Transwaste Canterbury Limited

Annual Report

For the year ended 30 June 2020

The Board of Directors is pleased to present the Annual Report of Transwaste Canterbury Limited for the year ended 30 June 2020

For and on behalf of the board

W G Cox
Chairman

R B McKenzie
Director

24 September 2020

Contents

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 R W Davison (finished 14 February 2020) Mr G W J Livingstone (finished 14 February 2020) Mr G S James Mr I G Kennedy Mr T J McIntyre (finished 26 November 2019) Mr R B McKenzie Mr T H Nickels Mr R A Pickworth (commenced 27 November 2019) Mr P S Mauger (commenced 15 February 2020) Mr G S Miller (commenced 15 February 2020) Mrs M E Cadman (alternate director) Mr H E G Maehl (alternate director)

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 2020

Your directors take pleasure in presenting their Annual Report including the financial statements of the group for the year ended 30 June 2020.

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.

During the year, a further six wholly owned subsidiaries were incorporated, 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 ceased the receipt of earthquake waste during the period, the subsidiary will continue with the progressive closure, capping and landscaping of the landfill cells through to the 2021 year, at which point the site will be handed back to Christchurch City Council. 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	74,880	-
Mr R W Davison	23,400	-
Mr R B McKenzie	43,440*	-
Mr T H Nickels	37,440*	-
Mr G S James	40,440*	-
Mr I G Kennedy	37,440*	-
Mr T J McIntyre	15,600	-
Mr G W J Livingstone	23,400	-
Mr P S Mauger	14,040	-
Mr R A Pickworth	21,840	-
Mr G S Miller	14,040	-

Directors' Report to the Shareholders
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Mrs M E Cadman (alternate)	-	-
Mr H E G Maehl (alternate)	-	-

*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, Mrs M E Cadman and Mr H E G Maehl.

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 (commenced 18 September 2019)	Trustee
Waimakariri Irrigation Limited (commenced 31 July 2020)	Director
Committee for Canterbury	Trustee
Project Crimson	Trustee

MR R W DAVISON (finished 14 February 2020)

	Position Held
Burwood Resource Recovery Park Limited (finished 14 February 2020)	Director
Hurunui District Council (finished 12 October 2019)	Councillor
Central Plains Water Trust	Trustee
Toraja Rural Development Charitable Trust	Trustee
Canterbury Regional Landfill Joint Committee (finished 12 October 2019)	Committee Member

MR R B MCKENZIE

	Position Held
Burwood Resource Recovery Park Limited	Director
Waste Management NZ Limited	Consultant
Waste Disposal Services	Executive Committee Member

Directors' Report to the Shareholders
For the year ended 30 June 2020

MR I G KENNEDY

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

MR T H NICKELS

	Position Held
Burwood Resource Recovery Park Limited	Director
Beijing Capital Group NZ Investment Holding Limited	Director
Waste Management NZ Limited, plus various wholly owned subsidiaries	Director
Waste Management NZ Limited	Employee
Waste Disposal Services	Executive Committee Member (alternate)
Midwest Disposals Limited	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 T J MCINTYRE (finished 26 November 2019)

	Position Held
Burwood Resource Recovery Park Limited (finished 26 November 2019)	Director
Committee for Canterbury	Trustee
Ministry of Education	Contractor
Wayne Francis Community Trust	Trustee
Primary Industry Training Organisation	Director

MR R A PICKWORTH (commenced 27 November 2019)

	Position Held
Burwood Resource Recovery Park Limited (commenced 27 November 2019)	Director
Westpower Limited, plus various wholly owned subsidiaries	Director
Westroads Limited	Director
Ashburton Contracting Limited	Director
Whitestone Contracting Limited	Director
Pipeline Group Limited	Director
McLenaghan Contracting Limited (commenced 1 August 2020)	Director

MR G W J LIVINGSTONE (finished 14 February 2020)

	Position Held
Burwood Resource Recovery Park Limited (finished 14 February 2020)	Director
Nga Maata Waka Enterprises Limited (finished 14 February 2020)	Director
Christchurch City Council (finished 12 October 2019)	Councillor
Canterbury Regional Landfill Joint Committee (finished 12 October 2019)	Chair
Coastal Burwood Community Board (finished 12 October 2019)	Board Member

Directors' Report to the Shareholders
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MRS M E CADMAN (Alternate Director)

	Position Held
Waste Management NZ Limited	Employee

MR H E G MAEHL (Alternate Director)

	Position Held
Waste Management NZ Limited, plus various wholly owned subsidiaries	Director
Waste Management NZ Limited	Employee
Midwest Disposals Limited	Director

MR P S MAUGER (commenced 15 February 2020)

	Position Held
Burwood Resource Recovery Park Limited (commenced 15 February 2020)	Director
Christchurch City Council (commenced 12 October 2019)	Councillor
Coastal-Burwood Community Ward (commenced 12 October 2019)	Board Member
Canterbury Regional Landfill Joint Committee (commenced 14 February 2020)	Committee Member
Otautahi Community Housing Trust (commenced 28 February 2020)	Trustee
Civic Building Limited	Director
TMC Trailers Limited	Director
M&M Aggregates Limited	Director
Harewood Holdings Limited	Director
25 KBR Limited	Director
Rookwood Holdings Limited	Director

MR G S MILLER (commenced 15 February 2020)

	Position Held
Burwood Resource Recovery Park Limited (commenced 15 February 2020)	Director
Selwyn District Council (commenced 12 October 2019)	Councillor
Canterbury Regional Landfill Joint Committee (commenced 14 February 2020)	Committee Member
Central Plains Water Limited	Director

Directors' Report to the Shareholders
For the year ended 30 June 2020

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 $27,275 (2019: $27,815).

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 $16,900,000 were paid during the year, including an interim project dividend of $5,000,000 relating to the Burwood Recovery Park project.

A final dividend in relation to the 2020 year of $7,100,000, which was declared after balance date, is disclosed in note 7.

Donations

The parent company made donations of $81,676 to the Kate Valley Landfill Community Trust (2019: $85,890) 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 $65,144 (2019: $67,215). No other services were provided by the auditor.

Chairman's Review
For the year ended 30 June 2020

REVIEW BY THE CHAIR

Year Ended 30 June 2020

2019/20 – The Year that Was – Was Not – and finally Was!

For all of us the past year has been one of almost unprecedented turmoil – both on a personal front and for business – as we have dealt with the unknown – Covid-19.

While I am sure that much of the rest of the world looks upon NZ, and the impact that the pandemic has had on our nation, with some envy, there is little doubt that at a local level the events of this year have been dramatic, and will leave a long tail.

It is in this context that I wish to reflect on Transwaste's year 1 July 2019 – 30 June 2020.

Health and Safety

In our core operations of landfilling and transport – dealing with the residual waste created by others (be they residents or businesses) it is self-evident that people are exposed to infection and injury. The onset of Covid19 heightened these risks. It is testament to the culture and management process within Transwaste's principal contractor – Waste Management NZ Limited (WMNZ), that we have come through this difficult period with an exemplary health and safety record. In 2019/20, across all its operations (landfilling and transport, forestry, electricity generation, and conservation) Transwaste has recorded no Lost Time Injuries, and no Medical Treatment Injuries – and no known cases of infection.

While there is never room for complacency, all those involved are to be congratulated for their efforts and commitment in this critical aspect of our operations.

During the past year, the issue of mental health in the workplace has received particular attention, given the additional stresses that all of us are now dealing with as part of our everyday lives.

Operations

Landfilling and Transport
It is in the core area of business of Transwaste, involving the activities related to the Kate Valley Landfill, that the "Year that Was – Was Not – and finally Was" description is most relevant. Until late March 2020 Transwaste was performing a little ahead of budget, and despite predictions of a slowing economy and dark clouds of a pandemic offshore, was close to the tonnages of waste received in the previous year.

And then Covid-19!

Clearly with a "locked" economy waste received from commercial and industrial sources fell dramatically. Domestic waste did however rise during this period, however as this waste stream represents less than 20% of the total waste managed by Transwaste, the net effect of the "lockdown"was significant – a reduction in total waste received during lockdown levels three and four in excess of 60%. This was certainly the year that "Was Not"!

NZ then progressively returned to more normal levels of activity as lockdown levels were reduced.

Chairman's Review
For the year ended 30 June 2020

This led to what we first believed to be a surge of waste built up within the commercial / industrial sector. That surge, in fact was sustained through to 30 June 2020. This has produced the "Year that finally Was".

While levelling off since that date, waste to landfill volumes are currently tracking at a level that will see 2020/21 volumes only 10 – 15% below those achieved for the 2019/20 year. Transwaste is very mindful however, of the uncertainties faced in all sectors of the NZ (and international) economy, and is ensuring that a prudent approach is taken in the planning and conduct of all of its activities.

Analysis of waste quantities received to the landfill in the 2019/20 year is interesting and revealing:

- General waste (domestic, commercial, industrial) was down 3,500 tonnes on the previous year to 255,000 tonnes.
- Special waste (commercial, industrial) was down 1,500 tonnes on the previous year to 31,000 tonnes.
- High Density Contaminated Soil waste (soils and site materials) was up 16,000 tonnes on the previous year to 46,000 tonnes.

The aggregate result of these waste quantity changes was that the total waste quantity received into the Kate Valley landfill for the 2019/20 year was 332,000 tonnes compared with 321,000 tonnes for the 2018/19 year.

In December 2019, the Burwood Resource Recovery Park (BRRP) facility ceased receiving earthquake related demolition waste as volumes had fallen to a non-sustainable level - much later than early predictions had suggested! Over the 8 year life of the BRRP project, total tonnes of material received and processed to landfill were 837,000 tonnes compared with an initial expected level of 500,000 tonnes. Of the total tonnes received, 104,000 tonnes of re-usable materials were recovered.

Electricity Generation
Landfill gas, produced by the decomposition of material in the Kate Valley Landfill, comprises approximately 54% methane. Consent conditions require this to be destroyed.

At the Kate Valley Landfill, destruction of the methane content of the landfill gas occurs primarily by using the gas to power electricity generators, with the electricity being used to power the landfill site and exported into the national grid.

Transwaste currently has installed generation capacity of four megawatts (enough to power in the order of 4,000 homes).

Unfortunately, due to constraints imposed on the export of electricity by the local electricity lines operator – MainPower NZ Ltd – the full potential generating capability of the Kate Valley Landfill has not been able to be realized in the past year. The electricity generated and exported to the national grid in 2019/20 was 21,034 megawatt hours compared with a capability of 25,585 megawatt hours (after allowing for Transwaste site usage, downtime for maintenance, and line losses).

In order to comply with the resource consent under which Transwaste operates any gas not used to power the electricity generators is flared, with only CO_2 (a non- greenhouse gas) being emitted to the atmosphere.

Chairman's Review
For the year ended 30 June 2020

Forestry
2019/20 was a relatively inactive year for the commercial forestry operations of Transwaste, with little harvesting or planting being carried out. Forests were maintained and managed in line with the Company's long-term forestry plan which will see the bulk of harvesting and replanting in the period 28 – 35 years post original planting in the early 2000's.

Environment
Transwaste's commitment to the enhancement and protection of the environment for the long-term benefit of our community, continues. Later in this Review there is commentary in relation to the ongoing development of Tiromoana Bush, our QE2 covenanted reserve.

Transwaste has an absolute commitment to operate the Kate Valley Landfill to the highest environmental standards. There is real time monitoring of all aspects of landfill performance including gas and leachate production and containment; water quality; odour; and dust and debris. Minimum standards to be achieved in all areas are set in the landfill resource consent conditions, and in all these areas the Company has objectives to exceed these standards. It is a tribute to the management of our principal contractor, WMNZ, that we have consistently achieved beyond the minimum standards in all areas of environmental performance.

The Company is ably assisted in this by the monitoring carried out by the Kate Valley Community Liaison Group, which meets regularly to review the performance of the landfill and its management.

Kate Valley's environmental performance is also monitored against the resource consent requirements by a Peer Review Panel comprising scientific and landfill engineering experts. The Peer Review Panel reports to Environment Canterbury (the landfill consenting authority) to support the Annual Environmental Performance Report produced by Transwaste.

BRRP is also subject to strict environmental performance standards – these too have been met or exceeded in all cases. This again reflects well on the WMNZ team contracted to operate that facility on behalf of Transwaste.

Financial Performance

Despite the "Was – Was Not – Was" operating environment faced by the Company during 2019/20, it is pleasing to note:

- Total Group revenue (including the current waste levy of $10 per tonne on applicable waste) was $50.6m – an increase of $0.6m over 2018/19.
- Total Group expenses (including finance costs) were $32.5m – an increase of $1.2m over 2018/19.
- Group Net Profit after Tax of $13m was only $0.4m below that achieved in 2018/19.

Most importantly, however, Group cash flow from operations increased to $19.4m (2018/19 - $18.0m). This is a critical measure of performance for any business – particularly when operating in the challenging environment currently being experienced. It reflects not only the profitability of operations, but also the ability to turn this into cash to finance both the continued expansion / development of our assets and business, and to pay an acceptable return in the form of dividends to our shareholders.

Chairman's Review
For the year ended 30 June 2020

The net impact of this performance has seen the continuance of a very strong balance sheet for the Company. This is after the payment of dividends by the Group in the current year that have exceeded the level of tax paid profit earned during the year. This was due to a further interim project dividend of $5m being paid from the retained earnings of BRRP. The payment of this further dividend from BRRP reflects the confidence that the Directors have in this project being drawn to a successful close.

The net equity of the Group has, due to the reasons explained above, been reduced by $4.0m to $45.5m – resulting in an equity ratio of 54% compared to a similar ratio of 56% at 30 June 2019. This percentage is likely to reduce again in the current year as further distributions of the BRRP retained earnings are paid by way of dividends to shareholders.

The following is a summary of the dividends paid by the Group in the year to 30 June 2020:
- Dividends declared and paid during 2019/20 arising from Kate Valley operations were $11.9m (2018/19 - $11.4m).
- Dividends declared and paid during 2019/20 arising from BRRP operations were $5.0m (2018/19 - $5.0m).
- Total dividends (from both Kate Valley and BRRP operations) declared and paid since the inception of Transwaste have totalled $142.6m.

On 28 August 2020 (i.e. post balance date) the Board of Transwaste declared and paid a final dividend for the year ended 30 June 2020 in respect of its Kate Valley operation of $7.1m. This brings the total dividends declared and paid by the Group since the inception of the business in 2005 to almost $150m.

Conservation

From its inception the Company has had a strong focus on conservation – with the aim of leaving the world a better place in this regard than when the Company started. Since 2005, Transwaste has created, managed, and funded to a level of about $150- $160k per annum the development of the QE2 covenanted Tiromoana Bush – a 407ha reserve within the land tenure of the Company.

The long-term (300 year!) goal is to re-create a significant South Island east coast lowland forest (similar to that which existed before human occupation) and Wetland area for the benefit of all who live in and visit the district.

Transwaste is now 15 years into this project and the progress, while initially slow, is now outstanding. The Bush reserve now clearly demonstrates an amazing regeneration of native bush augmented by annual planting; the protection of the flora and fauna by a complete deer fence to keep grazing stock and deer out of the reserve; the creation and enhancement of wetlands; the development of a network of walking tracks; and documented evidence of the repopulation of the bush and wetlands by native bird and invertebrate species.

Initial, and current, photographic evidence is proof that the original concept is now well underway toward the 300 year goal.

The numbers of visitors to the reserve is continually increasing with their experience enhanced by new interpretive signage in both Te Reo and English.

The reserve is not without its challenges, however. Considerable resources are being devoted to the control of pigs and mustelids (having already largely eliminated other predators).

Chairman's Review
For the year ended 30 June 2020

Transwaste is also proud to have been one of a small group who initiated the Hurunui Biodiversity Trust – a Trust formed with the objective of encouraging landowners in the Hurunui District to embrace conservation goals aligned to those about which we are so passionate.

Our thanks must go to David Norton, Professor of Forestry at the University of Canterbury for his leadership, vision, and enthusiasm with regard to the Tiromoana Bush project.

Outreach

Transwaste's operations related to the Kate Valley landfill continue to engender interest from community groups, schools, businesses, and others with an interest in the waste industry. Kate Valley is recognized as an international leader in the management and disposal of residual waste generated by communities.

Kate Valley management continues to host numerous visits and tours, and almost universally, those who visit leave impressed with what they have seen and learnt. Of special note to those who visit is the professionalism and commitment to quality of those who operate the landfill.

One visit of note in the past year was that in February 2020 when Transwaste hosted Councillors and senior management from its Council shareholders. This visit focused on providing information about the management and disposal of community waste for continuing and newly elected Councillors. The success of this visit has prompted Transwaste to commit to similar visits soon after council elections each three years.

Transwaste has always had a special relationship with children and schools, seeing this as a responsibility to educate about waste, environmental protection, and ecology/conservation. This has continued in the current year, and steps are afoot to refresh and expand this programme during 2020/21 for re-launch for the 2022 school year. The benefits of this programme reach far beyond schools as children are our best ambassadors for quality waste and environmental management – and ultimately waste reduction. The aim in this area must be the reduction of waste at source, rather than a narrow focus on recycling/re-use with dubious outcomes.

At its inception Transwaste settled the Kate Valley Community Trust – annually funded by grants from the Company. These funds are then administered by the Trustees for community benefit. Over the past 15 years Transwaste, through this mechanism, has contributed almost $1.2m back into the local Hurunui community via a wide range of projects.

Sustainability

Sustainability, in all its dimensions is, today, a critical focus of all responsible organisations. The many dimensions of sustainability are encapsulated in the United Nations Sustainable Development Goals. These have been used to guide Transwaste following development undertaken by the Company's principal contractor WMNZ.

Transwaste has embarked on a journey to develop and ultimately report its progress in respect of relevant sustainability initiatives and targets across the following areas: environment; communities; customers; people; and business.

Chairman's Review
For the year ended 30 June 2020

Many of the issues in these areas are already addressed by Transwaste and performance is reported in the Statement of Objectives and Performance included later in this Annual Report. The Company recognizes, however, that it is in the early stages of developing comprehensive activities and reporting thereof across each of the areas outlined above.

The Future

It would be misleading to infer that 2020/21 (and years beyond) will be other than challenging due to the uncertain economic climate deriving from Covid-19 and the management of the unprecedented public funding that has taken place. What we do know from past experience, however, is that the level of activity experienced by Transwaste will closely reflect the economic health of our nation and our region.

To date, post the initial Covid-19 lockdown, waste to landfill volumes have been surprisingly robust. Our current projections are that we are likely to experience a fall of about 10-15% in waste volumes in the Company's 2020/21 year as compared to the 2019/20 year. Only time will tell. Transwaste is however in fine shape to manage the varying levels of activity that may be demanded by the communities that we serve.

The Board of Transwaste continues to review new and emerging technologies for the treatment and disposal of residual waste with a particular focus on their relevance and suitability for the size and makeup of the waste streams in our community. Should any technology emerge that provides better solutions and long-term outcomes (both in economic and environmental terms) the Company is ready and able to investigate these opportunities for our community to enable it to remain a leader in the management and disposal of residual waste.

Acknowledgements

Transwaste as a public/private partnership in the truest sense operates a fairly unique operating model. Transwaste has no employees – conducting its operations through contractual relationships. The most pervasive of these is a contract with WMNZ for the management and operation of landfilling and associated transport activities.

Other contracts are with businesses and individuals covering areas such as: engineering and civil construction; finance and accounting; legal; environmental and planning; conservation and forestry.

To all contactors involved with providing services to Transwaste – on behalf of the Board – thank you. Thank you not only for your work and commitment during the past year, but also for supporting Transwaste in its culture and its own committed drive toward operating the very best waste management and disposal services.

The Board also wishes to acknowledge and thank others who have contributed to the continuing success of the Company – including those who serve on: the Kate Valley Community Trust; the Kate Valley Community Liaison Group; the Peer Review Panel; and the BRRP Community Liaison Group.

I would also like to express our thanks to our neighbours at Kate Valley with whom we have an excellent mutual supportive relationship, while still retaining an underlying accountability for the impact that we each have on the others' operations.

Chairman’s Review
For the year ended 30 June 2020

Finally, I wish to personally thank my fellow Board members for their contributions and support in ensuring that Transwaste continues to perform at the highest level. Where a company has no management of its own many additional tasks fall to those on the Board. Transwaste has, through both its current directors and those who have retired during the past year, a quality Board committed to the ideals of the Company, and who have always been willing to take those extra steps. Thank you.

Gill Cox
Chair

24 September 2020

Directors' Responsibility Statement
For the year ended 30 June 2020

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 2020 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 17 to 71 of Transwaste Canterbury Limited and the group for the year ended 30 June 2020.

The board of directors of Transwaste Canterbury Limited authorised these financial statements for issue on 24 September 2020.

For and on behalf of the board

W G Cox
Chairman

R B McKenzie
Director

24 September 2020

Statement of Objectives and Performance
For the year ended 30 June 2020

Targets were set under the Statement of Intent for the three years ending 30 June 2022. 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 (exclusive of waste levy) of $42,506,000	$45,806,000. Overall tonnes of waste to landfill was 10.7% above budget, due to higher than expected levels of special and high density demolition related waste to landfill, but with general waste revenues 1.9% below budget.
	EBIT of $15,463,000	$2,474,000 above budget at $17,937,000 (before a $5,000,000 dividend received from its subsidiary, BRRP), as a result of the increased tonnes of waste to landfill compared to budget.
	Dividends of $11,300,000, plus a BRRP dividend of $5,000,000	Dividends totalling $11,900,000 were paid during the year for the Kate Valley operations, plus an interim project dividend relating to BRRP activities of $5,000,000.
(b) To effectively operate the consented Burwood Resource Recovery Park (BRRP), established to manage the receipt and resource recovery processing of mixed demolition material from Christchurch's earthquakes, to achieve specific commercial performance targets.	Total BRRP Revenue of $1,008,000	$1,568,000 achieved. The tonnage of earthquake waste received decreased at a slower rate than expected through to ceasing receipting of material in December 2019, resulting in waste levels received being 48% higher than budget.
	BRRP EBIT of $50,000 (loss)	EBIT $503,000, through higher than budgeted earthquake waste received.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2020

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.	The company considers that there are no breaches, based on there being 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.
(c)	Kate Valley gas capture & destruction.	Greater than 90% landfill gas captured, calculated in accordance with the regulations to the Climate Change Response Act 2002.	Achieved for the reporting year ended 31 December 2019, ETS declaration has been submitted and confirmed by the registrar.

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 2020

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 2019/20 year totalling $81,676.
(b)	Develop and maintain education material with regard to waste management and the environment.	Modules used in the National curriculum by schools.	Achieved.
(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 2020

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 6 days for 18.5 hours in total.
(c) Reliability of access to the BRRP facilities through to closure.	BRRP is available to demolition contract transporters for more than 99% of normal annual transport access hours through to 20 December 2019.	Achieved. No disruption of access to BRRP disposal site occurred.
	Successful closure of the BRRP facility and hand back the site to CCC in accordance with agreements reached with CCC.	Closure achieved and hand back on track.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2020

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 (1 of which was retirement) and 2 in transport 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 out of 5 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 11.2 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 meeting held when required – none were requested during the period.

Statement of Objectives and Performance (Continued)
For the year ended 30 June 2019

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. Also a successful major on-site event for all stakeholders was held involving neighbours, local community groups, iwi and shareholders, with briefings from Transwaste Chair and Waste Management NZ General Manager, along with detailed site visits to observe key aspects of the operations. For BRRP, no further meetings held or requested.

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 at Kate Valley resulting in TRIFR going from 9.3 in 2018/19 to zero at 30 June 2020; for BRRP TRIFR for the 12 months ended 30 June 2020 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.	Achieved. There were no recorded traffic incidents where CWS drivers were found to be at fault.

Statements of Comprehensive Income
For the year ended 30 June 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Revenue					
Sales excluding waste levy		47,398	45,207	45,806	42,364
Waste levy		3,322	3,206	3,322	3,206
Sales including waste levy	3	50,720	48,413	49,128	45,570
Rental		60	60	16	-
Other revenue		4	4	-	-
Interest		214	378	-	1
Dividends		-	-	5,000	5,000
Changes in fair value of forestry	10	(373)	451	(373)	-
Gain on sales of property, plant and equipment		3	691	-	-
Total revenue		**50,628**	**49,997**	**53,771**	**50,571**
Expenses					
Audit fees	4	65	67	45	39
Depreciation and amortisation	4,8	6,413	6,487	5,997	5,485
Impairment of receivables	4	(17)	5	-	-
Employee benefits costs	4	346	339	346	339
Landfill and facilities operating expenses		19,415	18,971	18,974	17,766
Loss on sale of property, plant and equipment		36	14	36	14
Waste levy	3	3,322	3,206	3,322	3,206
Other expenses		2,379	1,629	2,114	1,370
Total expenses		**31,959**	**30,718**	**30,834**	**28,219**
Profit before finance costs and tax		**18,669**	**19,279**	**22,937**	**22,352**
Finance costs	5	555	600	791	886
Profit before tax		**18,114**	**18,679**	**22,146**	**21,466**
Income tax expense	6	5,072	5,231	4,801	4,610
Profit for the year		**13,042**	**13,448**	**17,345**	**16,856**
Other comprehensive income	16	(144)	-	(144)	-
Total comprehensive income for the year		**12,898**	**13,448**	**17,201**	**16,856**

Statements of Changes in Equity

For the year ended 30 June 2020

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Group					
Balance 1 July 2018		16,000	625	35,865	52,490
Profit for the year		-	-	13,448	13,448
Other comprehensive income		-	-	-	-
Total comprehensive income for the year ended 30 June 2019		-	-	13,448	13,448
Dividends	7	-	-	(16,400)	(16,400)
Balance 30 June 2019		**16,000**	**625**	**32,913**	**49,538**
Balance 1 July 2019		16,000	625	32,913	49,538
Profit for the year		-	-	13,042	13,042
Other comprehensive income	16	-	(144)	-	(144)
Total comprehensive income for the year ended 30 June 2020		-	(144)	13,042	12,898
Dividends	7	-	-	(16,900)	(16,900)
Balance 30 June 2020		**16,000**	**481**	**29,055**	**45,536**
Parent					
Balance 1 July 2018		16,000	-	9,332	25,332
Profit for the year		-	-	16,856	16,856
Other comprehensive income		-	-	-	-
Total comprehensive income for the year ended 30 June 2019		-	-	16,856	16,856
Dividends	7	-	-	(16,400)	(16,400)
Balance 30 June 2019		**16,000**	**-**	**9,788**	**25,788**
Balance 1 July 2019		16,000	-	9,788	25,788
Profit for the year		-	-	17,345	17,345
Other comprehensive income	16	-	(144)	-	(144)
Balances on amalgamation	28	-	625	2,256	2,881
Total comprehensive income for the year ended 30 June 2020		-	481	19,601	20,082
Dividends	7	-	-	(16,900)	(16,900)
Balance 30 June 2020		**16,000**	**481**	**12,489**	**28,970**

Balance Sheets
As at 30 June 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Assets					
Non-current assets					
Property, plant and equipment	8	62,827	63,629	62,598	59,633
Forestry	10	2,004	2,377	2,004	-
Emission Units	11	1,609	1,041	1,609	1,041
Total non-current assets		**66,440**	**67,047**	**66,211**	**60,674**
Current assets					
Cash and cash equivalents	13	9,142	4,593	1,143	233
Term deposits	13	4,029	12,000	-	-
Trade and other receivables	14	5,052	4,505	5,002	4,136
Loans to related parties	12	-	-	-	2,220
Assets held for sale	9	-	-	-	-
Total current assets		**18,223**	**21,098**	**6,145**	**6,589**
Total assets		**84,663**	**88,145**	**72,356**	**67,263**
Equity					
Contributed equity	15	16,000	16,000	16,000	16,000
Reserves	16	481	625	481	-
Retained earnings	17	29,055	32,913	12,489	9,788
Total equity		**45,536**	**49,538**	**28,970**	**25,788**
Liabilities					
Non-current liabilities					
Provisions	19	30,280	28,767	30,280	28,341
Derivative financial instruments	26	6	-	6	-
Deferred income tax liability	6	2,317	3,391	2,426	2,763
Total non-current liabilities		**32,603**	**32,158**	**32,712**	**31,104**
Current liabilities					
Trade and other payables	21	3,715	3,715	3,483	3,474
Interest-bearing loans and borrowings	18	-	-	4,800	5,200
Derivative financial instruments	26	195	-	195	-
Income tax payable	6	1,979	1,736	2,017	1,672
Provisions	19	613	973	157	-
Employee benefits	20	22	25	22	25
Total current liabilities		**6,524**	**6,449**	**10,674**	**10,371**
Total liabilities		**39,127**	**38,607**	**43,386**	**41,475**
Total equity and liabilities		**84,663**	**88,145**	**72,356**	**67,263**

For and on behalf of the board

W G Cox
Chairman 24 September 2020

R B McKenzie
Director 24 September 2020

Cash Flow Statements
For the year ended 30 June 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Cash flows from operating activities					
Receipts from customers		50,173	48,788	48,297	45,855
Interest received		214	378	-	1
Dividends received		-	-	5,000	5,000
Other revenue		58	60	-	-
Payments to suppliers and employees		(25,393)	(24,762)	(23,805)	(22,857)
Interest paid		-	-	(260)	(298)
Income tax paid	6	(5,845)	(6,470)	(5,399)	(5,962)
Goods and services tax (net)		190	(15)	239	(38)
Net cash from operating activities	22	19,397	17,979	24,072	21,701
Cash flows from investing activities					
Purchase of property, plant & equipment		(4,585)	(6,329)	(4,585)	(6,329)
Sale of property, plant & equipment	9	13	970	-	-
Monies withdrawn from term deposits		7,971	1,000	-	-
Cash on amalgamation		-	-	70	-
(Purchase)/sale of emission units		(1,347)	-	(1,347)	-
Net cash from investing activities		2,052	(4,359)	(5,862)	(6,329)
Cash flows from financing activities					
Advances from/(to) subsidiaries		-	-	(400)	855
Dividends paid		(16,900)	(16,400)	(16,900)	(16,400)
Net cash from financing activities		(16,900)	(16,400)	(17,300)	(15,545)
Net increase/(decrease) in cash and cash equivalents		**4,549**	**(2,780)**	**910**	**(173)**
Cash and cash equivalents at the beginning of the year		4,593	7,373	233	406
Cash and cash equivalents at the end of the year	13	**9,142**	**4,593**	**1,143**	**233**

Notes to the Financial Statements
For the year ended 30 June 2020

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.

During the year the company incorporated six wholly owned subsidiaries, all of which are inactive and have no assets and liabilities:

- 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 2020. The financial statements were authorised for issue by the Board on 24 September 2020.

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 2020

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.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards as set out below.

Notes to the Financial Statements
For the year ended 30 June 2020

New standards adopted by the group

The group has applied the following standards for the first time for their annual reporting period commencing 1 July 2019:

NZ IFRS 16 Leases

NZ IFRS 16 was issued in January 2016. It results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

As at the reporting date, the group's lease commitments relate to short-term and low value leases which are exempted from the standard.

No right-of-use assets and lease liabilities have had to be recognised by the group on adoption of the new standard and there is no effect on the group's profit or loss and classification of cash flows.

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 2020

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 2020

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 2020

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.

2.7 Leases

The group has changed its accounting policy for leases, and has adopted NZ IFRS 16.

Prior to the current financial year, leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases.

Notes to the Financial Statements
For the year ended 30 June 2020

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.

i) 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.

ii) Accounting policies applied until June 2019

Until 30 June 2019, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit and loss component of the statement of comprehensive income on a straight-line basis over the period of the lease.

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 2020

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.

Collectibility 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 2020

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 2020

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 2020

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 2020

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 2020

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 2020

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 2020

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 19 - landfill closure and post-closure provisions.

Notes to the Financial Statements
For the year ended 30 June 2020

3. Revenue

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Waste disposal (excluding waste levy)	38,567	37,197	37,025	34,441
Waste levy on-charged to customers	3,322	3,206	3,322	3,206
Waste disposal sales including waste levy	41,889	40,403	40,347	37,647
Waste transport	6,788	6,510	6,788	6,510
Recovered materials	26	87	-	-
Electricity generation	1,993	1,413	1,993	1,413
Forestry	24	-	-	-
Sales	**50,720**	**48,413**	**49,128**	**45,570**

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 $3,322,000 for the year (2019: $3,206,000), 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 2020

4. Expenses

Profit before tax includes the following specific expenses:

Employee benefits costs

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Directors' fees	**346**	**339**	**346**	**339**

All employee benefit costs relate to fees paid to directors.

Depreciation and impairment

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Depreciation:				
Landfill development	4,636	4,348	4,608	4,275
Deferred closure costs	1,151	1,499	843	659
Buildings	13	13	3	-
Plant and machinery	552	562	543	551
Motor vehicles	61	65	-	-
	6,413	**6,487**	**5,997**	**5,485**
Impairment:				
Impairment of receivables (Note 14)	(17)	5	**-**	**-**
	(17)	**5**	**-**	**-**

Audit fees

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Audit services				
Audit New Zealand				
- Audit fees for financial statements audit	65	67	45	39
Total remuneration for audit services	**65**	**67**	**45**	**39**

Notes to the Financial Statements
For the year ended 30 June 2020

5. Finance costs

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Interest on intra-group advances	-	-	260	298
Provisions: Time value adjustment (Note 19)	555	600	531	588
Total finance costs	**555**	**600**	**791**	**886**

6. Tax

Components of tax expense

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Current tax expense	6,088	6,012	5,737	5,448
Deferred tax expense	(1,016)	(781)	(936)	(838)
Income tax expense	**5,072**	**5,231**	**4,801**	**4,610**

Relationship between tax expense and accounting profit

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Profit/(loss) before tax	18,114	18,679	22,146	21,466
Tax at 28% (2019: 28%)	5,072	5,231	6,160	6,010
Non-taxable income	-	-	(1,400)	(1,400)
Tax expense	**5,072**	**5,231**	**4,801**	**4,610**

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 2018	(4,739)	-	567	-	(4,172)
Credited/(charged) to profit or loss	739	-	42	-	781
Balance at 30 June 2019	(4,000)	-	609	-	(3,391)
Credited/(charged) to profit or loss	768	-	250	-	1,018
Charged to equity			56		56
Balance at 30 June 2020	(3,232)	-	915	-	(2,317)

Notes to the Financial Statements
For the year ended 30 June 2020

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 2018	(4,634)	-	1,033	-	(3,601)
Credited/(charged) to profit or loss	673	-	165	-	838
Balance at 30 June 2019	(3,961)	-	1,198	-	(2,763)
Credited/(charged) to profit or loss	682	-	254	-	936
Charged to equity	(28)		(571)		(599)
Balance at 30 June 2020	(3,307)		881	-	(2,426)

Income tax receivable/(payable)

	Group 2020 $'000	**Group 2019 $'000**	**Parent 2020 $'000**	**Parent 2019 $'000**
Opening tax receivable/(payable)	(1,736)	(2,194)	(1,672)	(2,186)
Current tax expense	(6,088)	(6,012)	(5,737)	(5,448)
Income tax paid	5,845	6,470	5,392	5,962
Closing tax receivable/(payable)	**(1,979)**	**(1,736)**	**(2,017)**	**(1,672)**

Additional disclosures

Imputation Credit Account

	Group 2020 $'000	**Group 2019 $'000**	**Parent 2020 $'000**	**Parent 2019 $'000**
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2019: 28%)	16,051	16,537	9,574	8,459

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 2020

7. Dividends

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Dividends paid or accrued during the year				
Interim dividends[1]	5,200	5,000	5,200	5,000
Final dividends[2]	11,700	11,400	11,700	11,400
	16,900	16,400	16,900	16,400

[1] Fully imputed interim dividends of $5,200,000 declared and paid on 28 February 2020 (2019: $5,000,000 fully imputed on 22 February 2019).

[2] Fully imputed final dividend for 2019 of $6,700,000 declared and paid on 30 August 2019 (2019: $6,400,000 fully imputed on 31 August 2018). A further fully imputed dividend of $5,000,000, being a project dividend arising from the Burwood Resource Recovery Park project, was declared and paid on 20 December 2019 (2019: $5,000,000 declared and paid on 22 February 2019).

A fully imputed final dividend of $7,100,000 in respect of 2020 was declared on 28 August 2020.

Notes to the Financial Statements
For the year ended 30 June 2020

8. Property, plant and equipment 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	74,448	(42,247)	32,201	7,133	(36)	(4,608)	81,530	(46,840)	34,690
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 19)	24,137	(3,486)	20,651	1,565	-	(843)	25,702	(4,329)	21,373
Plant and equipment	6,521	(4,096)	2,425	270	-	(543)	6,794	(4,642)	2,152
Total parent property, plant & equipment	**109,462**	**(49,829)**	**59,633**	**8,998**	**(36)**	**(5,997)**	**118,638**	**(56,040)**	**62,598**
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	(512)	204
Plant and equipment	125	(89)	35	(1)	-	(9)	121	(96)	25
Total subsidiaries property, plant and equipment	11,141	(7,145)	3,996	(3,341)	(10)	(416)	7,525	(7,296)	229
Group property, plant & equipment	**120,603**	**(56,974)**	**63,629**	**5,657**	**(46)**	**(6,413)**	**126,163**	**(63,336)**	**62,827**

Approximately 1,050 hectares of the land was held by the subsidiary Tiromoana Station Limited prior to amalgamation, and was designated by the parent, Transwaste Canterbury Limited, 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 2020

8. Property, plant and equipment (continued) 2019

	Cost 1 July 2018	Accumulated depreciation and impairment charges 1 July 2018	Carrying amount 1 July 2018	Current year additions/ transfers & reassessments	Current year disposals/ reassessments	Current year depreciation	Cost 30 June 19	Accumulated depreciation and impairment charges 30 June 19	Carrying amount 30 June 19
Parent property, plant & equipment									
Landfill development	70,283	(38,115)	32,169	4,321	(14)	(4,275)	74,448	(42,247)	32,201
Assets under construction	3,507	-	3,507	849	-	-	4,356	-	4,356
Deferred site restoration costs (Note 19)	17,040	(2,827)	14,213	7,097	-	(659)	24,137	(3,486)	20,651
Plant and equipment	6,272	(3,546)	2,726	249	-	(551)	6,521	(4,096)	2,425
Total parent property, plant & equipment	**97,103**	**(44,488)**	**52,615**	**12,516**	**(14)**	**(5,485)**	**109,462**	**(49,829)**	**59,633**
Subsidiaries property, plant & equipment									
Landfill development	2,672	(2,571)	101	-	-	(73)	2,672	(2,644)	28
Land	3,190	-	3,190	-	-	-	3,190	-	3,190
Buildings	548	(376)	172	-	-	(13)	548	(389)	159
Deferred site restoration costs	2,950	(2,696)	254	894	-	(840)	3,844	(3,536)	308
Motor vehicles	762	(422)	340	-	-	(65)	762	(487)	275
Plant and equipment	174	(98)	76	-	(29)	(11)	125	(89)	36
Total subsidiaries property, plant and equipment	10,296	(6,163)	4,133	894	(29)	(1,002)	11,141	(7,145)	3,996
Group property, plant & equipment	**107,399**	**(50,650)**	**56,749**	**13,410**	**(43)**	**(6,487)**	**120,603**	**(56,974)**	**63,629**

Notes to the Financial Statements
For the year ended 30 June 2020

9. Assets held for sale

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Opening balance	-	250	-	-
Disposals	-	(250)		
Closing balance	**-**	**-**	**-**	**-**

Impairment of assets held for sale

Assets held for sale (in 2019) related to Burwood Resource Recovery Park Limited. The specific assets held for sale consisted of a density separator (fully impaired) transferred to held for sale in 2016, and the processing plant equipment transferred to held for sale from property, plant & equipment during 2018 at its $250,000 carrying value and assorted ancillary plant transferred to held for sale during 2018 at its carrying value of $nil. The plant was sold in one lot for $970,000 during 2019.

10. Forestry assets

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Balance at 1 July	2,377	1,926	-	-
Acquisition on amalgamation	-	-	2,377	-
Gains/(losses) arising from changes in fair value less estimated point of sale costs	(373)	451	(373)	-
Balance at 30 June	**2,004**	**2,377**	**2,004**	**-**

Transwaste Canterbury Limited owns 336 hectares of commercial standing trees, predominantly pinus radiata, which are at varying stages of maturity ranging from 7 to 39 years.

Independent registered valuer Allan Laurie of Laurie Forestry Limited has valued forestry assets as at 30 June 2020 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.

Notes to the Financial Statements
For the year ended 30 June 2020

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% (2019:5%) 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 8.5% (2019: 8.5%) has been used in discounting the present value of expected pre-tax cash flows.

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.

Notes to the Financial Statements
For the year ended 30 June 2020

11. 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.
- Burwood Resource Recovery Park Limited is not a participant in the ETS as the subsidiary's activities are outside the definition of "waste". Provided the waste received continues to be from earthquake-related demolition and construction and there are no legislative changes amending the definition of waste in the relevant Acts, this status is forecast to continue.

	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
Surrendered to the Crown	(37,927)	(779)	(37,927)	(779)
Balance at the end of the year	149,900	1,609	78,349	1,609

	2019 Group Units	2019 Group $000	2019 Parent Units	2019 Parent $000
Balance at the beginning of the year	168,109	1,588	96,558	1,588
Purchased units	-	-	-	-
Surrendered to the Crown	(33,282)	(547)	(33,282)	(547)
Balance at the end of the year	134,827	1,041	63,276	1,041

Notes to the Financial Statements
For the year ended 30 June 2020

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.

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 2019.

With regard to post-1989 forestry, the company has received its allocation entitlements to 31 December 2017 of 67,291 emissions units. The units are recorded at cost (nil).

12. Loans to related parties

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Tiromoana Station Limited	-	-	-	2,220

Loans from the parent to related parties related to the subsidiary, Tiromoana Station Limited which was amalgamated with Transwaste Canterbury Limited during the 2020 financial year. The loan comprised an advance relating to the original funding for the purchase of the Tiromoana Station property. The advance was secured by a second ranking general security agreement and mortgage over the property owned by Tiromoana Station Limited.

The advance was repayable on demand; however the parent company directors did not intend to demand repayment within the next twelve months, unless Tiromoana Station Limited was in a position to repay the amount so demanded.

No interest has been charged during the year (2019: $Nil) under the terms of the agreement between the companies prior to amalgamation, whereby the parent notifies Tiromoana Station Limited prior to the start of the year of the interest payable based on the approved budget for the year. Where interest is charged, it is calculated using the parent's budgeted interest rate on borrowings, taking into account expected transactions for the year and after deducting the value of property utilised for landfilling activities.

Notes to the Financial Statements
For the year ended 30 June 2020

13. Cash, cash equivalents and deposits

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Cash at bank - current account/short term deposits	9,142	4,593	1,143	233
Total cash and cash equivalents	**9,142**	**4,593**	**1,143**	**233**
Other term deposits	4,029	12,000	-	-
Total cash and deposits	**13,171**	**16,593**	**1,143**	**233**

14. Trade and other receivables

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Trade receivables	1,418	1,997	1,324	1,555
Related party receivables (Note 25)	3,634	2,535	3,678	2,581
Gross trade and other receivables	**5,052**	**4,532**	**5,002**	**4,136**
Less provision for impairment	-	(27)	-	-
Total trade and other receivables	**5,052**	**4,505**	**5,002**	**4,136**

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

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

	2020			2019		
	Gross $'000	Impairment $'000	Net $'000	Gross $'000	Impairment $'000	Net $'000
Parent						
Not past due	4,998	-	4,998	3,473	-	3,473
Past due 1-60	4	-	4	643	-	643
Past due >90	-	-	-	20	-	20
Total	**5,002**	**-**	**5,002**	**4,136**	**-**	**4,136**
Group						
Not past due	5,039	-	5,039	3,805	(13)	3,792
Past due 1-60	13	-	13	690	(2)	688
Past due >90	-	-	-	37	(12)	25
Total	**5,052**	**-**	**5,052**	**4,532**	**(27)**	**4,505**

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

Notes to the Financial Statements
For the year ended 30 June 2020

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 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Individual impairment	-	11	-	-
Collective impairment	-	16	-	-
Total provision for impairment	**-**	**27**	**-**	**-**

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

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
At 1 July	27	23	-	-
Additional provisions made during the year	-	5	-	-
Provisions reversed during the year	(17)	-	-	-
Receivables written off during the year	(10)	(1)	-	-
At 30 June	**-**	**27**	**-**	**-**

15. Contributed equity

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'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.

Notes to the Financial Statements
For the year ended 30 June 2020

16. Reserves

Capital reserve

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Balance at the beginning of the year	625	625	-	-
Reserve arising on amalgamation	-	-	625	
Balance at end of year	625	625	625	-

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

Hedging reserve

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Balance at the beginning of the year	-	-	-	-
Total recognised comprehensive income	(144)	-	(144)	-
Transfer to Retained Earnings	-	-	-	-
Total retained surplus	(144)	-	(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.

17. Retained earnings

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
As at 1 July	32,913	35,865	9,788	9,332
Profit for the period	13,042	13,448	17,345	16,856
Retained earnings arising on amalgamation	-	-	2,256	-
Transfer to capital reserve	-	-	-	-
Dividends paid	(16,900)	(16,400)	(16,900)	(16,400)
As at 30 June	29,055	32,913	12,489	9,788

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For the year ended 30 June 2020

18. Borrowings

Current borrowings – loans from related parties

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Unsecured loan – Burwood Resource Recovery Park Limited	-	-	4,800	5,200

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 $260,000 (2019: $298,000) interest was charged at a weighted average rate of 3.45% (2019: 3.95%). At balance date there was no outstanding interest (2019: nil).

Bank loans

The parent company has previously entered into a multi option credit facility with Westpac for funding of the Kate Valley landfill construction and operations. The securities relating to the facility remain in place, comprising 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.

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.

Notes to the Financial Statements
For the year ended 30 June 2020

19. Provisions

Provisions are represented by:

Closure and post-closure provisions

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Opening balance	29,740	21,400	28,341	20,656
Assessment of current value of landfill costs:				
- Cost assessment	1,565	855	1,565	-
- Discount rate update	-	7,136	-	7,097
Effect of time value adjustment	555	600	531	588
Amounts used during the period	(967)	(251)	-	-
Closing balance	30,893	29,740	30,437	28,341
Comprising:				
Current	613	973	157	-
Non-current	30,280	28,767	30,280	28,341
Total closure and post-closure provisions	30,893	29,740	30,437	28,341

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 2020 as applicable to each forecast period (2019: New Zealand Government 20 year bond yield).

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 2020

Kate Valley Landfill

The remaining economic life of the Kate Valley landfill is estimated to be 25 years.

The cash outflows for landfill post-closure are expected to occur in twenty five to fifty five 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 0.22% to 3.91% (2019: 1.87%). An average inflation rate of 1.68% (2019: 2.00%) 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 an increase to the provision and the closure and post closure asset of $1,565,000, which will be reflected in reduced time value adjustments to the provision and increased amortisation of the asset in future years.

Burwood Resource Recovery Park Landfill

The remaining consented life of the Burwood Resource Recovery Park is 1.5 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 during the 2021 year, at which point the site will be 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 0.22% (2019: 1.87%).

20. Employee benefit liabilities

	Group 2020 $’000	Group 2019 $’000	Parent 2020 $’000	Parent 2019 $’000
Accrued pay (including directors fees)	22	25	22	25
Total employee benefit liabilities	22	25	22	25
Comprising:				
Current	22	25	22	25
Non-current	-	-	-	-
Total employee benefit liabilities	22	25	22	25

Notes to the Financial Statements
For the year ended 30 June 2020

21. Trade and other payables

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Trade payables	589	435	589	416
Accrued expenses	1,162	908	1,120	848
Related party payables (Note 25)	1,964	2,372	1,774	2,210
	3,715	3,715	3,483	3,474

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.

22. Cash flow information

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

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Total comprehensive income for the year	**12,898**	**13,448**	**17,201**	**16,856**
Add/(less) non-cash items:				
Depreciation, amortisation and impairment	6,413	6,487	5,997	5,485
Gain on changes in fair value of forestry	373	(451)	373	-
Electricity hedge swap	144		144	
Time value adjustment (Note 5)	555	600	531	588
ETS surrendered (Note 11)	779	547	779	547
Loss / (gain) on sale of fixed assets	33	(677)	36	14
Deferred tax	(1,017)	(781)	(938)	(838)
	7,280	5,725	6,922	5,796
Add/(less) movements in working capital items:				
Receivables	(559)	436	(868)	284
Income tax	243	(458)	341	(513)
Trade payables - working capital	10	(1,830)	(17)	(1,631)
	(306)	(1,852)	(544)	(1,860)

Notes to the Financial Statements
For the year ended 30 June 2020

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Less items classified as investing activities:				
Trade payables – property, plant & equipment	493	909	493	909
Closure and post-closure provisions utilised	(968)	(251)	-	-
	(475)	658	493	909
Net cash inflow/(outflow) from operating activities	**19,397**	**17,979**	**24,072**	**21,701**

Non-cash investing and financing activities

There were no non-cash investing and financing transactions during the period (2019: nil).

Changes in liabilities arising from financing activities

	Non-current loans and borrowings $'000 (Note 18)	Current loans and borrowings $'000 (Note 18)	Total $'000
Group			
Balance at 1 July 2018	-	-	-
Cash flows	-	-	-
Balance at 30 June 2019	-	-	-
Cash flows	-	-	-
Balance at 30 June 2020	**-**	**-**	**-**
Parent			
Balance at 1 July 2018	-	4,400	4,400
Cash flows	-	800	800
Balance at 30 June 2019	-	5,200	5.200
Cash flows	-	(400)	(400)
Balance at 30 June 2020	-	4,800	4.800

Notes to the Financial Statements
For the year ended 30 June 2020

23. Capital commitments and operating leases as lessor

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Capital commitments contracted for at balance date but not yet incurred for property, plant and equipment	1,170	668	1,170	668

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 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Not later than one year	55	55	55	-
Later than one year and not later than five years	110	165	110	-
Later than five years	-	-	-	-
Total non-cancellable operating leases	**165**	**220**	**165**	**-**

No contingent rents have been recognised during the period.

24. 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 2020.

Notes to the Financial Statements
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Contingent liabilities

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Bonds	15,912	15,112	15,912	15,112

Bonds of $15,912,500 (2019: $15,112,500) 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 Council has indicated that it is likely minimal remediation will be required, as the sites may be used for future activities. No material losses are anticipated in respect of the contingent liabilities.

25. 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.

The following transactions were carried out with related parties:

(a) Sales of services	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Entities with joint control or significant influence over the entity (landfilling and transport)	15,558	13,712	15,508	13,679
Entities with joint control or significant influence over the entity (rental)	5	5	5	-
Other related parties (landfilling and transport)	16,605	15,157	16,605	15,155
Subsidiaries (reimbursement of costs)	-	-	53	53
	32,168	28,874	32,171	28,887

Notes to the Financial Statements
For the year ended 30 June 2020

25. Related party transactions (continued)

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
(b) Purchases of services				
Entities with joint control or significant influence over the entity (waste disposal, transport and construction)	25,389	26,616	23,869	24,814
Entities with joint control or significant influence over the entity (rates)	15	12	9	9
Subsidiaries (subvention payments)	-	-	-	-
	25,404	26,628	23,878	24,823
(c) Year end balances arising from sales/purchases of services				
Receivables from related parties (Note 14)				
Entities with joint control or significant influence over the entity	1,792	1,191	1,765	1,177
Other related parties	1,842	1,344	1,842	1,344
Subsidiaries	-	-	72	60
	3,634	2,535	3,678	2,581
Payables to related parties (Note 21)				
Entities with joint control or significant influence over the entity	1,964	2,372	1,774	2,204
Subsidiaries	-	-	-	6
	1,964	2,372	1,774	2,210
(d) Advances to related parties (Note 12)				
Advances to subsidiary				
Beginning of year	-	-	2,220	2,275
Advances/(repayments)	-	-	(2,220)	(55)
End of year	-	-	-	2,220
(e) Advances from related parties (Note 18)				
Advances from subsidiary				
Beginning of year	-	-	5,200	4,400
Advances/(repayments)	-	-	(400)	800
Interest expense	-	-	260	298
Interest paid	-	-	(260)	(298)
End of year	-	-	4,800	5,200

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	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Key management personnel				
Directors' fees and other short term employee benefits	346	339	346	339

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 (2019: Nil).

26. Financial instruments

26A. Financial instrument categories

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

	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
FINANCIAL ASSETS				
Financial assets at amortised cost				
Cash and cash equivalents	9,142	4,593	1,143	233
Debtors and other receivables	5,052	4,505	5,002	4,136
Other financial assets:				
- Loans to related parties	-	-	-	2,220
-Term deposits	4,029	12,000	-	-
Total loans and receivables	18,223	21,098	6,145	6,589
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Creditors and other payables	3,715	3,715	3,483	3,474
Borrowings:				
- Secured loans	-	-	-	-
- Loans from related parties	-	-	4,800	5,200
Total financial liabilities at amortised cost	3,715	3,715	8,283	8,674
Financial liabilities at fair value				
Hedges payable – current	6		6	
Hedges payable – non-current	195	-	195	-
	201	-	201	-

Notes to the Financial Statements
For the year ended 30 June 2020

26B 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.

26C. 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.

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 18.

Notes to the Financial Statements
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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.

Transwaste Canterbury Limited has not been party to any interest rate swaps in the current or prior year.

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.

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:

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	Group 2020 $'000	Group 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Cash at bank and term deposits (Note 13)	13,171	16,593	1,143	233
Debtors and other receivables (Note 14)	5,052	4,505	5,002	4,136
Related party loans (Note 12)	-	-	-	2,220
Total credit risk	18,223	21,098	6,145	6,589

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 2019 $'000	Group 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Counterparties with credit ratings				
Cash at bank and term deposits				
AA-	13,171	16,593	1,143	233
Counterparties without credit ratings				
Related party loans:				
Existing counterparty with no defaults in the past	-	-	-	2,220

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.

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 18.

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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	Contractual cash flows $'000	Less than 1 year $'000	1 – 2 years $'000	2 – 5 years $'000
Group 2020					
Creditors and other payables	3,715	3,715	3,715	-	-
Total	3,715	3,715	3,715	-	-
Group 2019					
Creditors and other payables	3,715	3,715	3,715	-	-
Total	3,715	3,715	3,715	-	-
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	-	-
Parent 2019					
Creditors and other payables	3,474	3,474	3,474	-	-
Related party loans	5,200	5,200	5,200	-	-
Total	8,674	8,674	8,674	-	-

There are no secured loans or derivative financial liabilities.

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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 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**	**-**	**-**	**-**
Group 2019						
Cash and cash equivalents	4,593	4,593	4,593	-	-	-
Trade and other receivables	4,505	4,505	4,505	-	-	-
Other financial assets						
-Term deposits	12,000	12,274	12,274	-	-	-
Total	**21,098**	**21,372**	**21,372**	**-**	**-**	**-**
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 (note 12)	-	-	-	-	-	-
Total	**6,145**	**6,145**	**6,145**	**-**	**-**	**-**
Parent 2019						
Cash and cash equivalents	233	233	233	-	-	-
Trade and other receivables	4,136	4,136	4,136	-	-	-
Other financial assets:						
- Related party loans (note 12)	2,220	2,220	2,220	-	-	-
Total	**6,589**	**6,589**	**6,589**	**-**	**-**	**-**

There are no derivative financial assets.

Sensitivity analysis

The group has no financial instruments with exposure to interest rate sensitivity at the balance date.

Notes to the Financial Statements
For the year ended 30 June 2020

27. 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 2020 year, is to endeavour to operate with a consolidated shareholders' funds to total assets of 61.1% during the 2019/2020 financial year.

The equity ratio achieved at 30 June 2020 is 53.8% (2019: 56.2%). As disclosed in Note 19 (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 2020 has reduced significantly from the then-current rate and costs applied when forecasting the 2020 year. The reassessment applicable to the 2020 year compared to forecast has resulted in an increase 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 a reduction of 6.1%.

28. Amalgamation

On 31 March 2020, Tiromoana Station Limited, a 100% owned subsidiary, was amalgamated into Transwaste Canterbury Limited. The ownership of Tiromoana Station Limited and Transwaste Canterbury Limited were identical prior to this transaction occurring and therefore the net assets added were treated as a contribution from owners and recorded directly within Equity.

The balance sheet position of Tiromoana Station Limited as at 31 March 2020 was made up as follows:

	31 March 2020 **$'000**
Assets	
Non-current assets	
Property, plant and equipment	3,341
Forestry	2,377
Total non-current assets	**5,718**

Notes to the Financial Statements
For the year ended 30 June 2020

	31 March 2020 $'000
Current assets	
Cash and cash equivalents	70
Trade and other receivables	19
Total current assets	**89**
Total assets	**5,807**
Equity	
Reserves	625
Retained earnings	2,256
Total equity	**2,881**
Liabilities	
Non-current liabilities	
Deferred income tax liability	658
Total non-current liabilities	**658**
Current liabilities	
Trade and other payables	22
Interest-bearing loans and borrowings	2,242
Income tax payable	4
Total current liabilities	**2,268**
Total liabilities	**2,926**
Total equity and liabilities	**5,807**

29. Covid-19

On 11 March 2020 the World Health organisation declared a global pandemic as a result of the outbreak and spread of Covid-19. On 25 March 2020 the New Zealand Government raised its alert level to 4, triggering a full lockdown of non-essential services. As an essential infrastructure service the Company continued operations during this period, whilst observing all the necessary protocols put in place to safeguard staff, contractors and the general public. On 15 June 2020 the alert level was reduced to 1. The Company has carried out an assessment of the impact of Covid-19 on its balance sheet, and has determined that Covid-19 has not had any adverse financial impact on the Company and no significant impact on the measures reported in the Statement of Objectives and Performance.

30. Events after balance date

On 11 August 2020 the New Zealand Government announced that from midday 12 August 2020 Auckland would return to Covid-19 Alert Level 3 and the rest of New Zealand to Covid-19 Alert Level 2 for three days. On 14 August 2020, the duration of these Alert levels was extended from three to 14 days, reverting to Alert Level 2 from 31 August 2020. To date there has been minimal impact on continuing business. No adjustments have been made to the financial statements.

There have been no other 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 2020

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 23 to 71, that comprise the statement of financial position as at 30 June 2020, 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 17 to 22.

In our opinion:

- the financial statements of the Group on pages 23 to 71:

    - present fairly, in all material respects:

        - its financial position as at 30 June 2020; 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 17 to 22 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 2020.

Our audit was completed on 24 September 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Group. In addition, we outline the responsibilities of the Board of Directors (the Board) and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Group as set out in note 29 to the financial statements.

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 16, 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