

Independent Auditor's Report

To the readers of TSP Finance LP Limited's annual financial statements for the year ended 30 June 2025

The Auditor-General is the auditor of TSP Finance LP Limited (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, on his behalf, the audit of the annual financial statements that comprise the statement of financial position as at 30 June 2025, 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 that include accounting policies and other explanatory information on pages 2 to 16.

Opinion

In our opinion:

- the annual financial statements of the Limited Partnership:
 - fairly present, in all material respects:
 - its financial position as at 30 June 2025; 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 22 October 2025. This is the date at which our opinion is expressed.

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 annual financial statements

The General Partner is responsible on behalf of the Limited Partnership for preparing annual financial statements that fairly present the Limited Partnership's financial position, financial performance, and its cash flows, and that 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual 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 annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual 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 the annual financial statements.

We did not evaluate the security and controls over the electronic publication of the annual 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 annual 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 information we audited 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 annual financial statements, including the disclosures, and whether the annual 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 all of the information included in the annual report but does not include the annual financial statements, and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the annual 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 Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

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

A handwritten signature in black ink, consisting of a single, fluid, cursive stroke that starts with a small loop and ends with a short horizontal tail.

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

TSP FINANCE LP

ANNUAL REPORT

For the year ended 30 June 2025

Statement of Comprehensive Revenue and Expense		2025	2024
For the Year Ended 30 June 2025		\$	\$
Notes			
Income			
Revenue – receipt of right to levy statutory receivable	6	28,010,453	35,874,784
Interest income – bank accounts		308,700	166,329
Interest income - levy account		81,172	-
Interest – statutory receivable	6	6,277,651	3,741,958
Fair value gains on statutory receivable	6	5,475,073	6,747,575
Fair value gains on interest rate swap	5	-	3,406,460
Other income		20,380	-
<i>Total income and fair value movements</i>		40,173,429	49,937,106
Expenses			
Grant expense ¹	2	22,527,111	31,438,347
Interest expense ¹	4	5,701,537	3,992,940
Other finance costs ¹		40,190	40,180
Management services fees ¹	2	189,112	184,500
Fair value losses on interest rate swap	5	6,745,854	-
<i>Total expenses</i>		35,203,804	35,655,967
Surplus/(deficit) before tax		4,969,625	14,281,139
Tax expense/(credit)		-	-
Net surplus/(deficit)		4,969,625	14,281,139
Total comprehensive revenue and expense		4,969,625	14,281,139

¹ eligible costs incurred as per the Order in Council

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

The annual report is approved by the Directors of the General Partner on: 22 October 2025


Graham Ronald Mitchell


Michael Sean Wynne

TSP FINANCE LP

Statement of Financial Position		2025	2024
as at 30 June 2025		\$	\$
	Notes		
Assets			
Current assets			
Cash and cash equivalents	3	13,499,225	187,544
Short term investment	3	17,000,000	
Trade and other receivables		304,371	-
Prepayments		20,000	20,000
Statutory receivable	6	8,912,135	7,309,798
GST receivables		750,725	887,699
<i>Total current assets</i>		40,486,456	8,405,041
Non-current assets			
Statutory receivable	6	104,568,231	74,803,479
Derivative financial asset	5	-	2,836,238
<i>Total non-current assets</i>		104,568,231	77,639,717
Total assets		145,054,687	86,044,758
Liabilities			
Non-current liabilities			
Borrowings	4	118,811,567	69,029,355
Derivative financial liability	5	4,258,092	-
<i>Total non-current liabilities</i>		123,069,659	69,029,355
Total liabilities		123,069,659	69,029,355
Net assets		21,985,028	17,015,403
Contributed capital	9	2,151,662	2,151,662
Retained earnings		19,833,366	14,863,741
Total equity		21,985,028	17,015,403

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 2025**

	Capital \$	Retained Earnings \$	Total \$
Opening balance 1 July 2023	2,151,662	582,602	2,734,264
Comprehensive income			
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
Owners' transactions			
Capital contribution – IFF Holdings Limited	-	-	-
Closing balance 30 June 2024	2,151,662	14,863,741	17,015,403
Comprehensive income			
Net surplus/(deficit) for the year	-	4,969,625	4,969,625
<i>Total comprehensive revenue and expense</i>	-	4,969,625	4,969,625
Owners' transactions			
Capital contribution – IFF Holdings Limited	-	-	-
Closing balance 30 June 2025	2,151,662	19,833,366	21,985,028

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

TSP FINANCE LP

Statement of Cash Flows		2025	2024
For the Year Ended 30 June 2025		\$	\$
	Note		
Cash flows from operating activities			
Interest received		234,916	166,329
Grant payments		(22,527,111)	(31,438,347)
Payments to suppliers		(854,559)	(1,058,856)
Goods and services tax (net)		117,485	217,085
Late fees and penalties received		20,380	-
Net cash outflow from operating activities	10	(23,008,889)	(32,113,789)
Cash flows from investing activities			
Levies received	6	8,266,162	-
Short term investments	3	(17,000,000)	-
Net cash inflow from investing activities		(8,733,838)	-
Cash flows from financing activities			
Capital contribution			-
Proceeds from borrowings	4	50,204,896	27,748,067
Interest paid	4	(5,498,964)	(3,895,957)
Net settlements on interest rate swap		348,476	504,285
Net cash inflow from financing activities		45,054,408	24,356,395
Net increase/(decrease) in cash and cash equivalents		13,311,681	(7,757,394)
Cash and cash equivalents at the beginning of the period		187,544	7,944,938
Cash and cash equivalents at the end of the period	3	13,499,225	187,544
Made up of:			
Cash and cash equivalents		13,499,225	187,544
Total	3	13,499,225	187,544

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. National Infrastructure Funding and Financing Limited ('NIFF') owns 100% of the shares in TSP Finance GP Limited and 100% of the limited partnership interests in TSP Finance LP through its subsidiary IFF Holdings Limited (formerly known as 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 annual report of TSP Finance LP is for the year ended 30 June 2025 and is approved by the Board of Directors of the General Partner on 22 October 2025.

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.

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

There were no changes to accounting estimates for TSP during the year.

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:

TSP FINANCE LP

- 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 2025 is approximately equal to the drawdown amount of \$122.3 million (2024: \$72.1 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, Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1) has been adopted in the preparation of these financial statements. The amendment changes the required disclosures for fees for services provided by the audit or review provider, including a requirement to disaggregate the fees into specified categories. This new disclosure is included in Note 2.

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

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.

2024 Omnibus Amendments to PBE Standards (Amendments to PBE IPSAS 1) clarifies the principles for classifying a liability as current or non-current. 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.

PBE Conceptual Framework Update amends Chapter 3 Qualitative Characteristics and Chapter 5 Elements in General Purpose Financial Reports of the Public Benefit Entities' Conceptual Framework, based on amendments issued by the International Public Sector Accounting Standards Board (IPSASB). The amendments include updates to the guidance on materiality, clarification of the role of prudence in the context of faithful representation, updates to the definition of an asset and a liability and related guidance, and new guidance on the unit of account and on binding arrangements that are equally unperformed. These amendments are effective for annual periods beginning on or after 1 January 2028. TSP Finance LP will adopt the amendments in the year ending 30 June 2029.

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 \$189,112 in management service fees during the period by NIFF Services Limited, a subsidiary of NIFF (2024: \$184,500). There are no amounts owing to NIFF Services Limited at 30 June 2025 (2024: nil).

TSP Finance LP did not receive capital contributions from IFF Holdings Limited during the year (2024: nil).

TSP Finance LP paid \$22,527,111 in grants to Tauranga City Council during the period to fund infrastructure projects (2024: \$31,438,347). The Crown issued the Infrastructure Funding and Financing (Western Bay of 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 \$28,010,453 during the period in relation to the right to levy statutory receivable (2024: \$35,874,784) (note 6).

The audit fee for the year ended 30 June 2025 was paid by NIFF as part of the Management Services Agreement. This represents the audit of the annual report carried out as requested by its shareholders under the Auditor-General's auditing standards, as described in the independent auditor's report. The audit fee is \$60,044 (2024: \$58,487) and this includes disbursements related to the engagement of an external expert who provides services related to certain underlying assumptions used by TSP Finance LP for the valuation of assets and liabilities. There were no further significant disbursements paid.

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 National Infrastructure Finding and Financing Limited. TSP Finance LP has not paid any compensation to the Directors in the current period (2024: nil).

3. CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

	2025 \$	2024 \$
Proceed account	5,802,064	187,544
Levy account	7,697,161	-
Total cash and cash equivalents	13,499,225	187,544
Short term Investments > 3 months but < 12 months	17,000,000	-

4. BORROWINGS

	2025 \$	2024 \$
Principal	122,322,434	72,117,538
Unamortised transaction costs	(3,510,867)	(3,088,183)
Net carrying amount of borrowings	118,811,567	69,029,355

Reconciliation of the carrying amount of borrowings	2025 \$	2024 \$
Opening balance	69,029,355	42,018,481
Drawdowns	50,204,896	27,748,067
Payment of upfront cost and commitment fees	(625,257)	(834,176)
Interest expense	5,701,537	3,992,940
Payment of interest	(5,498,964)	(3,895,957)
Closing balance	118,811,567	69,029,355

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 NIFF for these borrowings.

Levies collection began on 1 July 2024, which will be used to fund the interest cost, principal repayments and other operating expenses for TSP Finance LP. 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 floating (NZD-BKBM Bid) payments in exchange for fixed 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 \$109.5 million (2024: \$65.0 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.

TSP FINANCE LP

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 2025 based on current market volatility and the increasing interest rate environment (2024: 100 basis points was determined to be a reasonably possible change in swap rate at 30 June 2024).

Key assumptions/inputs	2025 Assumption	Possible change	2025 Impact \$	2024 Assumption	Possible change	2024 Impact \$
Swap rate	4.70%	+/- 100bps	24,608,884/ -24,287,972	avg 4.79%	+/- 100bps	23,543,284/ -22,998,246

6. STATUTORY RECEIVABLE

Reconciliation of the carrying amount of the statutory receivable	2025 \$	2024 \$
Opening balance	82,113,277	35,748,960
Revenue for receipt of right to levy	28,010,453	35,874,784
Interest revenue	6,277,651	3,741,958
Other fair value gains and losses	5,475,073	6,747,575
Levies revenue	(8,396,088)	-
Closing balance	113,480,366	82,113,277

Statutory receivables are shown in the Statement of Financial Position as:	2025 \$	2024 \$
Current	8,912,135	7,309,798
Non-current	104,568,231	74,803,479
Total	113,480,366	82,113,277

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.

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 2025 based on current market volatility and the increasing interest rate environment (2024: 100 basis points was determined to be a reasonably possible change in discount rate at 30 June 2024).

Key assumptions/inputs	2025 Assumption	Possible change	2025 Impact \$	2024 Assumption	Possible change	2024 Impact \$
Discount rate	5.81%	+/- 100bps	-11,575,611/ 13,812,806	6.14%	+/- 100bps	-8,441,564/ 10,120,306

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:

	2025 \$	2024 \$
Financial assets measured at amortised cost		
Cash and cash equivalents	13,499,225	187,544
Short term investment	17,000,000	-
Trade and other receivables	304,371	-
<i>Total financial assets carried at amortised cost</i>	30,803,596	187,544
Financial assets mandatorily measured at FVTSD		
Statutory receivable	113,480,366	82,113,277
Derivative financial asset	-	2,836,238
<i>Total financial assets mandatorily measured at FVTSD</i>	113,480,366	84,949,515
Total financial assets	144,283,962	85,137,059
Financial liabilities measured at amortised cost		
Borrowings	118,811,567	69,029,355
<i>Total financial liabilities measured at amortised cost</i>	118,811,567	69,029,355

TSP FINANCE LP

Financial liabilities mandatorily measured at FVTSD

Derivative financial liability	4,258,092	-
<i>Total financial liabilities measured at FVTSD</i>	<i>4,258,092</i>	<i>-</i>
Total financial liabilities	123,069,659	69,029,355

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 Position. The interest rate on TSP Finance LP's bank term deposit at 30 June 2025 is 3.66% (2024: no term deposits held on 30 June 2024).

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

In relation to term deposits held on 30 June 2025, 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 \$113 thousand higher/lower (2024: No term deposits held on 30 June 2024).

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 is the carrying amount of its cash and cash equivalents and the statutory receivable (2024: maximum exposure to credit risk at 30 June 2024 is the carrying amount of its cash and cash equivalents and the statutory receivable). TSP Finance LP does not consider that there is any

TSP FINANCE LP

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.

Credit ratings	2025	2024
	\$	\$
Cash at bank and term deposits		
AA-	30,499,225	187,544
Total cash at bank and term deposits	30,499,225	187,544
Derivative financial instrument assets		
AA-	-	2,836,238
Total derivative financial instrument assets	-	2,836,238

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 two fiscal years.

2025 Financial liability	Less than 12 months \$	Between 1 and 5 years \$	Between 5 and 10 years \$	Greater than 10 years \$
Borrowings	5,859,245	142,850,782	-	-
Interest rate swap cash outflows	5,890,088	35,485,766	45,290,670	114,690,041
Interest rate swap cash inflows	(4,222,905)	(27,603,888)	(45,991,115)	(123,523,867)
Total cash flows	7,526,428	150,732,660	(700,445)	(8,833,826)

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)

TSP FINANCE LP

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.

2025 Financial liability	Less than 12 months \$	Between 1 and 5 years \$	Between 5 and 10 years \$	Greater than 10 years \$
Borrowings	5,859,245	23,507,566	32,038,205	192,033,457
Interest rate swap cash outflows	5,890,088	35,485,766	45,290,670	114,690,041
Interest rate swap cash inflows	(4,222,905)	(27,603,888)	(45,991,115)	(123,523,867)
Total cash flows	7,526,428	31,389,444	31,337,760	183,199,631

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

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

	2025 \$	2024 \$
Opening balance	2,151,662	2,151,662
Capital contribution	-	-
Balance at 30 June	2,151,662	2,151,662

Contributed capital represents contributions made from 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 SURPLUS/(DEFICIT) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2025 \$	2024 \$
Net surplus / (deficit) after tax	4,969,625	14,281,139
Add/(less) non-cash items		
Fair value gains/losses on the statutory receivable	(5,475,073)	(6,747,575)
Interest income on the statutory receivable	(6,277,651)	(3,741,958)

TSP FINANCE LP

Revenue recognised for receipt of statutory receivable	(28,010,453)	(35,874,784)
Fair value gains/losses on derivative	6,745,854	(3,406,460)
Total non-cash items	(33,017,323)	(49,770,777)
Add/(less) movements in working capital items		
GST Receivables	136,974	217,085
Trade and other receivables	(304,372)	-
<i>Net movements in working capital items</i>	<i>(167,398)</i>	<i>217,085</i>
Add/(less) items classified as investing or financing		
Transaction costs recorded as part of the initial carrying amount of borrowings	(422,684)	(737,193)
Movements in trade and other receivables related to investing activities	129,927	-
Interest paid	5,498,964	3,895,957
Net cash from operating activities	(23,008,889)	(32,113,789)

Short-term investments:

	2025	2024
	\$	\$
Term investments with financial institutions > 3 months < 12 months	17,000,000	-
Total short-term investments	17,000,000	-

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 \$89.1 million (2024: \$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.

TSP FINANCE LP

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 is entitled to collect a levy from ratepayers starting from 1st July 2024 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.

During the year, the actual levy revenue collected for TSP Finance LP was \$8,286,542 (2024: \$nil).

Eligible infrastructure itemised as in the levy order

		2025	2024 PTD	Total
		\$	\$	\$
1.	TSP 002 (Hewletts Road sub access area)	278,807	438,407	717,214
2.	TSP 007 and TSP 011 (Connecting the People Fifteenth Avenue to Welcome Bay)	1,621,226	1,817,342	3,438,568
3.	TSP 009 (Tauriko West Enabling Work Package)	5,516,974	6,483,026	12,000,000
4.	TSP 013(Cameron Road multi-modal upgrade stage 1)	5,148,023	44,851,977	50,000,000
5.	TSP 018 (Cameron Road multi-modal upgrade stage 2)	2,776,877	1,406,898	4,183,775
6.	TSP 019 (Cameron Road corridor connections (cycle, PT and pedestrian))	195,045	95,666	290,711
7.	TSP 034 Primary cycle route facilities (Accessible Streets programme – Area A Mount/ Papamoa/CBD)	-	935,212	935,212
8.	TSP 035 (Primary cycle route facilities (Accessible Streets programme – Area B Otumoetai/ Bellevue/ Brookfield))	56,326	1,619,086	1,675,412
9.	TSP 028 (Tauranga Crossing bus facility improvements)	586,379	402,331	988,710
10.	TSP 032 (City Centre Transport Hub)	2,074,203	511,156	2,585,359
11.	Barkes Corner to Tauranga Crossing Multi-modal Local Road component	-	-	-
12.	SH 2 Revocation – Cameron Road to Bethlehem	-	-	-
13.	Maunganui Road Future Proofing	4,273,251	7,073,451	11,346,702
	Total eligible infrastructure incurred	22,527,111	65,634,552	88,161,663

Levy account as per section 107 of IFF Act

	2025	2024
	\$	\$
Opening balance	-	-
Interest income	81,172	-
Closing balance	7,697,161	-

TSP FINANCE LP

Application of levy account closing balance to eligible costs

Forecast eligible costs	Allocation \$
Interest expense	7,460,245
Other finance costs	43,076
Management services fees	193,840
Forecast total applied from closing balance of levy account:	7,697,161

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. The next forecast date is 30 June 2028 as per the Order in Council.

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

TSP FINANCE LP

2053	27,670,054	-	27,670,054
2054	27,809,398	-	27,809,398
Total	524,846,340	-	524,846,340