

## Independent Auditor's Report

### To the readers of TSP Finance LP's financial statements for the year ended 30 June 2024

The Auditor-General is the auditor of TSP Finance LP (the Limited Partnership). The Auditor-General has appointed me, Wikus Jansen van Rensburg, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Limited Partnership on his behalf.

#### Opinion

We have audited the financial statements of the Limited Partnership on pages 2 to 16, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion the financial statements of the Limited Partnership:

- present fairly, in all material respects:
  - its financial position as at 30 June 2024; 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 Public Benefit Entity Reporting Standards.

Our audit was completed on 21 October 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the General Partner and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

#### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibilities of the General Partner for the financial statements**

The General Partner is responsible on behalf of the Limited Partnership for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand. The General Partner is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible on behalf of the Limited Partnership for assessing the Limited Partnership's ability to continue as a going concern. The General Partner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Limited Partnership, or there is no realistic alternative but to do so.

The General Partner's responsibilities arise from the Limited Partnership Act 2008 and the Infrastructure Funding and Financing Act 2020.

## **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, 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 readers, taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

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, 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 Limited Partnership's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the General Partner and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Limited Partnership'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 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 Limited Partnership to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the General Partner 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 during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The General Partner is responsible for the other information. The other information comprises the information included on pages 17 to 18, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements 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 that fact. We have nothing to report in this regard.

### **Independence**

We are independent of the Limited Partnership in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of the Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners including International Independent Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor of the Limited Partnership and the Crown Infrastructure Partners Limited Group we have no relationship with, or interests, in the Limited Partnership or Crown Infrastructure Partners Limited Group.

A handwritten signature in black ink, appearing to read 'Wikus Jansen van Rensburg', written in a cursive style.

Wikus Jansen van Rensburg  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

**TSP FINANCE LP**  
**FINANCIAL STATEMENTS**

**For the year ended 30 June 2024**

TSP FINANCE LP

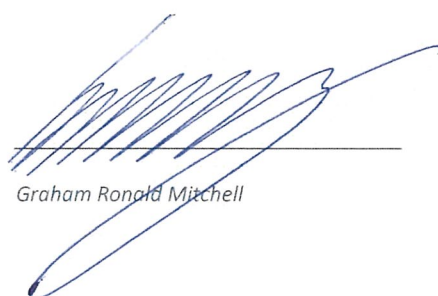
**Statement of Comprehensive  
Revenue and Expense  
For the Year Ended 30 June 2024**

		2024	2023 (8 months)
		\$	\$
	Notes		
<b>Income</b>			
Revenue – receipt of right to levy statutory receivable	6	35,874,784	36,149,244
Interest income – bank accounts		166,329	149,837
Interest – statutory receivable	6	3,741,958	786,900
Fair value gains/losses on statutory receivable	6	6,747,575	(1,187,184)
Fair value gains/losses on interest rate swap	5	3,406,460	(53,377)
<i>Total income and fair value movements</i>		49,937,106	35,845,420
<b>Expenses</b>			
Grant expense	2	31,438,347	34,196,205
Interest expense	4	3,992,940	976,013
Other finance costs		40,180	16,504
Management services fees	2	184,500	74,096
<i>Total expenses</i>		35,655,967	35,262,818
<b>Surplus/(deficit) before tax</b>		<b>14,281,139</b>	<b>582,602</b>
Tax expense/(credit)		-	-
<b>Net surplus/(deficit)</b>		<b>14,281,139</b>	<b>582,602</b>
<b>Total comprehensive revenue and expense</b>		<b>14,281,139</b>	<b>582,602</b>

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

21 October 2024

These financial statements are approved by the Directors of the General Partner on:

  
Graham Ronald Mitchell

  
Michael Sean Wynne

TSP FINANCE LP

<b>Statement of Financial Position</b>		2024	2023
<b>as at 30 June 2024</b>		\$	\$
	Notes		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	187,544	7,944,938
Prepayments		20,000	20,000
Statutory receivable	6	7,309,798	-
GST receivables		887,699	1,104,784
<i>Total current assets</i>		8,405,041	9,069,722
<b>Non-current assets</b>			
Statutory receivable	6	74,803,479	35,748,960
Derivative financial asset	5	2,836,238	-
<i>Total non-current assets</i>		77,639,717	35,748,960
<b>Total assets</b>		<b>86,044,758</b>	<b>44,818,682</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	4	69,029,355	42,018,481
Derivative financial liability	5	-	65,937
<i>Total non-current liabilities</i>		69,029,355	42,084,418
<b>Total liabilities</b>		<b>69,029,355</b>	<b>42,084,418</b>
<b>Net assets</b>		<b>17,015,403</b>	<b>2,734,264</b>
Contributed capital	9	2,151,662	2,151,662
Retained earnings		14,863,741	582,602
<b>Total equity</b>		<b>17,015,403</b>	<b>2,734,264</b>

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

**Statement of Changes in Equity  
For the Year Ended 30 June 2024**

	Capital \$	Retained Earnings \$	Total \$
<b>Opening balance 4 November 2022</b>	-	-	-
<b>Comprehensive income</b>			
Net surplus/(deficit) for the 8-month period	-	582,602	582,602
<i>Total comprehensive revenue and expense</i>	-	582,602	582,602
<b>Owners' transactions</b>			
Capital contribution – CIP (IFF Holdings) Limited	2,151,662	-	2,151,662
<b>Closing balance 30 June 2023</b>	<b>2,151,662</b>	<b>582,602</b>	<b>2,734,264</b>
<b>Comprehensive income</b>			
Net surplus/(deficit) for the year	-	14,281,139	14,281,139
<i>Total comprehensive revenue and expense</i>	-	14,281,139	14,281,139
<b>Owners' transactions</b>			
Capital contribution – CIP (IFF Holdings) Limited	-	-	-
<b>Closing balance 30 June 2024</b>	<b>2,151,662</b>	<b>14,863,741</b>	<b>17,015,403</b>

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.



TSP FINANCE LP

<b>Statement of Cash Flows</b>		2024	2023
<b>For the Year Ended 30 June 2024</b>			
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Interest received		166,329	149,837
Grant payments		(31,438,347)	(34,196,205)
Payments to suppliers		(1,058,856)	(2,483,125)
Goods and services tax (net)		217,085	(1,104,784)
<b>Net cash outflow from operating activities</b>	10	<b>(32,113,789)</b>	<b>(37,634,277)</b>
<b>Cash flows from financing activities</b>			
Capital contribution		-	2,151,662
Proceeds from borrowings		27,748,067	44,369,470
Interest paid		(3,895,957)	(954,477)
Net settlements on interest rate swap		504,285	12,560
<b>Net cash inflow from financing activities</b>		<b>24,356,395</b>	<b>45,579,215</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(7,757,394)</b>	<b>7,944,938</b>
Cash and cash equivalents at the beginning of the period		7,944,938	-
<b>Cash and cash equivalents at the end of the period</b>		<b>187,544</b>	<b>7,944,938</b>
<b>Made up of:</b>			
Cash and cash equivalents		187,544	7,944,938
<b>Total</b>		<b>187,544</b>	<b>7,944,938</b>

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

## 1. STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

The reporting entity is TSP Finance LP. TSP Finance LP was established on 4 November 2022 to facilitate Infrastructure Funding and Financing ('IFF') projects being undertaken by Tauranga City Council ('TCC') under the Infrastructure Funding and Financing Act 2020. TSP Finance LP is a limited partnership registered under the Limited Partnerships Act 2008 and is domiciled in New Zealand.

The General Partner of TSP Finance LP is TSP Finance GP Limited. Crown Infrastructure Partners Limited ('CIP') owns 100% of the shares in TSP Finance GP Limited and 100% of the limited partnership interests in TSP Finance LP through its subsidiary CIP (IFF Holdings) Limited.

TSP Finance LP was created to implement the Government's policy of assisting local councils to undertake housing and urban development projects. TSP Finance LP is considered to be a Public Benefit Entity (PBE) for the purposes of financial reporting under Public Sector PBE Standards (PBE Standards).

The financial statements of TSP Finance LP are for the year ended 30 June 2024 and were approved by the Board of Directors of the General Partner on 21 October 2024.

### STATEMENT OF COMPLIANCE

The financial statements of TSP Finance LP have been prepared in accordance with the Tier 1 PBE Standards.

### BASIS OF PREPARATION

The financial statements have been prepared on a going-concern basis. The Directors of the General Partner have determined that the application of the going concern assumption is appropriate. In arriving at this conclusion, the Directors considered the availability of debt financing and the collectability of future levies. The Directors are confident that TSP Finance LP will have sufficient cash to pay its debts as they fall due for the foreseeable future, which is not less than 12 months from the date these financial statements are approved.

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest dollar (\$). The functional currency of TSP Finance LP is New Zealand dollars.

### GENERAL ACCOUNTING POLICIES

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Significant accounting policies in respect of items that do not have specific notes are set out below:

#### Classification of financial assets and liabilities

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Debt instruments that meet the following conditions are measured subsequently at Fair Value Through Other Comprehensive Income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at Fair Value Through Surplus or Deficit (FVTSD).

### Revenue recognition

TSP Finance LP recognises revenue for receipt of the right to levy statutory receivable from the Crown as it incurs expense for providing funding to TCC. This is considered to be an exchange transaction. The revenue is recorded at the fair value of the consideration received, being the fair value of the future cash flows to be received through the levies.

Interest income from cash and cash equivalents is recognised using the effective interest method.

### Grant expense

TSP Finance LP has entered into a funding agreement with TCC to provide TCC with funding for specified infrastructure projects. TSP Finance LP records grant expense as TCC incurs eligible expenditure that will be reimbursed to TCC under the funding agreement.

### Key estimates and judgements

In the application of TSP Finance LP's accounting policies, the General Partner is required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that have the most significant effect on the amounts recognised in financial statements.

- Classification of right to levy beneficiaries under the Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan Levy) Order 2022 as a statutory receivable measured at fair value through surplus or deficit – Note 6

The following are the critical estimates that have the most significant effect on the amounts recognised in financial statements.

- Calculation of the fair value of the statutory receivable – Note 6.

### Changes in accounting estimates

TSP revised its estimate of the investment portion associated with its right to levy receivable, resulting in a \$4.87 million increase in the carrying amount of statutory receivable. This change reflects the change in the estimation technique from a flat proportionate investment allocation to a weighted average proportional allocation of the entitled investment to each cashflow. The change affects the carrying amount of "statutory receivable" and "Fair value gains and losses" line items. The revision was made in the current fiscal year and same technique will be applied for future periods.

### Fair value measurements

For the purposes of disclosing information on the fair value of financial instruments, TSP Finance LP has classified its financial instruments into three categories based on the degree to which the inputs to the fair value measurements are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The statutory receivable is considered to be in level three of the fair value hierarchy. The interest rate swap is considered to be in level two of the fair value hierarchy. There were no transfers between levels in the current period. The carrying amounts of all other financial assets and liabilities approximate their fair values.

The fair value of the borrowings at 30 June 2024 is approximately equal to the drawdown amount of \$72.1 million (2023: \$44.4 million).

### Adoption of new and amended financial reporting standards

The Company has adopted all mandatory new and amended standards and interpretations, which have not had any material impacts on the financial statements of the Company. In the current period, TSP Finance LP adopted 2022 Omnibus Amendments to PBE Standards and Public Sector Specific Financial Instruments (Non-Authoritative Amendments to PBE IPSAS 41).

Standards and amendments issued but not yet effective, that have not been early adopted and relevant to TSP Finance LP are:

*Disclosure of Fees for Audit Firms' Services* (Amendments to PBE IPSAS 1) updates the required disclosures for fees relating to services provided by the entity's audit or review firm. The amendments are effective for annual periods beginning on or after 1 January 2024. TSP Finance LP will adopt the amendments in the year ending 30 June 2025.

*Insurance Contracts in the Public Sector* (Amendments to PBE IFRS 17) modifies PBE IFRS 17 to be suitable for public sector PBEs. The amendments are effective for annual periods beginning on or after 1 January 2026. TSP Finance LP will adopt the amendments in the year ending 30 June 2027.

The above new standards and interpretations have not been early adopted as they are not expected to have material impacts on the recognition or measurement of items in the financial statements when adopted in the periods in which they become mandatory.

## 2. RELATED PARTY TRANSACTIONS

### Significant transactions with government-related entities

TSP Finance LP was charged \$184,500 in management service fees during the period by CIP Services Limited, a subsidiary of CIP (2023: \$74,096). There are no amounts owing to CIP Services Limited at 30 June 2024 (2023: nil).

TSP Finance LP did not receive capital contributions from CIP (IFF Holdings) Limited during the year (2023: \$2,151,662).

TSP Finance LP paid \$31,438,347 in grants to Tauranga City Council during the period to fund infrastructure projects (2023: \$34,196,205). The Crown issued the Infrastructure Funding and Financing (Western Bay of

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Plenty Transport System Plan Levy) Order 2022, which permits TSP Finance LP to collect levies from the ratepayers in the designated levy area over a 30-year period. TSP Finance LP recognised revenue of \$35,874,784 during the period in relation to the right to levy statutory receivable (2023: \$36,149,244) (note 6).

The audit fee for the year ended 30 June 2024 was paid by CIP as part of the Management Services Agreement. The audit fee is \$58,487 (2023: \$97,029).

### Other transactions with government-related entities

In conducting its activities, TSP Finance LP is required to pay various taxes and levies (such as GST) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers. TSP Finance LP is exempt from paying income tax.

TSP Finance LP enters into transactions with government departments, Crown entities and state-owned enterprises (e.g. New Zealand Post) and other government-related bodies (e.g. Air New Zealand and local councils). These transactions generally occur within normal supplier or client relationships on terms and conditions no more or less favourable than those that it is reasonable to expect TSP Finance LP would have adopted if dealing with those entities at arm's length in the same circumstances. The transactions on normal arm's length terms have not been disclosed as related party transactions and are not individually or collectively significant. As disclosed above, TSP Finance LP has provided funding to Tauranga City Council for infrastructure projects.

### Key Management Personnel

The General Partner of TSP Finance LP is TSP Finance GP Limited. No fees were paid to TSP Finance GP Limited during the period. The Directors of the General Partner are Graham Mitchell and Michael Sean Wynne, who are key management personnel of Crown Infrastructure Partners Limited. TSP Finance LP has not paid any compensation to the Directors in the current period (2023: nil).

## 3. CASH AND CASH EQUIVALENTS

	2024 \$	2023 \$
Proceed account	187,544	444,938
Term deposit < 3 months	-	7,500,000
<b>Total cash and cash equivalents</b>	<b>187,544</b>	<b>7,944,938</b>

## 4. BORROWINGS

	2024 \$	2023 \$
Principal	72,117,538	44,369,470
Unamortised transaction costs	(3,088,183)	(2,350,989)
<b>Net carrying amount of borrowings</b>	<b>69,029,355</b>	<b>42,018,481</b>

Reconciliation of the carrying amount of borrowings	2024 \$	2023 \$
Opening balance	42,018,481	-
Drawdowns	27,748,067	44,369,470
Payment of upfront cost and commitment fees	(834,176)	(2,372,525)
Interest expense	3,992,940	976,013
Payment of interest	(3,895,957)	(954,477)
<b>Closing balance</b>	<b>69,029,355</b>	<b>42,018,481</b>

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TSP Finance LP has entered into a senior facilities agreement with Westpac New Zealand Limited and Bank of New Zealand to borrow up to \$198.4 million at a floating interest rate calculated using BKBM plus a margin. The funds obtained from the borrowings are provided to TCC to fund infrastructure projects. The lenders have a security interest in the partnership interests in TSP Finance LP. There is no recourse or guarantee provided by CIP for these borrowings.

Levies, which will be used to fund the interest cost, principal repayments and other operating expenses for TSP Finance LP will be collected starting 1 July 2024. A portion of the principal will be repaid based on an amortisation schedule in the loan agreement, with payments starting in the year ending 30 June 2027. The balance of the principal is due for repayment on 31 December 2029. TSP Finance LP intends to refinance the facility prior to the maturity date. TSP Finance LP is required to comply with a debt service cover ratio covenant outlined in the senior facilities agreement. TSP has complied with the covenant during the reporting period.

### Accounting policies

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings, using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs and included in the effective interest rate. Periodic commitment fees on the undrawn portion of the facility are also included in the effective interest rate of the loan if the loan is expected to be drawn down.

## 5. INTEREST RATE SWAP

### Key terms

TSP Finance LP entered into a 30-year interest rate swap to receive fixed payments in exchange for floating (NZD-BKBM Bid) payments quarterly based on specified notional amounts outlined in the swap agreement. The notional amounts are based on the expected principal amounts outstanding under the senior facilities agreement. The total notional principal amount was \$65.0 million (2023: \$36.9 million).

### Accounting policy

The interest rate swap is measured at FVTSD. Changes in fair value are recognised in the 'fair value gains/losses on interest rate swap' line in the statement of comprehensive revenue and expense.

### Fair value measurement

Fair value is determined using a discounted cashflow methodology based on the expected cash inflows and outflows over the 30-year contract period. The key assumptions are the forward interest rate price curves and the discount rate, which reflects the counterparty credit risk. These key inputs are set out below, along with information about a reasonably possible change and the potential impacts of such a change on the carrying value of the interest rate swap. Management has determined that 100 basis points is a reasonably possible change in the swap rate at 30 June 2024 based on current market volatility and the increasing interest rate environment (2023: 100 basis points was determined to be a reasonably possible change in swap rate at 30 June 2023).

Key assumptions/inputs	2024 Assumption	Possible change	2024 Impact \$	2023 Assumption	Possible change	2023 Impact \$
Swap rate	avg 4.79%	+/- 100bps	23,543,284/ -22,998,246	avg 4.62%	+/-100 bps	22,758,101/ -21,880,660

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### 6. STATUTORY RECEIVABLE

Reconciliation of the carrying amount of the statutory receivable	2024 \$	2023 \$
Opening balance	35,748,960	-
Revenue for receipt of right to levy	35,874,784	36,149,244
Interest revenue	3,741,958	786,900
Other fair value gains and losses	6,747,575	(1,187,184)
Levies received	-	-
Closing balance	82,113,277	35,748,960

Statutory receivables are shown in the Statement of Financial Position as:	2024 \$	2023 \$
Current	7,309,798	-
Non-current	74,803,479	35,748,960
Total	82,113,277	35,748,960

All gains/losses attributable to the statutory receivable relate to the asset that continues to be held at balance date.

#### Key terms

Under the Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan Levy) Order 2022 ('Levy Order'), TSP Finance LP will be entitled to collect levies from ratepayers in the levy area for periods from 1 July 2024 to 30 June 2054. The current portion of the statutory receivables represents the levy expected to be collected within the next 12 months.

#### Significant judgements

The right to impose a levy on ratepayers arising from the Levy Order is a transaction that is not explicitly covered by PBE accounting standards. In the absence of specific guidance, management is required to use its judgement to develop an appropriate accounting policy, including consideration of the requirements in PBE standards for similar items. TSP Finance LP has determined that the right to levy is a statutory receivable that arises from a binding arrangement with the Crown. Since the receivable is statutory rather than contractual, it is not a financial asset under PBE IPSAS 41 *Financial Instruments* ('PBE IPSAS 41'). However, TSP Finance LP has determined that it would be appropriate to apply the guidance in PBE IPSAS 41 by analogy to account for the statutory receivable. Applying the guidance in PBE IPSAS 41, TSP Finance LP has determined that the statutory receivable should be classified as Fair Value Through Surplus or Deficit (FVTSD) as outlined below.

#### Accounting policies

The statutory receivable is classified as Fair Value Through Surplus or Deficit (FVTSD). The statutory receivable does not qualify to be measured at amortised cost because the cash flows do not represent solely payment of principal and interest. The statutory receivable is recognised at fair value on initial recognition and subsequently, with all gains and losses recognised in surplus or deficit.

The fair value movements relating to the statutory receivable are presented in the following line items in the Statement of Comprehensive Revenue and Expense:

- *Interest income* – imputed interest is calculated using the effective interest method.
- *Fair value gains/losses on the statutory receivable* – all other fair value movements, including impairment are included in the fair value gains/losses on the statutory receivable line item.

The imputed interest income is recognised using the effective interest method. The effective interest rate is a rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument at the time of initial recognition.

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### Fair value measurement

Fair value is determined using a discounted cashflow methodology based on the expected cash inflows from the levy payments. The key assumption is the discount rate set out below, along with information about a reasonably possible change and the potential impacts of such a change on the carrying value of the statutory receivable. Management has determined that 100 basis points is a reasonably possible change in the discount rate at 30 June 2024 based on current market volatility and the increasing interest rate environment (2023: 100 basis points was determined to be a reasonably possible change in discount rate at 30 June 2023).

Key assumptions/inputs	2024 Assumption	Possible change	2024 Impact \$	2023 Assumption	Possible change	2023 Impact \$
Discount rate	6.14%	+/- 100bps	-8,441,564/ 10,120,306	5.94%	+/-100 bps	-4,291,779/ 5,200,418

### 7. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 41 categories are as follows:

	2024 \$	2023 \$
<b>Financial assets measured at amortised cost</b>		
Cash and cash equivalents	187,544	7,944,938
<i>Total financial assets carried at amortised cost</i>	187,544	7,944,938
<b>Financial assets mandatorily measured at FVTSD</b>		
Statutory receivable	82,113,277	35,748,960
Derivative financial asset	2,836,238	-
<i>Total financial assets mandatorily measured at FVTSD</i>	84,949,515	35,748,960
<b>Total financial assets</b>	<b>85,137,059</b>	<b>43,693,898</b>
<b>Financial liabilities measured at amortised cost</b>		
Borrowings	69,029,355	42,018,481
<i>Total financial liabilities measured at amortised cost</i>	69,029,355	42,018,481
<b>Financial liabilities mandatorily measured at FVTSD</b>		
Derivative financial liability	-	65,937
<i>Total financial liabilities measured at FVTSD</i>	-	65,937
<b>Total financial liabilities</b>	<b>69,029,355</b>	<b>42,084,418</b>

### 8. FINANCIAL RISK

TSP Finance LP's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. Information about these risks and how they are managed is disclosed below.

#### MARKET RISK

##### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. TSP Finance LP is exposed to fair value interest rate risk on the statutory receivable and interest rate swap, which are accounted for at fair value.

TSP Finance LP is also exposed to fair value interest rate risk in relation to its fixed-interest-rate bank deposits. However, because the bank deposits are not accounted for at fair value, fluctuations in interest rates do not have an impact on the surplus/(deficit) or the carrying amount recognised in the Statement of Financial



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Position. TSP Finance LP has no bank term deposit at 30 June 2024 (2023: interest rate on TSP Finance LP's bank term deposit at 30 June 2023 is 5.79%).

### 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 issued at variable interest rates expose TSP Finance LP to cash flow interest rate risk. TSP Finance LP entered into the interest rate swap to manage this risk.

TSP Finance LP also holds term deposits, which are re-priced at maturity.

### Sensitivity analysis

TSP Finance LP has no term deposit held on 30 June 2024 (2023: In relation to term deposits held on 30 June 2023, if the deposit rate had been 100 basis points higher or lower, with all other variables held constant, the surplus/(deficit) for the period would have been approximately \$50k higher/lower).

The sensitivities of the statutory receivable are set out in note 6 and the sensitivities of the interest rate swap are set out in note 5.

### CREDIT RISK

Credit risk is the risk that a third party will default on its obligation, causing the TSP Finance LP to incur a loss. Credit risk arises from exposures to the banks where TSP Finance LP deposits its surplus cash and the ratepayers who will be required to pay levies over the levy period.

TSP Finance LP maintains cash accounts with registered New Zealand banks. TSP Finance LP currently has its cash deposits with Westpac New Zealand Limited.

Tauranga City Council will collect and enforce the levies on behalf of TSP Finance LP as an agent, however TSP Finance LP may step in and enforce payment in some circumstances. The Council, as agent, will impose penalties on late payments for levies in the same manner as for late payment of rates. Credit risk is reflected in the fair value measurement of the statutory receivable.

TSP Finance LP's maximum exposure to credit risk at 30 June 2024 is the carrying amount of its cash and cash equivalents and the statutory receivable (2023: maximum exposure to credit risk at 30 June 2023 is the carrying amount of its cash and cash equivalents and the statutory receivable). TSP Finance LP does not consider that there is any significant concentration of credit risk in relation to the statutory receivable because the receivable will be recovered through collections from a large number of ratepayers in the levy area.

The gross carrying amount of financial assets, excluding receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings.

	2024	2023
Credit ratings	\$	\$
Cash at bank and term deposits		
AA-	187,544	7,944,938
Total cash at bank and term deposits	187,544	7,944,938
Derivative financial instrument assets		
AA-	2,836,238	-
Total derivative financial instrument assets	2,836,238	-

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**LIQUIDITY RISK**

Liquidity risk is the risk that TSP Finance LP will encounter difficulty raising liquid funds to meet commitments as they fall due. TSP Finance LP manages the liquidity risk relating to its borrowings by matching the expected payments with expected cash receipts from the levies. TSP Finance LP holds cash at bank, either in an interest-bearing transactional account or in term deposits. Given the highly liquid nature of these accounts, they are represented as cash and cash equivalents in the Statement of Financial Position. All cash and short-term deposits are held in New Zealand.

**Contractual maturity analysis of financial liabilities**

The following table details TSP Finance LP’s remaining contractual maturity for its financial liabilities. As loan facility is due to be repaid in December 2029, however TSP Finance LP is likely to refinance under the facility and therefore the borrowings are expected to be repaid over a longer period, to fiscal year 2054. The interest rate swap, which was taken out to manage the floating rate debt, is in place for 30 years to fiscal year 2053. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which TSP Finance LP can be required to pay (and shows the expected cash outflows if the borrowings are fully repaid in December 2029). The table includes both interest and principal cash flows in relation to borrowings that have been drawn down at balance date. TSP Finance LP expects to make additional drawdowns on the facility over the next few fiscal years.

2024 Financial liability	Less than 12 months \$	Between 1 and 5 years \$	Between 5 and 10 years \$	Greater than 10 years \$
Borrowings	5,013,295	16,677,925	74,159,894	-
Interest rate swap cash outflows	3,658,573	32,325,292	45,396,919	123,634,355
Interest rate swap cash inflows	(4,449,300)	(30,461,880)	(44,837,145)	(133,105,860)
Total cash flows	4,222,568	18,541,337	74,719,668	(9,471,505)

2023 Financial liability	Less than 12 months \$	Between 1 and 5 years \$	Between 5 and 10 years \$	Greater than 10 years \$
Borrowings	3,258,250	10,661,030	48,111,100	-
Interest rate swap cash outflows	2,183,587	26,880,479	45,432,642	132,702,017
Interest rate swap cash inflows	(2,762,008)	(26,123,935)	(42,319,164)	(137,573,279)
Total cash flows	2,679,829	11,417,574	51,224,578	(4,871,262)

Since the TSP Finance LP expects to refinance the loan facility, the following additional table presents the expected cashflows based on those borrowings being repaid over the period to fiscal year 2054. The table includes both interest and principal cash flows in relation to borrowings that have been drawn down at balance date. As noted above, TSP Finance LP expects to make additional drawdowns on the facility over the next few fiscal years. The terms of the interest rate swap reflect those additional expected drawdowns.

2024 Financial liability	Less than 12 months \$	Between 1 and 5 years \$	Between 5 and 10 years \$	Greater than 10 years \$
Borrowings	5,013,295	16,677,925	22,692,914	132,770,720
Interest rate swap cash outflows	3,658,573	32,325,292	45,396,919	123,634,355
Interest rate swap cash inflows	(4,449,300)	(30,461,880)	(44,837,145)	(133,105,860)
Total cash flows	4,222,568	18,541,337	23,252,688	123,299,215

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2023	Less than 12 months	Between 1 and 5 years	Between 5 and 10 years	Greater than 10 years
Financial liability	\$	\$	\$	\$
Borrowings	3,258,250	10,661,030	13,061,526	83,530,226
Interest rate swap cash outflows	2,183,587	26,880,479	45,432,642	132,702,017
Interest rate swap cash inflows	(2,762,008)	(26,123,935)	(42,319,164)	(137,573,279)
Total cash flows	2,679,829	11,417,574	16,175,004	78,658,964

Information about TSP Finance LP's commitment to provide further funding to Tauranga City Council is disclosed in note 11.

## 9. CAPITAL AND CAPITAL MANAGEMENT

	2024	2023
	\$	\$
Opening balance	2,151,662	-
Capital contribution	-	2,151,662
<b>Balance at 30 June</b>	<b>2,151,662</b>	<b>2,151,662</b>

Contributed capital represents contributions made from CIP (IFF Holdings) Limited, TSP Finance LP's limited partner.

TSP Finance LP's capital is its equity, which comprises retained earnings and share capital. TSP Finance LP manages its capital to ensure that it achieves its objectives and purposes effectively and meets its debt service while remaining a going concern. TSP Finance LP has entered into an interest rate swap (note 5) to reduce risk relating to movements in the base interest rate that could impact TSP Finance LP's ability to pay interest and principal on the debt in accordance with the amortisation schedule.

## 10. RECONCILIATION OF NET DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2024	2023
	\$	\$
<b>Net surplus / deficit after tax</b>	<b>14,281,139</b>	<b>582,602</b>
<b>Add/(less) non-cash items</b>		
Fair value gains/losses on the statutory receivable	(6,747,575)	1,187,184
Interest income on the statutory receivable	(3,741,958)	(786,900)
Revenue recognised for receipt of statutory receivable	(35,874,784)	(36,149,244)
Fair value gains/losses on derivative	(3,406,460)	53,377
Total non-cash items	(49,770,777)	(35,695,583)
<b>Add/(less) movements in working capital items</b>		
Prepayments	-	(20,000)
GST Receivables	217,085	(1,104,784)
<i>Net movements in working capital items</i>	217,085	(1,124,784)
<b>Add/(less) items classified as investing or financing</b>		
Transaction costs recorded as part of the initial carrying amount of borrowings	(737,193)	(2,350,989)
Interest paid	3,895,957	954,477
<b>Net cash from operating activities</b>	<b>(32,113,789)</b>	<b>(37,634,277)</b>

**11. COMMITMENTS**

TSP Finance LP has entered into a funding agreement with TCC to provide TCC with funding for specified infrastructure projects up to a remaining maximum amount of \$111.6 million. The payments to TCC are funded by drawdowns on the senior facilities agreement with Westpac New Zealand Limited and Bank of New Zealand (see note 4).

**12. EVENTS AFTER BALANCE DATE**

There have been no significant events after balance date.

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UNAUDITED INFORMATION REQUIRED TO BE DISCLOSED IN THE ANNUAL REPORT UNDER THE INFRASTRUCTURE FUNDING AND FINANCING ACT 2020

**OPERATIONS AND LEVY COLLECTION**

TSP Finance LP will be entitled to collect a levy from ratepayers under the Order in Council (Western Bay of Plenty Transport System Plan Levy Order 2022) that is intended to cover the financing and operating costs of TSP Finance LP. Tauranga City Council will act as an agent for TSP Finance LP to collect the levy.

There was no levy collection in the 2024 as the first levy starts on 1st July 2024.

**Eligible infrastructure itemised as in the levy order**

		<b>2024</b>	<b>2023</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
1.	TSP 002 (Hewletts Road sub access area)	250,182	188,225	438,407
2.	TSP 007 and TSP 011 (Connecting the People Fifteenth Avenue to Welcome Bay)	1,111,190	706,152	1,817,342
3.	TSP 009 (Tauriko West Enabling Work Package)	3,185,805	3,297,221	6,483,026
4.	TSP 013(Cameron Road multi-modal upgrade stage 1)	21,214,912	23,637,065	44,851,977
5.	TSP 018 (Cameron Road multi-modal upgrade stage 2)	1,018,623	388,275	1,406,898
6.	TSP 019 (Cameron Road corridor connections (cycle, PT and pedestrian))	81,867	13,799	95,666
7.	TSP 034 Primary cycle route facilities (Accessible Streets programme – Area A Mount/ Papamoa/CBD)	926,440	8,772	935,212
8.	TSP 035 (Primary cycle route facilities (Accessible Streets programme – Area B Otumoetai/ Bellevue/ Brookfield))	637,728	981,358	1,619,086
9.	TSP 028 (Tauranga Crossing bus facility improvements)	402,331	-	402,331
10.	TSP 032 (City Centre Transport Hub)	275,700	235,456	511,156
11.	Barkes Corner to Tauranga Crossing Multi-modal Local Road component	-	-	-
12.	SH 2 Revocation – Cameron Road to Bethlehem	-	-	-
13.	Maunganui Road Future Proofing	2,333,569	4,739,882	7,073,451
	<b>Total eligible infrastructure incurred</b>	<b>31,438,347</b>	<b>34,196,205</b>	<b>65,634,552</b>

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**Forecast excess levy and Reduction in Maximum Levy Revenue**

The Forecast Excess Levy is nil and the maximum levy revenue remains at \$524,846,340 at last forecast date 30 June 2023.

Levy year ending 30 June	Intended annual levy (\$) (plus GST, if any)	Forecast Excess Levy	Revised Intended annual levy
2025	8,486,865	-	8,486,865
2026	9,556,344	-	9,556,344
2027	9,865,732	-	9,865,732
2028	10,175,120	-	10,175,120
2029	11,262,688	-	11,262,688
2030	11,482,221	-	11,482,221
2031	11,701,755	-	11,701,755
2032	12,950,947	-	12,950,947
2033	13,189,442	-	13,189,442
2034	13,361,701	-	13,361,701
2035	14,702,908	-	14,702,908
2036	14,890,046	-	14,890,046
2037	15,077,183	-	15,077,183
2038	16,582,724	-	16,582,724
2039	16,730,545	-	16,730,545
2040	16,878,366	-	16,878,366
2041	18,496,767	-	18,496,767
2042	18,657,355	-	18,657,355
2043	18,817,944	-	18,817,944
2044	20,571,836	-	20,571,836
2045	20,700,390	-	20,700,390
2046	20,828,944	-	20,828,944
2047	22,767,635	-	22,767,635
2048	22,907,293	-	22,907,293
2049	23,014,864	-	23,014,864
2050	25,119,562	-	25,119,562
2051	25,236,425	-	25,236,425
2052	25,353,287	-	25,353,287
2053	27,670,054	-	27,670,054
2054	27,809,398	-	27,809,398
<b>Total</b>	<b>524,846,340</b>	<b>-</b>	<b>524,846,340</b>