Timaru District Holdings Limited

Annual report 2021

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Directors' declaration

In the opinion of the Directors of Timaru District Holdings Limited ('the Company') the financial statements and notes, on pages 11 to 30:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Company as at 30 June 2021 and the result of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the annual report including the financial statements of Timaru District Holdings Limited for the year ended 30 June 2021.

Ian R. Fitzgerald

Date: 29 November 2021

Richard L. Lyon

Date: 29 November 2021

Directory

Incorporation number	881487	
Principal activities	Property - non-residential - renting or leasing	
Registered office	2 King George Place TIMARU New Zealand	
Directors	Ian R. Fitzgerald Richard L. Lyon Peter J. Burt Rebecca L. Keoghan Mark F. Rogers Nigel W. Bowen (ceased 26 November 2020)	
Shareholders	Timaru District Council	49,550,000 ordinary shares
		49,550,000 ordinary shares
Auditor	Audit New Zealand, Christchurch On behalf of the Auditor-General	

Annual report 2020/21

Chairman's Report

I have pleasure in presenting the Annual Report of Timaru District Holdings Limited (TDHL) for the year ended 30 June 2021.

Since TDHL was established in October 1997, the company has adapted and evolved to meet the needs of its shareholder. The 2020/2021 year has been no different and has seen the evolution continue with TDHL refining its structure to ensure it is future focused and achieves its purpose of managing commercial assets in the interests of Timaru District Council.

The structural changes following from Timaru District Council's review of TDHL were finalised this year and included: a refreshed constitution; a suite of updated policies and procedures; new Board composition commencing; and a dedicated manager employed.

A key focus of this year has been continuing to work closely with our associates and fellow shareholders, to realise greater benefit for the community and to address the increasingly complex commercial transactions that arise from the property portfolio.

The world around TDHL and the Timaru District also continues to evolve with the enduring consequences of COVID-19, regulatory reform, the long term impacts of climate change on both the port and lines companies, and economic disruption being just some of the uncertainties in the years ahead. However, with TDHL's structural changes now bedding in, I am more confident than ever that TDHL is well positioned and equipped to act proactively, seek opportunities and continue to meet the needs of its shareholder.

The Board, with its balanced mix of new and long serving, independent and Elected Member Directors, has worked seamlessly to enable this year's successes. I would like to acknowledge their contribution and vision that has enabled TDHL to adapt and evolve. Of particular note, I would like to acknowledge the significant contribution of retiring Director Richard Lyon who, as a director since 1998, has brought to the Board invaluable experience, a common sense perspective, patience and a clear vision that has resulted in considerable benefit to the District and its community.

Summary of activities

Financial Performance

TDHL’s after tax operating surplus was $16.5 million for the year ended 30 June 2020 as summarised below.

Summary of Financial Performance
Results for the Year Ended 30 June 2021

	Actual 2021 $000	Budget 2021 $000	Actuals 2020 $000
Operating Income			
Alpine Energy Limited dividend	707	-	4,711
PrimePort Timaru Limited dividend	850	650	850
Property rentals	2,945	2,714	2,688
Shares of associate surplus	11,031	-	6,156
Investment property revaluations	3,760	1,604	1,874
Other	137	61	282
	19,430	5,029	16,561
Financial costs	-786	-855	-1,250
Other operating expenditure	-1,494	-1,397	-953
Operating surplus	17,150	2,777	14,358
Tax benefit / (charge)	-603	-	-
Net surplus after income tax attributable to shareholders	16,547	2,777	14,258

Commercial property portfolio

TDHL owns and manages a portfolio of commercial properties surrounding the Timaru port. These properties are utilised to complement the activities of the port and its users. The proactive management and fostering of opportunities supports the continued growth in revenue and long-term surety of return.

The sale of the Showgrounds site was completed this year and enables a significant commercial development in Timaru that will further enhance Timaru's role as a regional hub.

Annual report 2020/21 (continued)

Alpine Energy Limited

TDHL has a 47.5% shareholding in Alpine Energy Limited.

The principal activity of Alpine Energy is electricity distribution to households and businesses in the South Canterbury region via its electricity distribution network. The group, comprising Alpine Energy Limited and its subsidiary and associated entities, also undertakes asset management and contracting services.

Alpine has responded to its regulatory environment, is equipping itself for a rapidly changing energy market and the impact of decarbonisation, whilst still delivering a dividend and strong financial result to TDHL and its other shareholders.

A key TDHL initiative this year, with support of the other shareholders, was to appoint an additional Alpine Director to ensure the Alpine Board has the full set of skills and experience needed for effective governance to oversee the delivery of a reliable energy distribution network for the community.

PrimePort Timaru Limited

TDHL has a 50% shareholding in PrimePort Timaru Limited with the other 50% shareholding held by Port of Tauranga Limited. The principal activity of PrimePort is the efficient and cost-effective transfer of commodities between land and water transport systems.

PrimePort has had a strong year in terms of both profit and volumes as well as continuing a proactive programme of infrastructure investment. This pleasing result bodes well for the wider economic vitality of the District. In addition, the ongoing investment in infrastructure ensures that the Port is fit for purpose and capable of ensuring our region remains connected to the world.

Conclusion

The 2020/21 year has been another successful one for TDHL. Not only are associate and property activities continuing to perform well, but the Company has successfully adapted to its shareholder's needs and is equipped for success.

Ian R Fitzgerald

Chairman

Statement of objectives and performance

The objectives of the company for this financial year are specified in the Statement of Intent which was approved by the shareholders. These objectives are listed below and the performance achieved during the financial year.

General Objectives

a. To maximise the returns from, and the value of, the subsidiary and associate and joint venture trading companies to the Council, as the shareholder in TDHL.

Achievement: **Alpine Energy Limited**
The Alpine Energy Group's results for the 2020/21 financial year are as follows:

Performance Manager	Target	Actual
Ratio of shareholders funds to total assets	54%	56%
Rate of return on shareholders funds	7.34%	11.09%
Net Tangible assets per share	$7.45	$7.25
Earnings per fully paid share	$0.288	$0.430
Dividend per fully paid share	$0.06	$0.06

PrimePort Timaru Limited
The PrimePort results for the 2020/21 financial year are as follows:

Performance Manager	Target	Achieved
Return on total assets	4.31%	Yes
Return (after tax) on shareholders' funds	7.52%	Yes
Ratio of shareholders' funds to total assets	0.57	Yes
Net Tangible assets per share	$7.62	Yes
Earnings per fully paid share	$0.57	Yes
Dividend per fully paid share (proposed)	$0.00	Yes

b. To ensure insofar as it is reasonably and lawfully able, that the Statements of Intent of each of TDHL's subsidiaries and associates reflects the policies and objectives of the Council and TDHL in the area of activity or operation of that subsidiary or associate.

Achievement: All Statements were reviewed and considered to be in line with applicable policies and objectives.

c. To monitor the activities of the companies, comprising the group, to ensure that the respective Statements of Intent are adhered to.

Achievement: All Statements of Intent were adhered to during the year.

d. To keep the TDC informed of matters of substance affecting the group.%

Achievement: The Timaru District Council was informed on a quarterly basis on the performance of the Company and its associates. Presentations were also made to the Council on various matters.

e. To ensure that regular reporting of results from the subsidiaries and associates to TDHL occurs to the holding company.

Achievement: Monthly summary reports were received from Alpine Energy Limited and PrimePort Timaru Ltd

f. To provide feedback on Statements of Intent, for each of TDHL's subsidiaries and associates through which the performance (including the financial performance) will be monitored, and to confer with each company on their long term strategic direction.

Achievement: Timaru District Holdings Limited has been kept informed of the long term strategic direction of Alpine Energy Limited and PrimePort Timaru Limited.

Statement of objectives and performance (continued)

g. To undertake strategic asset purchases, partner with external parties, or assist future developments in the district.

Achievement: Timaru District Holdings Limited continues to take a proactive approach with an outlook to pursue opportunities where considered appropriate. TDHL is actively engaging with external parties on current and future projects and will continue to do so.

h. To obtain a commercial return and build long term strategic value from the port property portfolio, but to have regard to the broader port economy including working in conjunction with PrimePort to ensure operations contribute to the port business as far as practicable.

Achievement: The commercial focus on the port property portfolio is formalised and advanced through regular engagement and the development of a strategic approach. The cooperative working relationship with PrimePort has seen the realisation of several significant projects in the past, and supports the ongoing initiatives to attract and accommodate future opportunities. This engagement and cooperation clearly supports the commercial return of the Port and property as can be seen in the annual result of the PrimePort and the return on property.

i. To ensure activities around TDHL's property portfolio mitigate risk to the Company and its Shareholders.

Achievement: Timaru District Holdings Limited continually reviews its investment portfolio, specifically around the tradeable property assets. This included several Property Deep Dive sessions and a consideration of the risks on the whole portfolio. This work reinforced the ongoing need for review and assessment, which will continue with added focus.

Specific Objectives for 2020/2021

Objective	**Performance Target**	**Achieved**
Effectively and prudently manage TDHL's property assets, obtaining a satisfactory return on investment on commercial properties	To achieve a return on investment of 7% or greater on the leasable port property portfolio held for investment purposes.	Yes. A return on investment of 8.6% was achieved.
Property held for non-financial reasons shall achieve good community outcomes over the medium term.	Annual review of property held for non-financial reasons and related strategy. Community outcomes to be defined and monitored.	Yes. Undertaken and monitored in the course of Board meetings.
	Ensure that all lease renewals are completed in a timely manner.	Yes.
To review the TDHL investment portfolio for strategic opportunities.	Annual deep dive on each investment by TDHL Board.	Yes.
	Update shareholder on outcomes through quarterly workshops and AGM.	Yes.
To continue debt reduction and shareholder distributions subject to no major investments being undertaken and available cashflow.	The current intention is to maintain $3m of cash and other financial assets, provide a dividend to Timaru District Council as indicated below, with any remaining surplus to be used for debt reduction. The above is subject to the solvency test and no new major investments being undertaken.	Yes. $3m of cash and current financial assets maintained, $2m dividend paid and $7.9m of debt repayments made.
To work with Council in relation to the implementation of the recommendations from the 2019 TDHL review.	• Together with Council, document the roles and responsibilities between Council, TDHL and council officers (provide feedback to Council).	Yes.
	• Refresh the TDHL constitution (Council led).	Yes.
	• Develop and implement an appointments process (Council led)	Yes.
	• Hold periodic joint "deep dives" to discuss TDHL's performance and direction	Yes.

Statement of objectives and performance (continued)

Financial Performance Targets

	Target	Actual	Achieved
Net profit after tax to shareholders funds	3%	12%	Yes
Net tangible assets per share	3.57	2.77	No
Earnings per fully paid share	0.09	0.53	Yes
Dividends paid per fully paid share	0.06	0.06	Yes
Shareholder funds to total assets	80%	83%	Yes

Comment for below performance targets

The target for the FY2021 net tangible assets per share of $3.57 has not been achieved for the year. This target was set by management based on the total fully paid shares as opposed to total share capital. At 30 June 2021 total share capital comprised of 49,550,000 shares. However, 18,550,000 shares issued at a price of $1.35 each have been paid to $185.50, therefore, fully paid shares total 31,000,000. Net tangible assets per fully paid share for FY2021 were $4.43 per share which shows the target as being met based on management’s intentions.

Statement of comprehensive income

For the year ended 30 June 2021
in New Zealand dollars

	Note	2021	2020
		$000	$000
Revenue	3	2,945	2,689
Share of associate surplus	11	11,031	6,156
Gain on changes in fair value of derivative financial instruments		195	244
Revaluation of investment properties	9	3,760	1,874
		17,931	10,963
Operating expenses		(1,494)	(953)
Losses on sale of investment property	9	(89)	-
Operating profit before financing costs		16,348	10,010
Finance income		1,588	5,599
Finance expenses		(786)	(1,250)
Net financing income	4	802	4,349
Profit before income tax		17,150	14,359
Income tax expense	6	(603)	-
Profit for the year		16,547	14,359
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		16,547	14,359

Statement of financial position

As at 30 June 2021
in New Zealand dollars

	Note	2021 $000	2020 $000
Assets			
Current assets			
Cash and cash equivalents		635	1,668
Other financial assets		2,503	1,000
Trade and other receivables	8	104	2,005
Total current assets		3,242	4,673
Non-current assets			
Right of use assets	12	14	-
Investment properties	9	43,645	47,482
Investments in associates	11	116,436	105,405
Property held for sale	10	1,064	-
Deferred tax asset	6	2	-
Total non-current assets		161,161	152,887
Total assets		**164,403**	**157,560**
Liabilities			
Current liabilities			
Trade and other payables	13	860	1,088
Employee benefits	14	6	-
Derivative financial liabilities	16	-	195
Income tax payable	6	599	-
Interest bearing loans and borrowings	15	-	22,181
Lease liabilities	12	9	-
Total current liabilities		1,474	23,464
Non-current liabilities			
Interest bearing loans and borrowings	15	25,681	11,400
Lease liabilities	12	5	-
Total non-current liabilities		25,686	11,400
Total liabilities		**27,160**	**34,864**
Equity			
Share capital	19	31,000	31,000
Retained earnings		106,243	91,696
Total equity		137,243	122,696
Total liabilities and equity		**164,403**	**157,560**

Statement of changes in equity

For the year ended 30 June 2021

in New Zealand dollars

	Note	Share capital $000	Retained earnings $000	Total $000
Balance at 1 July 2020	19	31,000	91,696	122,696
Total comprehensive income for the year				
Profit for the year		-	16,547	16,547
Total comprehensive income for the year		-	16,547	16,547
Transactions with owners of the company				
Dividends paid during the year		-	(2,000)	(2,000)
Total transactions with owners		-	(2,000)	(2,000)
Balance at 30 June 2021		31,000	106,243	137,243
Balance at 1 July 2019	19	31,000	80,187	111,187
Total comprehensive income for the year				
Profit for the year		-	14,359	14,359
Total comprehensive income for the year		-	14,359	14,359
Transactions with owners of the company				
Dividends paid during the year		-	(2,850)	(2,850)
Total transactions with owners		-	(2,850)	(2,850)
Balance at 30 June 2020		31,000	91,696	122,696

Statement of cash flows

For the year ended 30 June 2021
in New Zealand dollars

	Note	2021 $000	2020 $000
Cash flows from operating activities			
Cash received from customers		2,962	2,757
Cash paid to suppliers and employees		(1,718)	(938)
Income tax paid		(5)	-
Interest received		31	38
Interest paid		(785)	(1,250)
Dividends received		3,442	5,561
Net cash from operating activities		3,927	6,168
Cash flows from investing activities			
Proceeds from sale of investment property		6,444	-
Acquisition of property, plant and equipment and investment property		-	(118)
Acquisition of investments		(1,500)	(500)
Net cash from/(to) investing activities		4,944	(618)
Cash flows from financing activities			
Repayment of borrowings		(7,900)	(2,500)
Dividends paid		(2,000)	(2,850)
Lease payments		(4)	-
Net cash (to) financing activities		(9,904)	(5,350)
Net (decrease)/increase		(1,033)	200
Opening cash and cash equivalents 1 July		1,668	1,468
Closing cash and cash equivalents 30 June		635	1,668

Notes to the financial statements

1 Reporting entity

Timaru District Holdings Limited (the "Company") is a Council Controlled Organisation as defined in section 6 of the Local Government Act 2002. The company is wholly owned by Timaru District Council. The company began operation on 29 October 1997.

The entity consists of Timaru District Holdings Limited, and associated entities, PrimePort Timaru Limited (50%) and Alpine Energy Limited (47.50%). All entities are incorporated in New Zealand.

The Company's principal activity is Property - non-residential - renting or leasing.

The financial statements presented are for Timaru District Holdings Limited as at and for the year ended 30 June 2021.

2 Basis of preparation

The financial statements of Timaru District Holdings Limited have been prepared in accordance with the requirements of the Companies Act 1993, the Local Government Act 2002 and the New Zealand International Financial Reporting Standards.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

For the purposes of complying with NZ GAAP, the Company is eligible to apply Tier-2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR") on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of Timaru District Holdings Limited is New Zealand dollars.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment property and interest rate swaps which are measured at fair value, and associates which are equity accounted. Fair values have been determined for measurement purposes based on the methods outlined in the notes specific to the asset.
Where applicable, further information about the assumptions made in determining fair value is also disclosed in the notes specific to that asset or liability.

These financial statements are presented in New Zealand dollars ($) which is the Company's functional currency, rounded to the nearest thousand dollars ($000). They have been prepared on a GST exclusive basis except for receivables and payables that are stated inclusive of GST.

Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The principal areas of judgement in preparing these financial statements are set out below. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 9 Valuation of investment property.
- Note 12 Leases, on determining whether a contract contains a lease, lease terms, incremental borrowing rate, and lease renewal options.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

Impact of COVID-19

The World Health Organisation declared a global pandemic on 11 March 2020 due to the outbreak and spread of COVID-19. Measures to prevent transmission of the virus were gradually introduced to New Zealand including limiting the movement of people. Since March 2020, the global pandemic remains uncertain with cases sporadically appearing within the community to date and therefore, COVID-19 continues to remain a risk for New Zealand. While the team has had to adapt to alert level changes, the overall impact on the operations of the company has been minimal.

Investment properties held by the company were independently valued as at 30 June 2021 by Ian Fairbrother VP (Urban) FNZIV, FPINZI, a registered valuer and Tom Patterson B.Com (VPM), MIPINZ, a registered valuer who are both with Telfer Young (Canterbury) Limited. The valuation report has indicated that the last twelve months has seen some modest growth in land values for industrial land in both the Port and Washdyke locations as a result of low interest rates and the COVID-19 pandemic. An impairment assessment has been completed for the Company's investment in associated entities, Alpine Energy Limited and PrimePort Timaru Limited as at 30 June 2021. No impairment loss is required to be recognised due to COVID-19 based on the results of the assessment. In summary, management and the board have considered the impact of COVID-19 on the Company's operations and the relevant balances and disclosures in the financial statements. Overall, the financial impacts of COVID-19 on the Company have been minimal for the year ended 30 June 2021.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Goods and Services Tax

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense. Timaru District Holdings Limited became registered for GST in January 2007 and all parent transactions prior to this time were recorded inclusive of GST.

Notes to the financial statements (continued)

Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Cash and cash equivalents policy

Cash and cash equivalents means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the company invests as part of its day-to-day cash management.

Notes to the financial statements (continued)

3 Revenue

	2021	2020
	$000	$000
Property rentals	2,945	2,689
	2,945	2,689

Revenue is recognised when the performance obligation associated with the respective contract is satisfied and can be reliably measured.

Rental income from the investment property is recognised in the Statement of Comprehensive Income when due and paid by the Lessee and is spread evenly over the lease period. Rental income from investment property solely comprises of operating lease income from lease contracts in which the Company acts as a lessor (refer to note 12).

4 Net financing costs

	2021	2020
	$000	$000
Interest income	31	38
Dividends received	1,557	5,561
Finance income	1,588	5,599
Interest expense	(786)	(1,250)
Finance expense	(786)	(1,250)
Net financing income	802	4,349

Finance income and expenses policy

Finance income comprises interest income on funds invested using the effective interest method and dividend income.

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on interest bearing loans and borrowings. The interest expense component of interest bearing loans and borrowings is recognised in the statement of comprehensive income using the effective interest rate method.

5 Operating expenses

	2021	2020
	$000	$000
Directors' fees	149	81
Audit fees - Audit fees relating to the previous financial year	9	-
Audit fees - Annual accounts audit	17	17
Holding company operating costs	1,310	840
Bad debts written off	5	15
Depreciation - Lease assets	4	-
	1,494	953

Notes to the financial statements (continued)

6 Income tax

	2021 $000	2020 $000
Tax recognised in profit or loss		
Current tax expense		
Current period	605	-
Total current tax expense	605	-
Deferred tax expense		
Origination and reversal of temporary differences	(2)	-
Total deferred tax (benefit)/expense	(2)	-
Total income tax expense	603	-
Reconciliation of effective tax rate		
Profit before tax	17,150	14,359
Income tax using the Company's domestic tax rate of 28%	4,801	4,020
Permanent differences	(3,762)	(2,282)
Imputation credits received on dividends	(436)	(1,557)
Recognition of tax losses	-	(181)
Income tax expense	603	-
Deferred tax		
Employee benefits	2	-
Lease liability	4	-
Right of use assets	(4)	-
Net deferred tax asset	2	-

The current tax liability of $599,000 (2020: $nil) represents the amount of income taxes payable in respect of current and prior periods.

Income tax policy

Tax expense comprises current and deferred tax and is calculated using rates enacted or substantively enacted at balance date. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case the tax is recognised as an adjustment against the item to which it relates.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of goodwill. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes to the financial statements (continued)

7 Cash and cash equivalents

	2021 $000	2020 $000
Current assets		
Bank accounts	635	1,668
Total cash and cash equivalents in the statement of cash flows	635	1,668

Reconciliation of cash flows from operating activities

	2021 $000	2020 $000
Cash flows from operating activities		
Profit for the year	16,547	14,359
Adjustments for:		
Loss on sale of investment property	89	-
Share of associate surplus	(11,031)	(6,156)
Gain on changes in FV of derivative financial instruments	(195)	(244)
Deferred tax expense	(2)	-
Gain on FV of investment property	(3,760)	(1,874)
	1,648	6,086
Change in trade and other receivables	1,902	67
Change in trade and other payables	377	15
Net cash from operating activities	3,927	6,168

8 Trade and other receivables

	2021 $000	2020 $000
Debtors	104	122
Sundry debtors	-	1,883
	104	2,005

Bad debt expenses of $5,000 (2020: $15,000) have been recorded within operating expenses in the statement of comprehensive income.

Trade and other receivables policy

Trade and other receivables are initially recognised at fair value, being their cost, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Impairment is calculated based on an expected credit loss (ECL) model under NZ IFRS 9.

No provision is recognised as at 30 June 2021 (2020: nil).

Notes to the financial statements (continued)

9 Investment properties

	2021	2020
	$000	$000
Opening balance	47,482	45,490
Change in fair value	3,760	1,874
Acquisitions	-	118
Disposals		
Sale of Showgrounds (part 1)	(6,533)	-
Transfer of Showgrounds to property held for sale	(1,064)	-
Closing balance	43,645	47,482

Amounts recognised in profit or loss for investment properties

	2021	2020
	$000	$000
Rental income from operating leases	2,945	2,688
Direct operating expenses from property that generated rental income	(638)	(560)
Direct operating expenses from property that did not generate rental income	(143)	(114)
Fair value gain recognised in other income	3,760	1,874
	5,924	3,888

Sale of Showground

	2021	2020
	$000	$000
Sale of investment property	6,444	-
Opening carrying value of Showgrounds	(6,533)	-
Losses recognised in Other comprehensive income	(89)	-

Measuring investment property at fair value

Investment properties held by the company were independently valued as at 30 June 2021 by Ian Fairbrother VP (Urban) FNZIV, FPINZI, a registered valuer and Tom Patterson B.Com (VPM), MIPINZ, a registered valuer who are both with Telfer Young (Canterbury) Limited. The valuation is based on fair value. In determining fair value, Mr Fairbrother has used the rental capitalisation approach. This method uses unobservable inputs (level 3 as defined by NZ IFRS 13). This method is based upon assumptions including future rental income and appropriate discount rates. The valuations have been completed in accordance with international valuation standards by an experienced valuer with extensive market knowledge in the types of investment property owned by the company.

Where property is leased as land and buildings generally on short term lease terms, the property has been valued at freehold land value. Where land is subject to a ground lease, the property has been valued at the lessor's interest in the land.

There are no investment properties where title is restricted. There are no current contractual obligations to purchase, construct or develop investment property.

Investment property policy

Land and buildings held to earn rental income or for capital appreciation or both are deemed port related investment property. This includes land held for a currently undetermined use that is not owner-occupied property or for short term sale.

Investment property is valued at the end of each financial year. Valuation is at fair value as determined by a qualified independent valuer. They are recorded at valuation and are not subject to annual depreciation. Variation in value is recorded in the profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Notes to the financial statements (continued)

10 Property held for sale

Property Held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction within the next financial year. Property Held for sale are valued at the lower of carrying amount and fair value to sell less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit or loss. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Property Held for sale are not depreciated or amortised while they are classified as held for sale.

Timaru District Holdings Limited has the following commitments as at 30 June 2021. During the 2021 financial year the first settlement was received for the contract of the sale of lot 1 of the Showgrounds Property. A contract has been signed for the remaining lots 5, 8 and 9 with expected settlement dates between October 2022 and October 2023. The remaining value of the property is reflected on the balance sheet as property held for sale. (2020: A contract has been signed for sale of the Showgrounds property. The sale is conditional upon the purchaser completing a satisfactory due diligence.).

Notes to the financial statements (continued)

11 Investments in associate companies

The interest in the associate companies has been reflected in the financial statements on an equity accounting basis, which shows the share of surplus/deficits in the statement of comprehensive income and the share of post-acquisition increases/decreases in net assets in the statement of financial position.

An impairment assessment has been completed for the Company's investment in associate entities (Alpine Energy Limited and PrimePort Timaru Limited) as at 30 June 2021. No impairment loss is required to be recognised.

PrimePort Timaru Ltd

Principal activity: Port operator

Ownership: 50.0% (2020: 50.0%)

Balance date: 30 June

Results of Associate

	2021 $000	2020 $000
Share of Operating Surpluses before tax	4,860	4,000
Taxation	(1,614)	(1,188)
Share of Operating Surplus	3,246	2,812
Share of Other Comprehensive Income	329	(271)
Share of Total Recognised Revenues and Expenses	3,575	2,541

Interest in Associate

	2021 $000	2020 $000
Balance at Beginning of Year	30,290	28,599
Recognised Revenues and Expenses	3,575	2,541
Dividends	(850)	(850)
Balance at End of Year	33,014	30,290
Share of Recognised Revenues and Expenses	3,575	2,541
	3,575	2,541
Dividends Paid	(850)	(850)
Share of Retained Surpluses	2,725	1,691

Summarised financial information of PrimePort Timaru Limited presented on a gross basis

	2021 $000	2020 $000
Current Assets	4,070	5,028
Non Current Assets	104,439	86,900
Current Liabilities	5,533	3,862
Non Current Liabilities	36,190	26,729
Revenues	26,291	24,189
Profit or loss from continuing operations	6,492	5,623
Other Comprehensive Income	657	(542)
Total Comprehensive Income	7,149	5,081

Notes to the financial statements (continued)

11 Investments in associate companies (continued)

Alpine Energy Ltd

Principal activity: Electricity Distribution

Ownership: 47.50% (2020: 47.50%)

Balance date: 31 March

Results of Associate

	2021 $000	2020 $000
Share of Operating Surpluses before tax	11,028	13,819
Taxation	(2,594)	(3,542)
Share of Operating Surplus	8,435	10,278
Share of Other Comprehensive Income	579	(1,102)
Share of Total Recognised Revenues and Expenses	9,013	9,176

Interest in Associate

	2021 $000	2020 $000
Balance at Beginning of Year	75,115	70,650
Recognised Revenues and Expenses	9,013	9,176
Dividends	(707)	(4,711)
Balance at End of Year	83,421	75,115
Movements in Reserves		
Share of Recognised Revenues and Expenses	9,013	9,176
	9,013	9,176
Dividends Paid	(707)	(4,711)
Share of Retained Surpluses	8,306	4,465

Summarised financial information of Alpine Energy Limited presented on a gross basis

	2021 $000	2020 $000
Current Assets	18,215	24,584
Non Current Assets	300,618	299,027
Current Liabilities	19,337	27,214
Non Current Liabilities	131,061	144,456
Revenues	81,235	91,308
Profit or loss from continuing operations	17,757	21,637
Other Comprehensive Income	1,218	(2,319)
Total Comprehensive Income	18,975	19,318

Notes to the financial statements (continued)

12 Leases

As a lessee
Right-of-use asset

	Motor vehicle 2021 $000	Motor vehicle 2020 $000
Balance at 1 July 2020	-	-
Additions	17	-
Depreciation charge for the year	(3)	-
Balance at 30 June 2021	14	-

Lease liabilities

	Motor vehicle 2021 $000	Motor vehicle 2020 $000
Current	9	-
Non-current	5	-
Total lease liabilities	14	-

The interest rate applied to lease liabilities is 7.60% and the lease matures in January 2023.

Amounts recognised in the statement of cash flows

Cash outflows for leases totalled $4,000 (2020: $-) during the year.

Leases policy

Recognition and measurement

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the contract. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Impairment

The right-of-use asset is regularly assessed for impairment (see further detail in note 2).

Notes to the financial statements (continued)

12 Leases (continued)

As a lessor

The Company leases out its investment properties. The Company classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Assets held under operating leases are included within Investment property in note 9.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 $000	2020 $000
Less than one year	2,130	2,228
One to two years	1,582	1,902
Two to five years	2,508	4,749
More than five years	15,576	30,274
	21,796	39,153

13 Trade and other payables

	2021 $000	2020 $000
Trade creditors and accruals	194	201
Interest payable	660	753
Sundry payables	6	134
	860	1,088

Trade and other payables policy

Trade and other payables are measured at cost, being their fair value. These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the financial statements (continued)

14 Employee benefits

	2021 $000	2020 $000
Current		
Annual leave accrual	6	-
	6	-

Employee benefits policy

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid for outstanding annual leave balances if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

15 Interest bearing loans and borrowings

	2021 $000	2020 $000
Current		
Loans from Timaru District Council	-	22,181
	-	22,181
Non-current		
Bank loans	3,500	11,400
Loans from Timaru District Council	22,181	-
	25,681	11,400

The interest rates for the loans from Timaru District Council range from 1.61% to 1.70% (2020: 2.06% to 2.99%). These loans have no fixed repayment terms and are repayable within 366 days (2020: 90 days) after notice by the Council seeking repayment of the outstanding amount. The interest rate applied is linked to the bank bill rate for the period plus basis points agreed with the Council.

The interest rates for the bank loan facilities range from 0.69% to 1.67% (2020: 1.29% to 2.44%). The $3.5m borrowing is on a fixed interest rate of 1.67% until 11 October 2021. The interest rate applied to the wholesale money market borrowing is received every 3 months by reference to the bank bill bid rate for that period. The average rate on the wholesale money market borrowing during the year is 1.42%.

Maturity dates of the interest rate instruments within the long term facility are:

	2021 $000	2020 $000
Less than one year	-	8500
One to two years	3,500	-

Security

Timaru District Holdings Limited commercial bills are secured by a first ranking general security agreement over all property of the company. Loan from Timaru District Council to the Company is secured by Debenture over the company’s assets.

Interest bearing loans and liabilities policy

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowing using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Notes to the financial statements (continued)

16 Financial instruments classification

Financial instruments are recognised in the Statement of Financial Position when the Company becomes party to a financial contract. They include cash and cash equivalents, short term investments, trade and other receivables, trade and other payables, interest bearing loans and borrowings, lease liabilities, shares in associate companies, related party receivables, and related party payables.

Financial assets (except for trade receivables without a significant financing component) and liabilities are initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets and liabilities are classified into the following categories:

Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets 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 amounts outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss.

Financial assets held at amortised cost comprise: cash and cash equivalents, short term investments, trade and other receivables, and related party receivables.

Financial assets held at fair value through profit and loss

All financial assets not classified as measured at amortised cost of FVOCI are measured at FVTPL. This includes all derivative financial assets.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss.

Financial assets at FVTPL comprise derivative financial instruments.

Financial assets held at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income (FVOCI) if it meets both the following conditions, and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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 amounts outstanding.

Financial liabilities held at amortised cost

Financial liabilities not designated as at FVTPL on initial recognition are classified as at amortised cost. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss.

Financial liabilities held at amortised cost comprise: trade and other payables, interest bearing loans and borrowings, related party payables, and lease liabilities.

Impairment - financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Notes to the financial statements (continued)

16 Financial instruments classification (continued)

The carrying value of financial assets and liabilities are as follows:

	2021 $000	2020 $000
Financial assets as per balance sheet		
Measured at amortised cost:		
Cash and cash equivalents	635	1,668
Other financial assets – short term deposits	2,503	1,000
Receivables	104	2,005
Total financial assets	3,242	4,673

GST receivable and prepayments do not meet the definition of a financial asset and have been excluded from the above table.

	2021 $000	2020 $000
Financial liabilities as per balance sheet		
Measured at amortised cost:		
Payables and accruals	860	1,088
Current portion of term loans	-	22,181
Term loans	25,681	11,400
	26,541	34,669
Measured at FVPL:		
Derivatives	-	195
Total financial liabilities	26,541	34,864

GST payable, fringe benefit taxes and employee entitlements do not meet the definition of a financial liability and have been excluded from the above table.

Notes to the financial statements (continued)

17 Derivative financial instruments

	2021 $000	2020 $000
Current liabilities		
Interest rate swaps	-	195
	-	195

The Company has variable rate long term borrowings to fund ongoing activities. Swaps were entered into manage interest rate fluctuation risks. The interest rate swap provides a fixed interest rate to the Company of 4.825% for $8,500,000 of the total ANZ loan during 2021 in exchange for a floating rate. This interest rate swap matured on 21 December 2020.

Derivative financial instrument policy

Derivative financial instruments are recognised in the Statement of Financial Position when the Company becomes party to a financial contract.

The Company holds derivative financial instruments to hedge its exposure to fluctuations in interest rates as the Company holds a floating-rate interest-bearing loan. They include interest rate swaps.

The company has a series of policies providing risk management for interest rates and the concentration of credit. The Company is risk averse and seeks to minimise exposure from its treasury activities. Its policies do not allow any transactions that are speculative in nature to be entered into. Information used to measure and manage risk includes staff experience, market commentary, strategic planning, financial planning and forecasting, financial reporting, operating and management systems, and risk management audits.

Derivative financial instruments held at fair value through profit and loss

Derivative financial instruments are classified as at fair value through profit and loss when the instrument is not designated as a hedging instrument in a qualifying hedge accounting relationship.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value using mark to market based on market observative interest or foreign exchange rates at valuation date. Any changes therein are recognised in the statement of comprehensive income.

Derivative financial instruments held at fair value through profit and loss comprise of interest rate swaps.

18 Related parties

Key management personnel

Key management personnel comprise the Directors and the General manager.

Key management personnel compensation comprised

	2021 $000	2020 $000
Short term employee benefits	289	79
	289	79

Dividends paid

During the year a dividend of $2,000,000 (2020: $2,850,000) was paid.

Transactions involving related entities

The entities, the nature of the relationship and the types of transactions which the Company entered into during the period are detailed below:

Related entity	Nature of relationship	Types of transactions
Timaru District Council	Parent	Sales, Purchases, Loan payable, Balance payable
Alpine Energy Limited	Partially owned	Sales, Balance receivable
PrimePort Timaru Limited	Partially owned	Sales, Balance receivable

Notes to the financial statements (continued)

18 Related parties (continued)

The following transactions between related parties occurred during the year:

Related party	Sale of goods and services	Purchase of goods and services	Balances receivable	Balances payable	Loan payable
	2021				
	$000	$000	$000	$000	$000
Timaru District Council	13	883	-	645	22,181
Alpine Energy Limited	2	-	-	-	-
PrimePort Timaru Limited	80	1	-	-	-
	95	884	-	645	22,181

Related party	Sale of goods and services	Purchase of goods and services	Balances receivable	Balances payable	Loan receivable / payable
	2020				
	$000	$000	$000	$000	$000
Timaru District Council	2	1,137	-	868	22,181
Alpine Energy Limited	1	-	1,885	-	-
PrimePort Timaru Limited	64	-	5	-	-
	67	1,137	1,890	868	22,181

Related party receivable and payable balances are interest free, unsecured, and are repayable on demand. No related party debts have been written off or forgiven during the year. Refer to note 15 for Timaru District Council loan policy.

Notes to the financial statements (continued)

19 Share capital and reserves

	Number of shares			
	2021	2020	2021 $000	2020 $000
Shares				
Balance 1 July	49,550,000	49,550,000	31,000	31,000
Balance at 30 June	49,550,000	49,550,000	31,000	31,000

At 30 June 2021, share capital comprised 49,550,000 shares (2020: 49,550,000). 18,550,000 shares (2020: 18,550,000) issued at a price of $1.35 each have been paid to $185.50 (2020: $185.50). This uncalled capital is security for the Letter of Credit facility of $19M with ANZ Bank for the credit facilities. All issued shares rank equally.

Share capital policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

20 Capital management

The Company's capital is its equity, which comprises issued shares, retained earnings and revaluation reserves. Equity is represented by net assets. Section 5 of the Port Companies Act 1988 states that the principal objective of every port company shall be to operate as a successful business. PrimePort Timaru's principal objective is to operative as a successful business, exploiting opportunities and managing risk thereby ensuring the maintenance and growth in equity. Alpine Energy's objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns to shareholders, consumers and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

21 Contingencies

No contingent assets or contingent liabilities exist at balance date for Timaru District Holdings Limited (2020: nil).

No contingent assets or contingent liabilities exist at balance date for PrimePort Timaru Limited (2020: $250,000 contingent liabilities).

Alpine Energy Limited group has contingent liabilities of $7.11M as at 30 June 2021 in the form of performance and import guarantees to cover ongoing project work (2020: $11.55M).

22 Subsequent events

There have been no events subsequent to balance date which would materially affect the financial statements (2020: nil).

Statutory Information

Directors

Timaru District Holdings Limited

Ian R. Fitzgerald (Chairperson)
Rebecca L. Keoghan (Deputy Chairperson, 26 November 2020 to present)
Richard L. Lyon (Deputy Chairperson, 1 July 2020 to 26 November 2020)
Mark Rogers
Peter J. Burt
Nigel W. Bowen (ceased 26 November 2020)

Entries made in the interests register

The following entries were recorded in the interests registers of the Company:

Ian R Fitzgerald (Chairman)

Burleigh Evatt - Director
Ngai Apa kit e Ra To Investments Committee - Member
Public Trust - Chairman
Ministry of Foreign Affairs and Trade Audit and Risk Committee - Member
World of Wearable Art Limited - Director
Marlborough Hospice Trust - Trustee
Matavai Niue Limited - Chairman
Niue Development Bank - Chairman
Tertiary Education Commission RoVE Programme Board (Member)
Telecom Niue - Director

Richard L Lyon

Timaru District Council - Councilor
Nelly's Group Limited - Shareholder and Director

Nigel W Bowen

Timaru District Council - Mayor
South Canterbury Ale House Limited - Director

Rebecca L Keoghan (Deputy Chairman)

Tai Poutini Polytechnic Limited - Chair
Keoghan Farm Limited - Director
Gravity Dance Studio - Director
Fire and Emergency NZ - Director & Deputy Chair
Judicial Control Authority - Board Member
Glen Elgin Family Trust - Trustee

Mark Rogers

South Canterbury District Health Board - Ministerial Appointment
South Canterbury Eye Clinic Limited - Chairman and Director
Venture Timaru Limited - Chairman and Director
Waitaki District Health Services Limited - Chairman and Director
Waitaki District Health Services Trust - Trustee
Adventure Development Limited - Chairman and Director
Men at Work Limited - Independent Chairman
Institute of Directors Canterbury Branch - Committee Member
Kingsdown - Salisbury Hall Society Incorporated - Treasurer
MVHB Professional Services Limited - Shareholder and Director
OurGroupIT Limited - Director
The Rogers Family Trust - Trustee
Te Runanga o Arowhenua Limited - Director

Peter J Burt

Timaru District Council - Councilor
Environment Canterbury - Zone Manager South Canterbury

Statutory Information (continued)

Interest in transactions

- All transactions with Directors were entered into during the normal course of business and at normal terms and condition.

Use of company information

- During the year there were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would otherwise have been available to them.

Shareholding by directors

There are no shareholdings held by directors.

Remuneration and other benefits to directors

Timaru District Council independently chose to undertake a review of Directors fees in August 2020. The fees were last set in 2014.

	Timaru District Holdings Limited	**2021**	**2020**
Director FY2021	Ian Robert Fitzgerald (Chairman)	$47,200	$31,400
Director FY2021	Rebecca L. Keoghan (Deputy Chairperson, 26 November 2020 to present)	$26,700	$-
Director FY2021	Mark F. Rogers	$20,800	$-
Director FY2021	Richard Lyon (Deputy Chairperson 1 July 2020 to 26 November 2020)	$26,800	$18,000
Director FY2021	Peter Burt	$20,800	$-
Ceased 26 November 2020	Nigel Bowen	$7,200	$11,500
	Damon J Odey	$-	$6,200
	Richie J Smith	$-	$6,000
	Kerry M. Stevens	$-	$6,200
	Total	**$149,500**	**$79,300**

Indemnity and Insurance: Directors and Employees

Timaru District Holdings Limited

- The Company has entered into an agreement to indemnify all Directors, Company Secretary, and Executive Officer, against loss resulting from the actions which arise out of the performance of their normal duties as director or advisor.

Dividends

Net dividends of 0.06 cents per fully paid share were paid during the year.

Short term employee benefits

The company paid short term employee benefits to key management personnel of between $130,001 and $140,000 during the year.

Donations

During the year Timaru District Holdings Limited made no donations. (2020: $Nil).

Auditors' Remuneration

During the year the following amounts were payable to the auditors of the company:

Company	Audit Work	Other Services
Timaru District Holdings Limited	$25,925	$0

Independent Auditor's Report

To the readers of Timaru District Holdings Limited's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Timaru District Holdings Limited (the Company). The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 8 to 29, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 5 to 7.

In our opinion:

- the financial statements of the Company on pages 8 to 29:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2021; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards with reduced disclosure requirements; and
- the performance information of the Company on pages 5 to 7 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2021.

Our audit was completed on 29 November 2021. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the performance information

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the Company's statement of intent.

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

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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 Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 4 and 30 to 31, but does not include the financial statements and the performance information, and our auditor’s report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand