,674**	**10,371**
Total liabilities		**33,750**	**39,766**	**39,056**	**36,640**	**44,024**	**41,924**
Total equity and liabilities		**72,487**	**86,942**	**89,749**	**68,982**	**74,634**	**68,867**

*See Note 21.

For and on behalf of the board

W G Cox
Chairman 26 November 2021

G S James
Director 26 November 2021

The accompanying notes form part of these financial statements

The accompanying notes form part of these financial statements

Cash Flow Statements

For the year ended 30 June 2021

	Notes	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Cash flows from operating activities					
Receipts from customers		51,965	50,173	50,891	48,297
Interest received		45	214	-	-
Dividends received		-	-	10,000	5,000
Other revenue		60	58	60	-
Payments to suppliers and employees		(27,178)	(25,393)	(24,796)	(23,812)
Interest paid		(1)	-	(181)	(260)
Income tax paid	6	(6,118)	(5,845)	(5,990)	(5,392)
Goods and services tax (net)		179	190	193	239
Net cash from operating activities	20	18,952	19,397	30,178	24,072
Cash flows from investing activities					
Purchase of property, plant & equipment		(3,929)	(4,585)	(3,929)	(4,585)
Sale of property, plant & equipment		18	13	-	-
Monies withdrawn from term deposits		4,029	7,971	-	-
Cash on amalgamation		-	-	-	70
(Purchase)/sale of emission units		(2,855)	(1,347)	(2,855)	(1,347)
Net cash from investing activities		(2,737)	2,052	(6,784)	(5,862)
Cash flows from financing activities					
Advances from/(to) subsidiaries		-	-	(1,700)	(400)
Dividends paid		(22,100)	(16,900)	(22,100)	(16,900)
Net cash from financing activities		(22,100)	(16,900)	(23,800)	(17,300)
Net increase/(decrease) in cash and cash equivalents		**(5,885)**	**4,549**	**(407)**	**910**
Cash and cash equivalents at the beginning of the year		9,142	4,593	1,143	233
Cash and cash equivalents at the end of the year	11	**3,257**	**9,142**	**736**	**1,143**

The accompanying notes form part of these financial statements

Notes to the Financial Statements
For the year ended 30 June 2021

1. General Information

Reporting Entity

Transwaste Canterbury Limited is a company registered under the Companies Act 1993 and is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The company represents a joint venture between Waste Management NZ Limited and five local authorities in Canterbury.

The group consists of Transwaste Canterbury Limited, its wholly owned operating subsidiary, Burwood Resource Recovery Park Limited and six non-trading subsidiaries. All companies are incorporated and domiciled in New Zealand. The primary objective of the parent company is to own, operate and continue development of a non-hazardous landfill for the Canterbury region. The company owns the landfill and surrounding land, which was held by its subsidiary, Tiromoana Station Limited until 31 March 2020 when the subsidiary was amalgamated with the company. Burwood Resource Recovery Park Limited operates a Christchurch Earthquake demolition waste material management and recovery facility and a landfill for disposal of residual demolition waste.

The six wholly owned non-trading subsidiaries, all of which have no assets and liabilities, are:

- Kate Valley Limited
- Tiromoana Bush Limited
- Tiromoana Station Limited
- Tiromoana Bush Walkway Limited
- Mt. Cass Limited
- Mt. Cass Walkway Limited

The financial statements of Transwaste Canterbury Limited and group are for the year ended 30 June 2021. The financial statements were authorised for issue by the Board on 26 November 2021.

The entity's owners do not have the power to amend these financial statements once issued.

Notes to the Financial Statements
For the year ended 30 June 2021

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the company and group have been prepared on a going concern basis in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to for-profit entities.

The group is designated as a for-profit entity for financial reporting purposes. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Local Government Act 2002.

For the purposes of complying with NZ GAAP, the group is required to apply Tier 1 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards). In complying with NZ IFRS the group also complies with International Financial Reporting Standards.

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of financial instruments (including derivative instruments) and forestry.

The financial statements are presented in New Zealand dollars (NZD) and all values are rounded to the nearest thousand dollars ($'000). The functional currency of Transwaste Canterbury Limited and its subsidiary is New Zealand dollars.

There have been no changes in accounting policies, which have been consistently applied during the financial year.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements
For the year ended 30 June 2021

2.2 Subsidiaries

Transwaste Canterbury Limited consolidates, as subsidiaries in the group financial statements, all entities where Transwaste Canterbury Limited has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where Transwaste Canterbury Limited controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Transwaste Canterbury Limited or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The cost of a business combination is measured as the aggregate of:

- the consideration transferred, which is generally measured at acquisition date fair value;
- the amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquiree; and
- the acquisition date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over Transwaste Canterbury Limited's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If Transwaste Canterbury Limited's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the profit or loss.

2.3 Basis of consolidation

The consolidated financial statements are prepared adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Transwaste Canterbury Limited's investments in its subsidiaries are carried at cost in the company's own "parent entity" financial statements.

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of Goods and Services Tax, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

Notes to the Financial Statements
For the year ended 30 June 2021

a) *Sales of goods*

Sales of goods are recognised at a point in time when a group entity has delivered products to the customer and the customer has accepted the products, fulfilling the group's performance obligations.

b) *Sales of services*

Sales of services are recognised at a point in time in the accounting period in which the services are rendered, by reference to completion of the specific transaction.

c) *Government grants*

Government grants relating to the purchase of plant and equipment are recorded as a reduction in the cost of the plant and equipment.

d) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.5 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, other than borrowing costs directly attributable to the construction of any qualifying assets, including the initial construction of the landfill, which are capitalised as part of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time (typically a minimum of twelve months) to get ready for its intended use or sale.

Notes to the Financial Statements
For the year ended 30 June 2021

2.6 Income tax

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

The subvention payments made are treated as an operating expense in the profit or loss.

Notes to the Financial Statements
For the year ended 30 June 2021

2.7 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement basis

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group’s incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.8 Cash, cash equivalents and bank overdrafts

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet where the bank has no right of setoff.

Notes to the Financial Statements
For the year ended 30 June 2021

2.9 Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss component of the statement of comprehensive income.

The group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and days past due.

2.10 Financial assets

Classification

The group classifies its financial assets as being measured at amortised cost.

Financial assets measured at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's financial assets measured at amortised cost comprise 'trade and other receivables', 'cash and cash equivalents', 'term deposits' and 'owing from related party' in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade date - the date on which the group commits to purchase or sell the asset. All financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. The financial assets are subsequently carried at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Notes to the Financial Statements
For the year ended 30 June 2021

Impairment of financial assets

Assets carried at amortised cost

The group assesses at the end of each reporting period the estimated 12-month expected loss allowance for credit losses.

Credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract; and the cash flows that the entity expects to receive.

The group will measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If the asset's carrying amount is reduced, the amount of the loss is recognised in the profit and loss component of the statement of comprehensive income.

If, in a subsequent period, the amount of the expected credit loss decreases and the decrease can be related objectively to an event occurring after the loss was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised loss is recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

2.11 Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit or loss.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Notes to the Financial Statements
For the year ended 30 June 2021

2.12 Property, plant and equipment

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 the future economic benefits or service potential associated with the item will flow to Transwaste Canterbury Limited and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, 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 included in the profit or loss.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Transwaste Canterbury Limited and the cost of the item can be measured reliably.

Borrowing costs incurred for the construction of any qualifying assets, including the initial construction of the landfill, are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time (typically a minimum of twelve months) to get ready for its intended use or sale.

Notes to the Financial Statements
For the year ended 30 June 2021

2.13 Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, landfill development costs and future landfill site restoration and aftercare costs, at rates that will write off the cost 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:

	Life
Landfill development	Expected physical life
Deferred site restoration and aftercare costs	Pattern of benefits from the landfill
Buildings and site improvements	15 – 25 years, or length of resource consent if shorter
Plant and machinery	5 – 15 years, or length of resource consent if shorter
Motor vehicles and related equipment	3 – 15 years
Office equipment, furniture and fittings	3 – 5 years

Assets under construction are not depreciated until commissioned.

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

The depreciation of the total landfill development costs is based upon the total anticipated waste volume of the landfill over its economic life (being the physical capacity of the landfill). The annual depreciation amount is calculated based on the waste volumes consumed for the financial year as compared to the anticipated waste volume over the economic life of the landfill.

Future landfill site restoration and aftercare costs capitalised in the balance sheet are depreciated at rates that match the pattern of benefits expected to be derived from the landfill, including power generation using landfill gas.

Notes to the Financial Statements
For the year ended 30 June 2021

2.14 Forestry assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs using appropriate valuation methods and techniques, depending on the age and species of the trees.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in profit or loss.

The costs to maintain the forestry assets are recognised as an expense as incurred.

2.15 Emission units and emissions obligations

Emission units that have been allocated by the Government under the forestry scheme are recorded at nominal value (nil value). Purchased emission units are recorded at cost (purchase price). Emission units, whether allocated or purchased, are recorded as intangible assets. Emission units are not revalued subsequent to initial recognition.

Emission obligations are recognised as a current liability as the emission obligation is incurred. Up to the level of units held, the liability is recorded at the carrying value of those units. When emission obligations exceed the units held the liability is calculated either at contract prices under forward purchase agreements for the number of units contracted where these exist, or at fair value.

Forward contracts for the purchase of emission units are recognised when the contracts are settled on an accruals basis.

2.16 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets 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 impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the profit or loss. For assets other than goodwill, the reversal of an impairment loss is recognised in the profit or loss.

Notes to the Financial Statements
For the year ended 30 June 2021

2.17 Employee benefits

Short-term benefits

Employee benefits that are expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date and retiring and long service leave entitlements expected to be settled within 12 months.

A liability for sick leave is recognised when the leave is taken and measured at the rates paid or payable.

Long-term benefits

Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and

- the present value of the estimated future cash flows. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Transwaste Canterbury Limited and its group has no employees other than directors and currently has no sick, annual, long service or retirement leave obligations.

2.18 Provisions - General

Transwaste Canterbury Limited recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and described in the profit or loss as a time value adjustment.

Notes to the Financial Statements
For the year ended 30 June 2021

2.19 Closure and Post-Closure Costs

A provision for future landfill site restoration and aftercare costs is recognised when the activities giving rise to the need for site restoration and aftercare have commenced. The provision is stated at the present value of the future cash outflows expected to be incurred, which increases each period due to the passage of time. Any increase in the provision due to the change in present value is recognised in profit or loss as a time value adjustment in interest expense.

Future landfill site restoration and aftercare costs provided for are initially capitalised in the balance sheet. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs (through discount rate or cost estimate updates) is also recognised in non current assets in the balance sheet.

2.20 Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

2.21 Goods and Services 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.

The net amount of GST recoverable from, or payable to, Inland Revenue (IR) is included as part of receivables or payables in the balance sheet.

2.22 Derivatives: Hedges Receivable and Payable

Transwaste Canterbury Limited enters into derivative financial instruments including power supply agreements to manage its exposure to price fluctuation risks. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The fair value of forward power supply agreements is their quoted market price at the Statement of Financial Position date, being the present value of the quoted forward price. The effective portion of the gain or loss on the hedging instrument is recognised in the Statement of Comprehensive Income as other comprehensive income, while any ineffective portion is recognised immediately in the Statement of Comprehensive Income as selling and administration expenses.

Notes to the Financial Statements
For the year ended 30 June 2021

2.22 Derivatives: Hedges Receivable and Payable (continued)

Initial recognition and measurement

Derivatives are classified, at initial recognition, as financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All derivatives are recognised initially at fair value.

2.23 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.24 Critical accounting estimates and assumptions

Landfill closure and post-closure provisions

In preparing these financial statements Transwaste Canterbury Limited has made estimates and assumptions concerning the future. These estimates and assumptions 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 key area in which 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 applied is detailed in Note 17 - landfill closure and post-closure provisions.

Notes to the Financial Statements
For the year ended 30 June 2021

3. Revenue

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Waste disposal (excluding waste levy)	41,458	38,567	39,569	37,025
Waste levy on-charged to customers	3,511	3,322	3,511	3,322
Waste disposal sales including waste levy	44,969	41,889	43,080	40,347
Waste transport	7,385	6,788	7,385	6,788
Recovered materials	13	26	-	-
Electricity generation	1,853	1,993	1,853	1,993
Forestry	-	24	-	-
Sales	**54,220**	**50,720**	**52,318**	**49,128**

Waste levy cost

Effective from 1 July 2009, a waste levy (currently levied at $10 per tonne of waste to landfill) is payable by the company to the Ministry for the Environment. The levy, totalling $3,511,000 for the year (2020: $3,322,000), is on-charged to customers and the on-charge is included in sales revenue. The waste levy cost is included in expenses.

Parent company – Transwaste Canterbury Limited

The company contracts with its customers to lawfully dispose of waste at the Kate Valley landfill. For shareholders, the Company contracts to deliver empty waste containers to refuse stations, and collect full containers and deliver them to the landfill.

Contractual payment terms are typically within one month after the month the contents are lawfully disposed into landfill.

The company has a contract to sell electricity generated at its Kate Valley landfill into the national grid.

The company, as lessor, has entered into contracts to lease land for farming activities, and has entered into a contract with a third party to harvest and sell forestry assets as required. These activities were conducted through the subsidiary Tiromoana Station Limited until amalgamation on 31 March 2020.

Consideration is fixed and there is no significant financing component in the contracts.

Subsidiary company

Burwood Resource Recovery Park Limited contracts with its customers to lawfully dispose of earthquake demolition waste delivered to the Burwood Resource Recovery Park in Christchurch. Materials recovered from the demolition waste are sold to third parties.

Contractual payment terms are typically within one month after the month the contents are lawfully disposed into landfill.

Consideration is fixed and there is no significant financing component in the contracts.

Notes to the Financial Statements
For the year ended 30 June 2021

4. Expenses

Profit before tax includes the following specific expenses:

Employee benefits costs

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Directors' fees	**343**	**346**	**343**	**346**

All employee benefit costs relate to fees paid to directors.

Depreciation and impairment

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Depreciation:				
Landfill development	3,699	3,527	3,699	3,499
Deferred closure costs	961	1,151	961	843
Buildings	10	12	10	3
Plant and machinery	1,000	988	991	979
Motor vehicles	55	61	-	-
	5,725	**5,739**	**5,661**	**5,324**
Impairment:				
Impairment of receivables (Note 12)	-	(17)	-	-
	-	**(17)**	**-**	**-**

Audit fees

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Audit services				
Audit New Zealand				
- Audit fees for financial statements audit	63	65	45	45
Total remuneration for audit services	**63**	**65**	**45**	**45**

Notes to the Financial Statements
For the year ended 30 June 2021

5. Finance costs

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Interest on intra-group advances	-	-	180	260
Provisions: Time value adjustment (Note 17)	68	555	68	531
Total finance costs	**68**	**555**	**248**	**791**

6. Tax

Components of tax expense

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Current tax expense	5,678	6,088	5,724	5,737
Deferred tax expense	(229)	(827)	(210)	(747)
Income tax expense	**5,449**	**5,261**	**5,514**	**4,990**

Relationship between tax expense and accounting profit

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Profit/(loss) before tax	19,222	18,788	29,458	22,819
Tax at 28% (2020: 28%)	5,382	5,261	8,249	6,390
Non-taxable income	-	-	(2,800)	(1,400)
Non-deductible expenses	67	-	65	-
Tax expense	**5,449**	**5,261**	**5,514**	**4,990**

Deferred tax assets/ (liabilities)	**Property, plant and equipment $'000**	**Cash flow hedges $'000**	**Other $'000**	**Tax losses recognised $'000**	**Total $'000**
Group					
Balance at 1 July 2019	(4,449)	-	609	-	(3,840)
Credited/(charged) to profit or loss	578	-	250	-	828
Charged to equity	-	-	56	-	56
Balance at 30 June 2020	(3,871)	-	915	-	(2,956)
Credited/(charged) to profit or loss	228	-	-	-	228
Charged to equity	-	-	44	-	44
Balance at 30 June 2021	(3,643)	-	959	-	(2,684)

Notes to the Financial Statements
For the year ended 30 June 2021

Deferred tax assets/ (liabilities)	**Property, plant and equipment $'000**	**Cash flow hedges $'000**	**Other $'000**	**Tax losses recognised $'000**	**Total $'000**
Company					
Balance at 1 July 2019	(4,410)	-	1,198	-	(3,212)
Credited/(charged) to profit or loss	493	-	254	-	747
Charged to equity	(28)	-	(571)	-	(599)
Balance at 30 June 2020	(3,945)	-	881	-	(3,064)
Credited/(charged) to profit or loss	350	-	(140)	-	210
Charged to equity	-	-	44	-	44
Balance at 30 June 2021	(3,595)	-	785	-	(2,810)

Income tax receivable/(payable)

	Group 2021 $'000	**Group 2020 $'000**	**Parent 2021 $'000**	**Parent 2020 $'000**
Opening tax receivable/(payable)	(1,979)	(1,736)	(2,017)	(1,672)
Current tax expense	(5,678)	(6,088)	(5,724)	(5,737)
Income tax paid	6,118	5,845	5,990	5,392
Income tax transferred	-	-	129	-
Loss offset	-	-	47	-
Closing tax receivable/(payable)	**(1,539)**	**(1,979)**	**(1,575)**	**(2,017)**

Additional disclosures - **Imputation Credit Account**

	Group 2021 $'000	**Group 2020 $'000**	**Parent 2021 $'000**	**Parent 2020 $'000**
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2020: 28%)	13,338	16,051	10,704	9,574

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

a) Imputation credits that will arise from the payment of the amount of the provision for income tax
b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Notes to the Financial Statements
For the year ended 30 June 2021

7. Dividends

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Dividends paid during the year				
Interim dividends[1]	5,000	5,200	5,000	5,200
Final dividends[2]	7,100	6,700	7,100	6,700
Project dividends[3]	10,000	5,000	10,000	5,000
	22,100	16,900	22,100	16,900

[1] Fully imputed interim dividends of $5,000,000 declared and paid on 26 February 2021 (2020: $5,200,000 fully imputed on 28 February 2020).

[2] Fully imputed final dividend for 2020 of $7,100,000 declared and paid on 28 August 2020 (2020: $6,700,000 fully imputed on 30 August 2019).

[3] Fully imputed project dividends of $5,000,000 each, being dividends arising from the Burwood Resource Recovery Park project, were declared and paid on 26 March and 30 June 2021 (2020: $5,000,000 declared and paid on 20 December 2019).

A fully imputed final dividend of $8,400,000 in respect of 2021 was declared on 27 August 2021.

Notes to the Financial Statements
For the year ended 30 June 2021

8. Property, plant and equipment 2021

	Cost 1 July 2020	Accumulated depreciation and impairment charges 1 July 2020	Carrying amount 1 July 2020	Current year additions/ transfers & reassessments	Current year disposals/ reassessments	Current year depreciation	Cost 30 June 21	Accumulated depreciation and impairment charges 30 June 21	Carrying amount 30 June 21
Parent property, plant & equipment									
Landfill development	78,194	(44,227)	33,967	3,546	-	(3,699)	81,740	(47,926)	33,814
Land	3,190	-	3,190	-	-	-	3,190	-	3,190
Buildings	376	(229)	147	-	-	(10)	376	(239)	137
Assets under construction	1,046	-	1,046	232	-	-	1,278	-	1,278
Deferred site restoration costs (Note 17)	25,702	(4,329)	21,373	(7,123)	-	(961)	18,579	(5,290)	13,289
Plant and equipment	10,130	(4,977)	5,153	34	-	(991)	10,164	(5,968)	4,196
Total parent property, plant & equipment	**118,638**	**(53,762)**	**64,876**	**(3,311)**	**-**	**(5,661)**	**115,327**	**(59,423)**	**55,904**
Subsidiaries property, plant & equipment									
Landfill development	2,672	(2,672)	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-
Buildings	172	(172)	-	-	-	-	-	-	-
Deferred site restoration costs	3,844	(3,844)	-	-	-	-	-	-	-
Motor vehicles	716	(511)	205	-	(18)	(54)	624	(503)	121
Plant and equipment	121	(96)	25	-	-	(9)	24	(21)	3
Total subsidiaries property, plant and equipment	7,525	(7,295)	230	-	(18)	(63)	648	(524)	124
Group property, plant & equipment	**126,163**	**(61,057)**	**65,106**	**(3,311)**	**(18)**	**(5,725)**	**115,975**	**(59,947)**	**56,028**

Approximately 1,050 hectares of the land held by the parent, Transwaste Canterbury Limited, is designated as relating to its current landfill activities. The area directly utilised for landfill-related activities is approximately 140 ha, with the balance comprising 500 ha of farming and forestry land and 410 ha of the Tiromoana Bush conservation area.

Westpac holds a Registered First Debenture dated 7 July 2000 over assets, undertakings and uncalled capital of the company and a Registered First Mortgage dated 11 August 2000 and 21 October 2003 over the property located at Kate Valley, North Canterbury.

Notes to the Financial Statements
For the year ended 30 June 2021

8. Property, plant and equipment (continued) 2020

	Cost 1 July 2019	Accumulated depreciation and impairment charges 1 July 2019	Carrying amount 1 July 2019	Current year additions/ transfers & reassessments	Current year disposals/ reassessments	Current year depreciation	Cost 30 June 20	Accumulated depreciation and impairment charges 30 June 20	Carrying amount 30 June 20
Parent property, plant & equipment									
Landfill development	73,942	(40,730)	33,212	4,252	-	(3,499)	78,194	(44,227)	33,967
Land	-	-	-	3,190	-	-	3,190	-	3,190
Buildings	-	-	-	150	-	(3)	376	(229)	147
Assets under construction	4,356	-	4,356	(3,310)	-	-	1,046	-	1,046
Deferred site restoration costs (Note 17)	24,137	(3,486)	20,651	1,565	-	(843)	25,702	(4,329)	21,373
Plant and equipment	7,027	(4,008)	3,019	3,151	(36)	(979)	10,130	(4,977)	5,153
Total parent property, plant & equipment	**109,462**	**(48,224)**	**61,238**	**8,998**	**(36)**	**(5,324)**	**118,638**	**(53,762)**	**64,876**
Subsidiaries property, plant & equipment									
Landfill development	2,672	(2,644)	28	-	-	(28)	2,672	(2,672)	-
Land	3,190	-	3,190	(3,190)	-	-	-	-	-
Buildings	548	(389)	159	(150)	-	(9)	172	(172)	-
Deferred site restoration costs	3,844	(3,536)	308	-	-	(308)	3,844	(3,844)	-
Motor vehicles	762	(487)	275	-	(10)	(61)	716	(511)	205
Plant and equipment	125	(89)	36	(1)	-	(9)	121	(96)	25
Total subsidiaries property, plant and equipment	11,141	(7,145)	3,996	(3,341)	(10)	(415)	7,525	(7,295)	230
Group property, plant & equipment	**120,603**	**(55,369)**	**65,234**	**5,657**	**(46)**	**(5,739)**	**126,163**	**(61,057)**	**65,106**

Notes to the Financial Statements
For the year ended 30 June 2021

9. Forestry assets

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Balance at 1 July	2,004	2,377	2,004	-
Acquisition on amalgamation	-	-	-	2,377
Gains/(losses) arising from changes in fair value less estimated point of sale costs	581	(373)	581	(373)
Balance at 30 June	**2,585**	**2,004**	**2,585**	**2,004**

Transwaste Canterbury Limited owns 336 hectares of commercial standing trees, predominantly pinus radiata, which are at varying stages of maturity ranging from 8 to 40 years.

Independent registered valuer Allan Laurie of Laurie Forestry Limited has valued forestry assets as at 30 June 2021 using, depending on the age and species of the trees, the Net Harvest Value method, a blended Cost Compounded and NPV method or Nominal Value method.

The Net Harvest Value method is applied to mature standing trees. Net (stumpage) values are derived by deducting average current day marketing, harvesting and transportation costs from three year weighted average point of sale export log prices PPI adjusted to current prices using Statistics NZ AA21 – Forestry and Logging. Point of sale can include "at mill door" or "at wharf gate". Three year weighted average log prices are used to eliminate the significant short term fluctuations of log export prices.

In the absence of reliable transaction evidence of recent forest sales, a blending of the Cost Compounded and Net Present Value (NPV) methods has been used for pinus radiata that is not mature.

For the Cost Compounded Method values are calculated as the sum of costs compounded from the time of occurrence to the present day. A compound rate of 5.5% (2020:5.5%) has been used in the valuation.

The NPV method calculates the Crop Expectation Value, which is the value of the tree crop calculated by discounting a net cash flow at a specified discount rate. A pre-tax discount rate of 8.0% (2020: 8.5%) has been used in discounting the present value of expected pre-tax cash flows.

Notes to the Financial Statements
For the year ended 30 June 2021

The Nominal Value Method, reflecting the direct costs of inputs to date, is used to value species where there is difficulty in applying standard growth modelling and crop performance assumptions.

Fair value hierarchy

Fair value for the forestry assets is based on valuation techniques with significant non-observable inputs (level 3), where one or more significant inputs are not observable.

Financial risk management strategies

Transwaste Canterbury Limited is exposed to financial risks arising from changes in timber prices. Transwaste Canterbury Limited is a long-term forestry investor and does not expect timber prices to decline significantly in the longer term and, therefore, has not taken any measures to manage the risks of a decline in timber prices. Transwaste Canterbury Limited reviews its outlook for timber prices regularly in considering the need for active financial risk management.

10. Emissions units

The New Zealand Emissions Trading Scheme (ETS) became law on 28 September 2008 with the passing of the Climate Change Response (Emissions Trading) Amendment Act 2009 (the Act).

The Transwaste group is a participant in the ETS as follows:

- Transwaste Canterbury Limited – as a landfill operator, Transwaste is liable to surrender carbon credits for tonnes of waste to landfill.
- Transwaste Canterbury Limited, through its holdings of 336 hectares of forestry, is a participant in the forestry scheme, with the effect that
    - NZ Carbon Credit allocations are granted for pre-1990 forest to compensate for lost value and, if harvested trees are not replanted within 4 years the company is liable to surrender carbon credits. Approximately 24.2 hectares of the forestry held at balance date is pre-1990 forest
    - For post-1989 forest, carbon credits accrue as the trees grow and credits must be surrendered on deforestation.

Notes to the Financial Statements
For the year ended 30 June 2021

- Burwood Resource Recovery Park Limited is not a participant in the ETS as the subsidiary's activities have been outside the definition of "waste".

	2021 Group Units	2021 Group $000	2021 Parent Units	2021 Parent $000
Balance at the beginning of the year	149,900	1,609	149,900	1,609
Purchased units	80,407	2,855	80,407	2,855
Surrendered to the Crown	(40,407)	(1,136)	(40,407)	(1,136)
Balance at the end of the year	189,900	3,328	189,900	3,328

	2020 Group Units	2020 Group $000	2020 Parent Units	2020 Parent $000
Balance at the beginning of the year	134,827	1,041	63,276	1,041
Purchased units	53,000	1,347	53,000	1,347
Acquisition on amalgamation	-	-	71,551	-
Surrendered to the Crown	(37,927)	(779)	(37,927)	(779)
Balance at the end of the year	149,900	1,609	149,900	1,609

The NZUs on hand comprise:

	Group 2021 Units	Group 2020 Units	Parent 2021 Units	Parent 2020 Units
Purchased units (landfill)	118,349	78,349	118,349	78,349
Allocated units (forestry)	71,551	71,551	71,551	71,551
Total units on hand	**189,900**	**149,900**	**189,900**	**149,900**

All units held are recorded at cost, which is nil for forestry units. The market value of all units held as at 30 June 2021 is approximately $8,255,000 (cost $3,328,000).

Landfill

The company has adopted policies to manage the pricing and risk issues arising from the commencement of ETS obligations from 1 January 2013 for the Kate Valley landfilling operations.

In addition to units purchased during the year, the group has entered into forward purchase agreements totalling $1,596,000 to acquire emissions units to be used to meet its ETS obligations. The costs of the acquisitions under these contracts are recognised when the units are acquired.

Notes to the Financial Statements
For the year ended 30 June 2021

Forestry

Transwaste Canterbury Limited is registered for both the pre-1990 forest and post-1989 forest.

With regard to pre-1990 forestry:

- Under the NZ Government's Allocation Plan, the company has received its allocation of 4,260 emissions units. The units are recorded at cost (nil).
- Additionally, under the ETS the company will have an obligation to account for any emission released as a consequence of deforestation of pre-1990 land by surrendering credits equal to the extent of that emission. There is no liability for deforestation as at 30 June 2021.

With regard to post-1989 forestry, the company has received its allocation entitlements to 31 December 2017 of 67,291 emissions units. The assessment of further forestry entitlements from 1 January 2018 will be completed by 31 December 2022.

11. Cash, cash equivalents and deposits

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Cash at bank - current account/short term deposits	3,257	9,142	736	1,143
Total cash and cash equivalents	**3,257**	**9,142**	**736**	**1,143**
Other term deposits	-	4,029	-	-
Total cash and deposits	**3,257**	**13,171**	**736**	**1,143**

12. Trade and other receivables

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Trade receivables	4,146	1,418	3,181	1,324
Related party receivables (Note 24)	3,143	3,634	3,248	3,678
Gross trade and other receivables	**7,289**	**5,052**	**6,429**	**5,002**
Less provision for impairment	-	-	-	-
Total trade and other receivables	**7,289**	**5,052**	**6,429**	**5,002**

Notes to the Financial Statements
For the year ended 30 June 2021

The carrying value of trade and other receivables approximates their fair value.

The ageing profile of receivables at year end is detailed below:

		2021			2020	
	Gross $'000	Impairment $'000	Net $'000	Gross $'000	Impairment $'000	Net $'000
Parent						
Not past due	6,184	-	6,184	4,998	-	4,998
Past due 1-60	245	-	245	4	-	4
Past due >90	-	-	-	-	-	-
Total	**6,429**	**-**	**6,429**	**5,002**	**-**	**5,002**
Group						
Not past due	6,137	-	6,137	5,039	-	5,039
Past due 1-60	245	-	245	13	-	13
Past due >90	907	-	907	-	-	-
Total	**7,289**	**-**	**7,289**	**5,052**	**-**	**5,052**

All receivables greater than 30 days in age are considered to be past due.

The group applies the NZ IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Individual impairment	-	-	-	-
Collective impairment	-	-	-	-
Total provision for impairment	**-**	**-**	**-**	**-**

Movements in the provision for impairment of receivables are as follows:

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
At 1 July	-	27	-	-
Additional provisions made during the year	-	-	-	-
Provisions reversed during the year	-	(17)	-	-
Receivables written off during the year	-	(10)	-	-
At 30 June	**-**	**-**	**-**	**-**

Notes to the Financial Statements

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13. Contributed equity

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Issued and paid in capital				
20,000,000 ordinary shares	20,000	20,000	20,000	20,000
Less: Uncalled capital	(4,000)	(4,000)	(4,000)	(4,000)
Total paid in capital 30 June	16,000	16,000	16,000	16,000

None of the above shares are held by the group or its subsidiaries. All ordinary shares on issue have been paid to the proportion held by each shareholder.

Uncalled capital is payable at such times as the board may from time to time determine.

All ordinary shares rank equally with one vote attached to each share. Ordinary shares do not have a par value.

14. Reserves

Capital reserve

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Balance at the beginning of the year	625	625	625	-
Reserve arising on amalgamation	-	-	-	625
Balance at end of year	625	625	625	625

Capital reserves comprise capital gains realised on sales to third party purchasers of land and buildings.

Hedging reserve

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Balance at the beginning of the year	(144)	-	(144)	-
Total recognised comprehensive income	(112)	(144)	(112)	(144)
Transfer to Retained Earnings	-	-	-	-
Total retained surplus	(256)	(144)	(256)	(144)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet impacted on Statement of Profit or Loss.

Notes to the Financial Statements
For the year ended 30 June 2021

15. Retained earnings

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
As at 1 July	30,695	34,068	14,129	10,944
Profit for the year	13,773	13,527	23,944	17,829
Retained earnings arising on amalgamation	-	-	-	2,256
Dividends paid	(22,100)	(16,900)	(22,100)	(16,900)
As at 30 June	22,368	30,695	15,973	14,129

16. Borrowings

Current borrowings – loans from related parties

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Unsecured loan – Burwood Resource Recovery Park Limited	-	-	3,275	4,800

The advance from the subsidiary, Burwood Resource Recovery Park Limited, to the parent is repayable on demand, with interest payable monthly in arrears at the estimated applicable group floating interest rate with Westpac. During the year $181,000 (2020: $260,000) interest was charged at a weighted average rate of 2.95% (2020: 3.45%). At balance date there was no outstanding interest (2020: nil).

Bank loans

The parent company has entered into a multi option credit facility with Westpac totalling $15,000,000 for ongoing funding of the Kate Valley landfill construction and operations. The facility is secured by way of a registered first general security agreement over all owned assets, undertakings and uncalled capital of the parent company and first ranking mortgage over the property owned by the company.

During the financial year, no drawdowns have occurred on the facility.

Fair value of non-current borrowings

Bank loans, where applicable, have been valued at fair value.
The carrying amounts of other non-current borrowings approximate their fair values.
The carrying amounts of borrowings repayable within one year approximate their fair value.

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For the year ended 30 June 2021

17. Provisions

Provisions are represented by:

Closure and post-closure provisions

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Opening balance	30,893	29,740	30,437	28,341
Assessment of current value of landfill costs:				
- Cost assessment	3,269	1,565	2,369	1,565
- Discount rate update	(9,492)	-	(9,492)	-
Effect of time value adjustment	67	555	67	531
Amounts used during the period	(1,179)	(967)	(174)	-
Closing balance	23,558	30,893	23,207	30,437
Comprising:				
Current	1,928	613	1,577	157
Non-current	21,630	30,280	21,630	30,280
Total closure and post-closure provisions	23,558	30,893	23,207	30,437

Provision is made for the future costs of closing the company's landfills at the end of their economic lives and for the associated post-closure costs, being the aftercare of the landfill for the prescribed periods. Estimated costs, adjusted for inflation, are built up on an item by item basis. The provision held, at each balance date, represents the net present value of the estimated future costs. A detailed reassessment of these costs and the anticipated remaining life of the landfills is performed on a regular basis, usually three yearly. On an annual basis a high-level review of costs is performed, together with a reassessment of anticipated inflation and the discount rate applicable. The discount rates used are the Treasury's central table of risk-free discount rates as at 30 June 2021 as applicable to each forecast period (2020: Treasury's central table of risk-free discount rates).

The impact of changes to the provision arising from the reassessment of the life of the landfills and estimated future costs are capitalised to deferred closure and post-closure costs within property, plant and equipment in the balance sheet. The annual change in the net present value of the provision due to the passage of time is recorded as the time value adjustment of provisions in the profit or loss. The financial reporting standards require this to be disclosed as an interest cost in the profit or loss (see Note 5).

Notes to the Financial Statements
For the year ended 30 June 2021

Kate Valley Landfill

The remaining economic life of the Kate Valley landfill is estimated to be 24 years.

The cash outflows for landfill post-closure are expected to occur in twenty four to fifty four years time (or between 2045 and 2075). The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred and as a result changes in estimates occur over time. The provision has been estimated taking into account existing technology and using discount rates applicable to the timing of estimated cash outflows, which range from 0.38% to 4.30% (2020: 0.22% to 3.91%). An average inflation rate of 1.94% (2020: 1.68%) has been applied. The combination of applying a multi-rate discount rate, the inflation rate, cost reassessments and the long term nature of the expected cash outflows has resulted in a decrease to the provision and the closure and post closure asset of $7,123,000, which will be reflected in increased time value adjustments to the provision and decreased amortisation of the asset in future years.

Burwood Resource Recovery Park Landfill

The remaining consented life of the Burwood Resource Recovery Park is 0.5 years, however the facility closed to the receipt of earthquake related demolition waste on 20 December 2019. Cash outflows for progressive closure, capping and landscaping continued during the year and are scheduled to be completed prior to the consent expiring. The site has been handed back to Christchurch City Council.

The provision has been estimated taking into account existing technology and using discount rates applicable to the timing of estimated cash outflows, of 0% (2020: 0.22%), as the remaining closure work is to be completed during the 2022 year.

18. Employee benefit liabilities

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Accrued pay (including directors fees)	19	22	19	22
Total employee benefit liabilities	19	22	19	22
Comprising:				
Current	19	22	19	22
Non-current	-	-	-	-
Total employee benefit liabilities	19	22	19	22

Notes to the Financial Statements
For the year ended 30 June 2021

19. Trade and other payables

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Trade payables	1,307	589	1,307	589
Accrued expenses	1,454	1,162	1,419	1,120
Related party payables (Note 24)	2,832	1,964	2,670	1,774
	5,593	3,715	5,396	3,483

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates to their fair value.

20. Cash flow information

Reconciliation of profit for the period to net cash flow from operating activities

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Total comprehensive income for the year	**13,661**	**13,383**	**23,832**	**17,685**
Add/(less) non-cash items:				
Depreciation, amortisation and impairment	5,725	5,739	5,661	5,324
Gain on changes in fair value of forestry	(581)	373	(581)	373
Electricity hedge swap	112	144	112	144
Time value adjustment (Note 5)	68	555	68	531
ETS surrendered (Note 10)	1,136	779	1,136	779
Loss / (gain) on sale of fixed assets	24	36	-	36
Deferred tax	(228)	(828)	(210)	(747)
	6,256	6,798	6,186	6,440
Add/(less) movements in working capital items:				
Receivables	(2,270)	(559)	(1,427)	(868)
Income tax	(440)	243	(266)	341
Trade payables - working capital	1,907	6	1,910	(19)
	(803)	(310)	217	(546)

Notes to the Financial Statements
For the year ended 30 June 2021

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Less items classified as investing activities:				
Trade payables – property, plant & equipment	118	493	118	493
Closure and post-closure provisions utilised	(279)	(967)	(174)	-
	(162)	(474)	(57)	493
Net cash inflow/(outflow) from operating activities	**18,952**	**19,397**	**30,178**	**24,072**

Non-cash investing and financing activities

There were no non-cash investing and financing transactions during the period (2020: nil).

Changes in liabilities arising from financing activities

	Non-current loans and borrowings $'000 (Note 16)	Current loans and borrowings $'000 (Note 16)	Total $'000
Group			
Balance at 1 July 2019	-	-	-
Cash flows	-	-	-
Balance at 30 June 2020	-	-	-
Cash flows	-	-	-
Balance at 30 June 2021	**-**	**-**	**-**
Parent			
Balance at 1 July 2019	-	5,200	5,200
Cash flows	-	(400)	(400)
Balance at 30 June 2020	-	4,800	4,800
Cash flows	-	(1,525)	(1,525)
Balance at 30 June 2021	-	3,275	3,275

Notes to the Financial Statements

For the year ended 30 June 2021

21. Correction of errors

During the past year, it was noted that there had been an error in the basis of the calculation for depreciation on landfill development. This error initially occurred in the 2014 financial year.

The errors have been corrected by restating each of the affected financial line items for prior periods. Minor classification differences within Property, Plant & Equipment were also identified and updated. The adjustments relate to the parent company so are identical for both the parent and group. The following tables summarise the impacts on the group and parent's financial statements.

Group Balance Sheet ($'000)

	Impact of correction of error		
1 July 2019	**As previously reported**	**Adjustments**	**As restated**
Property, plant & equipment	63,629	1,604	65,233
Other assets	24,516	-	24,516
Total assets	88,145	1,604	89,749
Deferred income tax liability	(3,391)	(449)	(3,840)
Other liabilities	(35,216)	-	(35,216)
Total liabilities	(38,607)	(449)	(39,056)
Retained earnings	(32,913)	(1,155)	(34,068)
Others	(16,625)	-	(16,625)
Total equity	(49,538)	(1,155)	(50,693)

30 June 2020	**As previously reported**	**Adjustments**	**As restated**
Property, plant & equipment	62,827	2,279	65,106
Other assets	21,836	-	21,836
Total assets	84,663	2,279	86,942
Deferred income tax liability	(2,317)	(639)	(2,956)
Other liabilities	(36,810)	-	(36,810)
Total liabilities	(39,127)	(639)	(39,766)
Retained earnings	(29,055)	(1,640)	(30,695)
Others	(16,481)	-	(16,481)
Total equity	(45,536)	(1,640)	(47,176)

Notes to the Financial Statements
For the year ended 30 June 2021

Group Statement of Comprehensive Income ($'000)

		Impact of correction of error	
For the year ended 30 June 2020	**As previously reported**	**Adjustments**	**As restated**
Depreciation and amortisation	(6,413)	674	(5,739)
Income tax expense	(5,072)	(189)	(5,261)
Others	24,527	-	24,527
Profit	13,042	485	13,527
Total comprehensive income	12,898	485	13,383

There is no impact on the group total operating, investing or financing cash flows.

Parent Balance Sheet ($'000)

		Impact of correction of error	
1 July 2019	**As previously reported**	**Adjustments**	**As restated**
Property, plant & equipment	59,633	1,604	61,237
Other assets	7,630	-	7,630
Total assets	67,263	1,604	68,867
Deferred income tax liability	(2,763)	(449)	(3.212)
Other liabilities	(38,712)	-	(38,712)
Total liabilities	(41,475)	(449)	(41,924)
Retained earnings	(9,788)	(1,155)	(10,943)
Others	(16,000)	-	(16,000)
Total equity	(25,788)	(1,155)	(26,943)

30 June 2020	**As previously reported**	**Adjustments**	**As restated**
Property, plant & equipment	62,597	2,279	64,876
Other assets	9,758	-	9,758
Total assets	72,355	2,279	74,634
Deferred income tax liability	(2,425)	(639)	(3,064)
Other liabilities	(40,960)	-	(40,960)
Total liabilities	(43,385)	(639)	(44,024)
Retained earnings	(12,489)	(1,640)	(14,129)
Others	(16,481)	-	(16,481)
Total equity	(28,970)	(1,640)	(30,610)

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For the year ended 30 June 2021

Parent Statement of Comprehensive Income ($'000)

	Impact of correction of error		
For the year ended 30 June 2020	**As previously reported**	**Adjustments**	**As restated**
Depreciation and amortisation	(5,998)	674	(5,324)
Income tax expense	(4,801)	(189)	(4,990)
Others	28,143	-	28,143
Profit	17,344	485	17,829
Total comprehensive income	17,200	485	17,685

There is no impact on the parent total operating, investing or financing cash flows.

22. Capital commitments and operating leases as lessor

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Capital commitments contracted for at balance date but not yet incurred for property, plant and equipment	2	1,170	2	1,170

The company has entered into forward contracts totalling $1,596,000 (2020: $nil) for the purchase of emissions units.

There are no capital commitments in relation to forestry.

Operating leases as lessor

The group leases land not immediately required for its operations under operating leases. The leases are with one external party and have non-cancellable terms of 5 years from June 2018.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Not later than one year	55	55	55	55
Later than one year and not later than five years	55	110	55	110
Later than five years	-	-	-	-
Total non-cancellable operating leases	**110**	**165**	**110**	**165**

No contingent rents have been recognised during the period.

Notes to the Financial Statements

For the year ended 30 June 2021

23. Contingent assets and liabilities

Contingent assets

Under the New Zealand Emissions Trading Scheme (ETS) the group is eligible for carbon credits on sequestration of carbon in the group's post-1989 forests. Credits have been received for periods up to 31 December 2017.

The group will have an obligation to account for any emission released as a consequence of deforestation of pre-1990 land by surrendering credits equal to the extent of that emission. The group has no liability for deforestation as at 30 June 2021.

Contingent liabilities

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Bonds	15,912	15,912	15,912	15,912

Bonds of $15,912,500 (2020: $15,912,500) have been arranged with the parent company's bankers in terms of resource consents granted to the company. It is anticipated no material liabilities will arise.

The subsidiary, Burwood Resource Recovery Park Limited, is required under its operational agreement with Christchurch City Council to remediate the sites it operates in the Burwood Resource Recovery Park on expiry of the consenting period, to the extent agreed with Christchurch City Council. This excludes the landfill sites, for which closure provisions have been established. The site has been handed back to the Council and it has indicated that it is unlikely any remediation will be required, as the sites may be used for future activities. No material losses are anticipated in respect of the contingent liabilities.

24. Related party transactions

The company's shareholders are considered to be related parties of the company. This includes the five territorial local authorities with shareholdings in the company and Waste Management NZ Limited.

The company has negotiated arms-length waste disposal and transport contracts with the related parties. The company also contracts with Waste Management NZ Limited for costs relating to the on-going landfill construction, landfill disposal and transport services.

Notes to the Financial Statements
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The following transactions were carried out with related parties:

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
(a) Sales of services				
Entities with joint control or significant influence over the entity (landfilling and transport)	16,968	15,558	16,861	15,508
Entities with joint control or significant influence over the entity (rental)	5	5	5	5
Other related parties (landfilling and transport)	17,747	16,605	17,747	16,605
Subsidiaries (reimbursement of costs)	-	-	88	53
	34,715	32,168	34,701	32,171
(b) Purchases of services				
Entities with joint control or significant influence over the entity (waste disposal, transport and construction)	27,972	25,389	25,625	23,869
Entities with joint control or significant influence over the entity (rates)	15	15	15	9
	27,987	25,404	25,640	23,878
(c) Year end balances arising from sales/purchases of services				
Receivables from related parties (Note 12)				
Entities with joint control or significant influence over the entity	1,483	1,792	1,483	1,765
Other related parties	1,660	1,842	1,660	1,842
Subsidiaries	-	-	105	72
	3,143	3,634	3,248	3,678
Payables to related parties (Note 19)				
Entities with joint control or significant influence over the entity	2,832	1,964	2,670	1,774
Subsidiaries	-	-	-	-
	2,832	1,964	2,670	1,774

Notes to the Financial Statements
For the year ended 30 June 2021

(d) Advances from related parties (Note 16)	**Group 2021 $'000**	**Group 2020 $'000**	**Parent 2021 $'000**	**Parent 2020 $'000**
Advances from subsidiary				
Beginning of year	-	-	4,800	5,200
Advances/(repayments)	-	-	(1,525)	(400)
Interest expense	-	-	181	260
Interest paid	-	-	(181)	(260)
End of year	-	-	3,275	4,800

	Group 2021	Group 2020	Parent 2021	Parent 2020
Key management personnel				
Directors' fees and other short term employee benefits	343	346	343	346

Directors' remuneration is detailed in the Directors' Report to Shareholders on page 4.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables from related parties (2020: Nil).

25. Financial instruments

25A. Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

	Group 2021 $'000	**Group 2020 $'000**	**Parent 2021 $'000**	**Parent 2020 $'000**
FINANCIAL ASSETS				
Financial assets at amortised cost				
Cash and cash equivalents	3,257	9,142	736	1,143
Debtors and other receivables	7,289	5,052	6,429	5,002
Other financial assets:				
-Term deposits	-	4,029	-	-
Total loans and receivables	10,546	18,223	7,165	6,145

Notes to the Financial Statements
For the year ended 30 June 2021

FINANCIAL LIABILITIES

Financial liabilities at amortised cost				
Creditors and other payables	5,593	3,715	5,397	3,483
Borrowings:				
- Secured loans	-	-	-	-
- Loans from related parties	-	-	3,275	4,800
Total financial liabilities at amortised cost	5,593	3,715	8,672	8,283
Financial liabilities at fair value				
Hedges payable – current	357	6	357	6
Hedges payable – non-current	-	195	-	195
	357	201	357	201

25B Fair value hierarchy disclosures

For those instruments recognised at fair value in the balance sheet, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique 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.

In the normal course of business, Transwaste Canterbury Limited is exposed to risk from debtors. There are no significant concentrations of credit risk other than the Joint Venture parties. The business does not require any collateral or security to support its financial instruments. The business is not exposed to any material foreign exchange or interest rate risk. At balance date, the carrying cost and estimated fair value of the business's financial assets and liabilities were not materially different.

Derivative financial instruments are used by Transwaste Canterbury Limited in the normal course of business in order to hedge exposure to fluctuation in the movements in electricity prices.

25C. Financial instrument risks

Transwaste Canterbury Limited has a series of policies to manage the risks associated with financial instruments. Transwaste Canterbury Limited is risk averse and seeks to minimise exposure from its treasury activities. The Treasury policies do not allow any transactions that are speculative in nature to be entered into.

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Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Transwaste Canterbury Limited manages its price risk on electricity prices under its policies by entering into contracts for difference agreements to hedge exposure to price fluctuations.

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. Transwaste Canterbury Limited is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest rate risk

The interest rates on Transwaste Canterbury Limited's borrowings are disclosed in Note 16.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings issued at fixed interest rates expose Transwaste Canterbury Limited to fair value interest rate risk. Transwaste Canterbury Limited's Treasury policy outlines the level of borrowing that is to be secured using fixed interest rate instruments. Fixed to floating interest rate swaps may be entered into to hedge the fair value interest rate risk arising where Transwaste Canterbury Limited has borrowed at fixed rates. In addition, investments at fixed interest rates expose Transwaste Canterbury Limited 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. Borrowings and investments issued at variable interest rates expose Transwaste Canterbury Limited to cash flow interest rate risk.

Transwaste Canterbury Limited manages its cash flow interest rate risk on borrowings under the terms of its Treasury policy by, where appropriate, using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swaps them into fixed rates that are generally lower than those available if Transwaste Canterbury Limited borrowed at fixed rates directly. Under the interest rate swaps, Transwaste Canterbury Limited agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Transwaste Canterbury Limited, causing Transwaste Canterbury Limited to incur a loss. The group has three to five significant customers, which are actively managed to minimise credit risk.

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Transwaste Canterbury Limited invests funds in deposits with registered banks. Accordingly, the group does not require any collateral or security to support these financial instruments.

Transwaste Canterbury Limited has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

Transwaste Canterbury Limited's maximum credit exposure for each class of financial instrument is as follows:

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Cash at bank and term deposits (Note 11)	3,257	13,171	736	1,143
Debtors and other receivables (Note 12)	7,289	5,052	6,429	5,002
Total credit risk	10,546	18,223	7,165	6,145

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Counterparties with credit ratings				
Cash at bank and term deposits				
AA-	3,257	13,171	736	1,143
Counterparties without credit ratings				
Related party loans:				
Existing counterparty with no defaults in the past	-	-	-	-

Debtors and other receivables mainly arise from ongoing transactions with three to five significant customers for the parent, and a larger number of credit customers for the subsidiaries with no significant concentration of credit risk. There are procedures in place to monitor and report the credit quality of debtors and other receivables on a monthly basis, to minimise credit risk.

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Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that Transwaste Canterbury Limited will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Transwaste Canterbury Limited aims to maintain flexibility in funding by keeping committed credit lines available.

Transwaste Canterbury Limited manages its borrowings in accordance with its Treasury Policy.

The maturity profiles of Transwaste Canterbury Limited's interest bearing borrowings are disclosed in Note 16.

Contractual maturity analysis of financial liabilities

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount $'000	Contract-ual cash flows $'000	Less than 1 year $'000	1 – 2 years $'000	2 – 5 years $'000
Group 2021					
Creditors and other payables	5,593	5,593	5,593	-	-
Total	5,593	5,593	5,593	-	-
Group 2020					
Creditors and other payables	3,715	3,715	3,715	-	-
Total	3,715	3,715	3,715	-	-
Parent 2021					
Creditors and other payables	5,396	5,396	5,396	-	-
Related party loans	3,275	3,275	3,275	-	-
Total	8,671	8,671	8,671	-	-
Parent 2020					
Creditors and other payables	3,483	3,483	3,483	-	-
Related party loans	4,800	4,800	4,800	-	-
Total	8,283	8,283	8,283	-	-

There are no secured loans at balance date.

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Contractual maturity analysis of financial assets

The table below analyses the company and group's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount $'000	Contract-ual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
Group 2021						
Cash and cash equivalents	3,257	3,257	3,257	-	-	-
Trade and other receivables	7,289	7,289	7,289	-	-	-
Other financial assets						
-Term deposits	-	-	-	-	-	-
Total	**10,546**	**10,546**	**10,546**	**-**	**-**	**-**
Group 2020						
Cash and cash equivalents	9,142	9,142	9,142	-	-	-
Trade and other receivables	5,052	5,052	5,052	-	-	-
Other financial assets						
-Term deposits	4,029	4,099	4,099	-	-	-
Total	**18,223**	**18,293**	**18,293**	**-**	**-**	**-**
Parent 2021						
Cash and cash equivalents	736	736	736	-	-	-
Trade and other receivables	6,429	6,429	6,429	-	-	-
Other financial assets:						
- Related party loans	-	-	-	-	-	-
Total	**7,165**	**7,165**	**7,165**	**-**	**-**	**-**
Parent 2020						
Cash and cash equivalents	1,143	1,143	1,143	-	-	-
Trade and other receivables	5,002	5,002	5,002	-	-	-
Other financial assets:						
- Related party loans	-	-	-	-	-	-
Total	**6,145**	**6,145**	**6,145**	**-**	**-**	**-**

Notes to the Financial Statements
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26. Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the equity ratio. This ratio is calculated as total equity divided by total assets. The group's strategy, as set out in the Statement of Intent for the 2021 year, is to endeavour to operate with a consolidated shareholders' funds to total assets of 41.1% during the 2020/2021 financial year.

The equity ratio achieved at 30 June 2021 is 53.4% (2020: 54.3%). As disclosed in Note 17 (Provisions), the closure and post-closure provision is reassessed periodically and, due to the long-term nature of the liability relating to the Kate Valley landfill, movements in estimated costs and discount rates can have a significant impact from year to year on the reported value. In particular, the discount rate applied as at 30 June 2021 has increased from the then-current rate and costs applied when forecasting the 2021 year. The reassessment applicable to the 2021 year compared to forecast has resulted in a decrease in the provision and the related asset value, which was not anticipated when the gearing ratio was calculated for the Statement of Intent. The effect on the gearing ratio from the reassessment is an increase of 4.9%.

27. Events after balance date

There have been no significant events after the reporting date that are not otherwise disclosed in these financial statements.

Independent Auditor's Report

To the shareholders of Transwaste Canterbury Limited and Group's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Transwaste Canterbury Limited and Group (the Group). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 22 to 69, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, 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 Group on pages 15 to 21.

In our opinion:

- the financial statements of the Group on pages 22 to 69:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2021; 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 New Zealand Equivalents to International Financial Reporting Standards; and
- the performance information of the Group on pages 15 to 21 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2021.

Our audit was completed on 26 November 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors (the Board) and our responsibilities relating to the financial statements and the statement of objectives and performance, we comment on other information, and we explain our independence.

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

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 Group for assessing the Group'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 the Board intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Board's responsibilities arise from the Local Government Act 2002.

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 shareholders, taken on the basis of these financial statements and the performance information.

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 Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within the Group'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 Group'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 Group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 in 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 3 to 14 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 the fact. We have nothing to report in this regard.

Independence

We are independent of the Group 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 New Zealand Auditing and Assurance Standards Board.

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

Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand