

**Timaru District Holdings Limited**

**Annual Report for the Year Ended 30 June 2018**

<b>Contents</b>	<b>Page</b>
DIRECTORY .....	2
ORGANISATIONAL STRUCTURE .....	3
CHAIRMAN'S REPORT .....	4
STATUTORY INFORMATION .....	7
PERFORMANCE INFORMATION	
Statement of Objectives and Performance.....	9
Statement of Comprehensive Income .....	12
Statement of Changes in Equity .....	13
Statement of Financial Position .....	14
Statement of Cash Flows .....	15
Statement of Accounting Policies .....	16
Notes to the Financial Statements.....	20
INDEPENDENT AUDITOR'S REPORT.....	33

## 2018 ANNUAL REPORT

The directors are pleased to present the annual report for Timaru District Holdings Limited for the year ended 30 June 2018.

On behalf of the Board:

Damon Odey  
Chairperson  
1 November 2018

Richard Lyon  
Director  
1 November 2018

## **DIRECTORY**

### **Directors**

*Damon J. Odey (Chairman)*

*Ian R. Fitzgerald (Deputy Chairman)*

*Richard L. Lyon*

*Richie J. Smith*

*Kerry M. Stevens*

### **Registered Office**

*2 King George Place  
TIMARU*

### **Postal Address**

*P O Box 522  
TIMARU  
Telephone: (03) 687 7200*

### **Auditor**

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

### **Bankers**

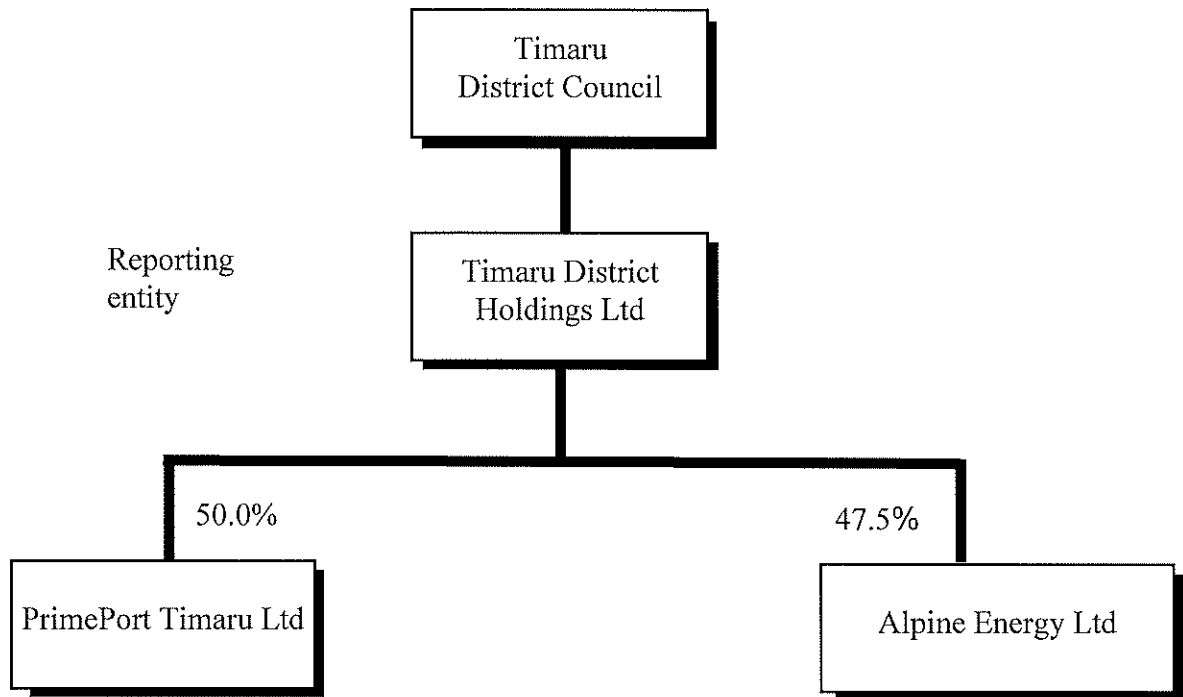
*Bank of New Zealand  
Stafford Street  
TIMARU*

*ANZ  
Riccarton Road  
CHRISTCHURCH*

### **Solicitors**

*Buddle Findlay  
CHRISTCHURCH*

# ORGANISATIONAL STRUCTURE



# TIMARU DISTRICT HOLDINGS LIMITED

## ANNUAL REPORT 2017/18

### CHAIRMAN'S REPORT

I have pleasure in presenting the Annual Report of Timaru District Holdings Limited (TDHL) for the year ended 30 June 2018.

Timaru District Council established TDHL in October 1997 with the prime objective of providing an improved level of governance on behalf of the Council in respect of investment in various companies.

In the years following TDHL divested itself of some of the companies and currently it holds investments in PrimePort Timaru Limited (PrimePort) and Alpine Energy Limited (Alpine Energy).

In 2013, TDHL reduced its shareholding in PrimePort to 50%, with the other 50% being held by Port of Tauranga. TDHL also acquired a number of commercial properties located at the port at this time. Through this alliance with the Port of Tauranga, we have seen the port flourish. PrimePort is now well positioned with a growing container trade, and able to concentrate on building the bulk trades through the Port.

PrimePort achieved a before tax profit of \$4.1 million for the year which is another strong performance. The year's results continue to reflect a strong growth in bulk trades and improved margins resulting from the business transformation.

TDHL holds 47.5% of Alpine Energy, which generated an after tax profit of \$13.9 million compared to \$13.4 million the previous year.

### FINANCIAL PERFORMANCE

TDHL's after tax operating surplus was \$14.2 million for the year ended 30 June 2018.

#### Results for the Year Ended 30 June 2018

	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<i>Operating Income</i>			
Alpine Energy Limited Dividend	4,711	4,711	4,417
PrimePort Timaru Limited Dividend	700	678	678
Property Rentals	2,054	1,800	1,869
Share of Associate Surplus	2,945	0	4,307
Investment property revaluations	5,687	0	2,234
Other	850	1,007	917
	<hr/> 16,947	<hr/> 8,196	<hr/> 14,422
Financial costs	1,565	1,329	1,555
Other Operating Expenditure	1,040	809	577
Operating Surplus	14,342	6,058	12,290
Tax charge / (benefit)	115	187	81
Net Surplus after Income Tax attributable to Shareholders	<hr/> 14,227	<hr/> 5,871	<hr/> 12,209

The principal activity of TDHL is to operate as a successful business. It does this through its own Statement of Intent negotiated each year with its sole shareholder the Timaru District Council and through its Statements of Corporate Intent negotiated with its associated entities.

One of its prime objectives is to maximise the return from, and the value of the associated trading companies to the Timaru District Council.

The directors of TDHL monitor the activities of PrimePort and Alpine Energy during the year to ensure that those companies adhere to their respective Statements of Corporate Intent.

All Statements of Corporate Intent were reviewed to ensure that they reflected the policies and objectives of the Timaru District Council, the sole shareholder of TDHL.

TDHL directors take a number of steps to keep themselves well informed of all matters relating to the activities of Alpine Energy and PrimePort, such as receiving regular reports and briefings from the governing body and executive management of the respective companies. At the same time TDHL kept its sole shareholder, Timaru District Council, informed of all matters of substance affecting the company as associate companies by way of quarterly reports to the Council.

Timaru District Holdings Limited was able to pay the forecast dividends to its shareholder and maintains a strong balance sheet.

#### **Commercial property portfolio**

TDHL owns and operates the portfolio of commercial properties located surrounding the Timaru port. These properties are utilised to compliment the activities of the port and its users. During the year this portfolio was expanded to include another significant site as well as enhancements being undertaken on a number of the buildings. TDHL also owns a commercial block of land on Evans Street (SH1) in Timaru. Future options for this site are continuously being reviewed.

<b>Property portfolio for the year ended 30 June</b>	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Rental revenue	2,054	1,869
Direct Operating expenses	632	720
<b>Contribution to Net Surplus before taxation</b>	<b>1,422</b>	<b>1,149</b>
<b>Value of Investment Property portfolio</b>	<b>39,431</b>	<b>30,704</b>

#### **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 Energy achieved another satisfactory result for the year ended 31 March 2018.

Infratec Limited, a subsidiary company within the Alpine Group, continues to grow having successfully secured projects with revenues in excess of \$20 million from New Zealand and across the South Pacific. Infratec retains a developed and mature pipeline of committed projects and opportunities.

Reliability of supply regulatory thresholds were met for the year which is important as it confirms the underlying condition of the assets and services provided.

TDHL instructed Ernst and Young to provide it with an independent valuation of its investment in Alpine Energy. This has estimated TDHL's investment to be in a range of \$86.6 to \$97.9 million, with a mid point of \$92.2 million.

The summarised results for the year are noted below. A more detailed review of Alpine Energy's performance can be found in its published Annual Report for the year ended 31 March 2018.

<b>RESULTS FOR THE YEAR ENDED 31 MARCH 2018</b>		
	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Operating Surplus Before Tax	19,362	18,677
Income Tax	(5,390)	(5,233)
<b>Net Surplus after Income Tax attributable to the Shareholders</b>	<b>13,972</b>	<b>13,444</b>

#### **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 had another successful year result wise as the Company continues to develop its infrastructure, operations for its customers and wider stakeholder group. Highlights for the year included a 14.7% increase in bulk trade volumes compared with the previous year.

The summarised results for the year are set out below. A more detailed review of the PrimePort's performance can be found in its published Annual Report for the year ended 30 June 2018.

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	22,218	18,826
Operating expenses	18,214	14,058
<b>Net Surplus before taxation</b>	<b>4,004</b>	<b>4,768</b>
Port Investment Property revaluations	93	215
Taxation	(1,108)	(1,359)
<b>Net Surplus after taxation</b>	<b>2,989</b>	<b>3,624</b>

#### **Conclusion**

The 2017/18 year has been another successful year for Timaru District Holdings Limited. Excellent results have been achieved by both PrimePort and Alpine Energy and the TDHL property portfolio is generating positive returns for the company.

Damon Odey  
Chairman

**TIMARU DISTRICT HOLDINGS LIMITED  
STATUTORY INFORMATION**

For the year ended 30 June 2018

**Directors**

Timaru District Holdings Limited  
Damon J. Odey (Chairman)  
Ian R. Fitzgerald  
Richard L. Lyon  
Richie J. Smith  
Kerry M. Stevens

**Entries made in the interests register**

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

**Damon J Odey**

Timaru District Council – Mayor  
PrimePort Timaru Limited - Director  
Parr and Co Limited – Director  
Diverse Investments Limited – Director  
The Pool and Leisure Centre Limited - Director  
Yedo Investments Limited – Director  
Parr Lift Limited – Director  
Air and Power Industrial Limited – Director  
Parr Dairy Limited – Director  
Hunter Downs Water Limited - Director

**Ian R Fitzgerald**

Burleigh Evatt – Director  
Ngai Apa kit e Ra To Investments – Chairman  
Matavai Niue Limited – Chairman  
Niue Development Bank – Chairman  
Telecom Niue – Chairman  
Public Trust – Chairman  
PrimePort Timaru Ltd – Director  
University of Waikato Council – Member  
Ministry of Foreign Affairs and Trade Audit and Risk Committee - Member  
Land Information NZ Advanced Survey and Title Services Programme Board – Member  
New Zealand Transport Agency ICT Governance Group - Member

**Richard L Lyon**

Timaru District Council – Councillor

**Richie J Smith**

Hilton Haulage Limited – Director  
Richie Smith Limited – Director  
Lands and Survey South Limited – Director  
Lands and Survey Auckland Limited – Director  
Lands and Survey Queenstown Limited - Director  
Ngai Tahu Farming Limited – Director  
Maniototo Holdings Limited – Director  
New Zealand Post Group Limited – Director  
Land and Survey Limited – Director  
Lake Tekapo Village Motel Limited – Director  
Walk On Limited - Director  
Pivot Software Limited – Director  
Puketeraki Limited – Director  
M2M NZ Limited - Director



## Kerry M Stevens

Timaru District Council – Councillor

- 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 Holdings Limited	<u>2018</u>	<u>2017</u>
Damon J Odey (Chairman)	\$31,414	\$31,414
Richard L Lyon	\$18,000	\$17,975
Richie J Smith	\$18,000	\$18,000
Ian R Fitzgerald (Deputy Chairman)	\$21,541	\$21,541
Kerry M. Stevens	\$18,000	\$9,692
Steven A Earnshaw	\$0	\$5,522
	<hr/>	<hr/>
	\$106,955	\$104,144

- 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

Interim dividends of 215.0 cents per share were paid during the year.

Having considered the solvency of the company, the directors resolved that a fully imputed final dividend of 50.0 cents per share be paid to shareholders on 31 July 2018.

## Employee's remuneration

The company does not have any employees.

## Donations

During the year Timaru District Holdings Limited made no donations. (2017: \$Nil).

## Changes in Accounting Policies

All policies have been applied on a consistent basis with the previous year.

## Auditors' Remuneration

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

<u>Company</u>	<u>Audit Work</u>	<u>Other Services</u>
Timaru District Holdings Limited	\$13,500	\$0

**STATEMENT OF OBJECTIVES AND PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

The principal activity of the company is to operate as a successful business.

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.

**Objective**

To maximise the return from, and the value of, the subsidiary and associate and joint venture trading companies to the Timaru District Council, as the shareholder in Timaru District Holdings Limited.

*Achievement:*

(i) **Alpine Energy Limited**

The Alpine Energy Group produced a steady result for the 2017/18 financial year.

<b>Performance Measure</b>	<b>Target</b>	<b>Achieved</b>
Ratio of shareholders equity to total assets	53%	50%
Ratio of net profit after tax to shareholders equity	14.7%	10.1%
Net Tangible assets per share	\$6.91	\$6.79
Earnings per fully paid share	51.9 cps	33.8 cps
Dividend per fully paid share	24.0 cps	24.0 cps

(ii) **PrimePort Timaru Limited**

PrimePort Timaru continues to grow in the changing operating environment. They achieved a strong operating surplus for the 2017/18 year..

<b>Performance Measure</b>	<b>Target</b>	<b>Achieved</b>
Return on total assets	3.83%	No
Return (after tax) on shareholders funds	5.98%	Yes
Ratio of shareholders funds to total assets	0.64	Yes
Net Tangible assets per share	\$6.16	Yes
Earnings per fully paid share	37 cps	No
Dividend per fully paid share (proposed)	0.0 cps	Yes

*Achievement:*

Returns, in the form of dividends, from Alpine Energy and PrimePort increased from the previous year.

**Objective**

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

*Achievement:*

All Statements of Intent were reviewed and considered to be in line with Timaru District Council policies and objectives.

**Objective**

To monitor the activities of the companies to ensure that the respective Statements of Intent are adhered to.

*Achievement:*

All Statements of Intent were adhered to during the year.

**Objective**

To keep the Timaru District Council 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.

**Objective**

To ensure that regular reporting of results from the associate companies occurs to the Holding Company.

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

**Objective**

To approve Statements of Intent, after reference to Council, for each of TDHL's associates through which the performance (particularly the financial performance) will be monitored, and to confer with each company on their long term strategic direction.

*Achievement:* Timaru District Holdings Limited has after reference to the Timaru District Council approved all Statements of Intent.

Timaru District Holdings Limited has been kept informed of Alpine Energy Limited's and PrimePort Timaru Limited's long term strategic direction.

**Objective**

To liaise with Alpine Energy Ltd and PrimePort Timaru Ltd and the other shareholders in these companies on the development of strategic options for the future of these companies.

*Achievement:* Timaru District Holdings Limited has held discussions with these companies regarding strategic options.

**Objective**

To make other investments that will benefit the district.

*Achievement:* During the year, an additional property was purchased at the port and significant enhancements were made to some of the buildings in the portfolio.

**Objective**

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

*Achievement:* All new leases and lease renewals during the year were reviewed to ensure commercial returns and contribution to the Port operations wherever possible. Ongoing discussions with PrimePort occurred to develop strategic plans for the port properties.

**Objective**

To achieve a Return on Investment of at least 7% on the leasable port property portfolio and ensure that all lease renewals are completed in a timely manner.

*Achievement:* Average return for the leasable port properties exceeded 8%. All lease renewals were completed in a timely manner.

**Objective**

To continue debt reduction subject to no major investments being undertaken.

*Achievement:* Loans of \$3.0 million were repaid during the year. A new loan for \$2.0million was drawn towards the purchase on a new property.

### Timaru District Holdings Limited performance targets

<b>Performance Targets (excluding asset revaluations and before associates included)</b>	<b>Target</b>	<b>Actual</b>
Net profit after tax to shareholders funds	10.25%	17.29%
Net tangible assets per share	\$57.19	\$65.32
Earnings per fully paid share	\$5.87	\$11.29
Dividends paid per full paid share	\$2.65	\$2.65
Shareholder funds to total assets	65.84%	62.83%

# Timaru District Holdings Limited

## Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 \$000	2017 \$000
<b>Revenue</b>			
Dividends			
Alpine Energy Limited		4,711	4,417
PrimePort Timaru Limited		700	678
Interest		114	132
Subvention Income			
Timaru District Council interest on loan		736	785
Property rentals	2	2,054	1,869
Investment property revaluations		5,687	2,234
Share of Associate Surplus	8	2,945	4,307
		<u>16,947</u>	<u>14,422</u>
<b>Expenses</b>			
Operational expenses	1	937	941
Interest on Timaru District Council loan		736	785
External finance costs		829	770
Loss/(gain) on changes in fair value of derivative financial instruments		(147)	(364)
Impairment of financial assets		250	0
Depreciation		0	0
		<u>2,605</u>	<u>2,132</u>
<b>OPERATING SURPLUS/(DEFICIT) BEFORE TAX</b>		<b>14,342</b>	<b>12,290</b>
Tax Expense/(Benefit)	3	<u>115</u>	<u>81</u>
<b>OPERATING SURPLUS/(DEFICIT) AFTER TAX</b>		<b>14,227</b>	<b>12,209</b>
<i>Operating Surplus/ (Deficit) attributable to:</i>			
Timaru District Holdings Limited		14,227	12,209
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><u>14,227</u></u>	<u><u>12,209</u></u>
<i>Total Comprehensive Income attributable to:</i>			
Timaru District Holdings Limited		14,227	12,209

The accompanying accounting policies and notes form part of these financial statements.

**Timaru District Holdings Limited**  
**Statement of changes in Equity**  
For the year ended 30 June 2018

	2018 \$000	2017 \$000
Total Comprehensive income	14,227	12,209
Dividends declared	(2,650)	(2,600)
Transaction with owners	(2,650)	(2,600)
Equity at the beginning of year	88,962	79,353
<b>Equity at end of year</b>	<b>100,539</b>	<b>88,962</b>

*The accompanying accounting policies and notes form part of these financial statements.*

# Timaru District Holdings Limited

## Statement of Financial Position

As at 30 June 2018

	Notes	2018 \$000	2017 \$000
<b>EQUITY</b>			
Share capital	4	1,000	1,000
Retained Earnings	4	99,539	87,962
<b>Total Equity</b>		<u>100,539</u>	<u>88,962</u>
REPRESENTED BY:			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	534	980
Other financial assets	6	1,500	2,000
Receivables and Prepayments	5	2,754	2,763
Taxation refund		0	0
Inventories		0	0
<b>Total current assets</b>		<u>4,788</u>	<u>5,743</u>
<b>Non current assets</b>			
Other financial assets	6	0	250
Future tax benefits	3	0	0
Property, plant and equipment		0	0
Investment properties	7	39,431	30,704
Investments in associates	8	95,076	92,131
<b>Total non current assets</b>		<u>134,507</u>	<u>123,085</u>
<b>Total assets</b>		<u>139,295</u>	<u>128,828</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and accruals	10	931	1,009
Taxation payable		121	6
Derivative financial instruments		295	249
Current portion of term loans	11	0	0
<b>Total current liabilities</b>		<u>1,347</u>	<u>1,264</u>
<b>Non current liabilities</b>			
Term loans	11	37,080	38,080
Derivative financial instruments		329	522
<b>Total non current liabilities</b>		<u>37,409</u>	<u>38,602</u>
<b>Total liabilities</b>		<u>38,756</u>	<u>39,866</u>
<b>NET ASSETS</b>		<u>100,539</u>	<u>88,962</u>

For and on behalf of the Board

Damon Odey  
Chairman  
1 November 2018

Richard Lyon  
Director  
1 November 2018

*The accompanying accounting policies and notes form part of these financial statements.*

# Timaru District Holdings Limited

## Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 \$000	2017 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from customers		2,027	1,809
Subvention receipt		0	0
Dividends received		5,294	4,937
Interest received		132	137
		<u>7,453</u>	<u>6,883</u>
Cash was disbursed to:			
Payments to suppliers and employees		745	945
Taxes and Subvention payments		0	0
Interest Paid		800	770
GST (net)		164	136
		<u>1,709</u>	<u>1,851</u>
<b>Net cash inflow/(outflow) from operating activities:</b>	12	<u>5,744</u>	<u>5,032</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds from sale of fixed assets		0	0
Proceeds from sale of investment property		0	0
Proceeds from realisation of investments		500	1,950
		<u>500</u>	<u>1,950</u>
Cash was applied to:			
Purchase of fixed assets		3,040	6,296
Purchase of investments		0	109
		<u>3,040</u>	<u>6,405</u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(2,540)</u>	<u>(4,455)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was provided from:			
Issue of shares		0	0
Proceeds from term loan		2,000	6,000
		<u>2,000</u>	<u>6,000</u>
Cash was applied to:			
Dividends paid		2,650	2,600
Repayment of loans		3,000	3,000
		<u>5,650</u>	<u>5,600</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(3,650)</u>	<u>400</u>
Net increase in cash held		(446)	977
Add opening cash		980	3
<b>Closing cash balance</b>		<u>534</u>	<u>980</u>
Made up of:			
Cash and cash equivalents		534	980
<b>Closing cash balance</b>		<u>534</u>	<u>980</u>

The accompanying accounting policies and notes form part of these financial statements.



## **TIMARU DISTRICT HOLDINGS LIMITED STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2018**

### **Reporting entity**

Timaru District Holdings 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 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 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. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards (IFRS). The company is a Tier 2 reporting entity. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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.

### **Measurement base**

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed.

### **Accounting policies**

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied:

#### **Associate companies**

These are companies in which Timaru District Holdings Limited has a significant influence over commercial and financial policy decisions.

Timaru District Holdings Limited holds a 50% shareholding in PrimePort Timaru Limited and a 47.50% shareholding in Alpine Energy Limited, and participates in their commercial and financial policy decisions. The investments are included in the parent entity at cost less any impairment losses.

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.

#### **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 are recorded inclusive of any GST.

#### **Revenue**

Revenue from the rendering of services is recognised in the profit or loss at the completion of transactions at balance date. Revenue from sale of goods is recognised when ownership is transferred. Rental and sub-lease income is recognised on a straight line basis over the term of the lease.

No revenue is recognised if there are significant uncertainties regarding recovery of consideration due.

Dividends are recognised net of imputation credits when the right to receive payments has been established.

### **Expenses**

Operating lease payments are recognised in the profit or loss on a straight line basis over the term of the lease.

All borrowing costs, except for those relating to a qualifying asset, are recognised as an expense in the period they are incurred using the effective interest rate method.

### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current tax and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income respectively.

### **Cash and cash equivalents**

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.

### **Accounts receivable**

Accounts receivable are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.

### **Investments**

Investments, including those in associate companies, are stated at cost less any impairment losses. Any decreases are recognised in the profit or loss.

### **Investment properties**

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.

**Non Current assets intended for Sale**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction within the next financial year. Non-current assets 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.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

**Accounts Payable**

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

**Provisions**

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and the risks specific to the liability.

**Financial instruments**

The company is party to non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, debtors, prepayments, creditors and loans. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the profit or loss.

Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

The company uses derivative financial instruments to hedge its exposure to interest rate risks arising from its activities. Derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised in the profit or loss.

The fair value of interest derivatives is based on market factors the issuer believes to be relevant and in accordance with their policies.

Financial instruments are recognised once the company becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised once the contractual rights expire or are transferred to another party without retaining control or substantially all risks or rewards of ownership associated with the instruments. Fair values are determined at balance date when required.

**Leases**

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset. Financial leases are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum base payments. The amount recognised as an asset is depreciated over its useful life.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line based over the term.

**Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less any transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest rate. Except for borrowing costs that are capitalised on qualifying assets with a commencement date on or after 1 January 2009, all other borrowing costs are recognised as an expense in the period in which they are incurred. A qualifying asset is defined as a

separate asset where the construction period exceeds twelve months and costs in excess of one million dollars.

### **Impairment**

The carrying amount of the company's assets are reviewed each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. If the estimated recoverable amount of an asset not carried at devalued amount, is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss.

For revalued assets the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in profit or loss. Estimated recoverable amount of receivables is calculated as the present value of estimated cash flows discounted at their original effective interest rate. Receivables with short duration are not discounted. Other assets estimated recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

For assets not carried at revalued amount, the reversal of an impairment is recognised in the profit or loss.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in profit or loss, a reversal of the impairment loss is recognised in profit or loss.

### **Statement of cash flows**

*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.

*Operating activities* include cash received from all income sources of the company and records the cash payments made for the supply of goods and services.

*Investing activities* are those activities relating to the acquisition and disposal of non-current assets.

*Financing activities* comprise the change in equity and debt capital structure of the company. Dividends paid are included in financing activities. Loans raised and paid are netted off when they are part of the rollover of money market borrowings covered in the company's long-term finance facilities.

The GST component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

### **Critical accounting estimates and assumptions**

In preparing these financial statements, Timaru District Holdings Limited has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

### **Changes in accounting policies**

All policies have been applied on a consistent basis with the previous year.

**TIMARU DISTRICT HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED**  
**30 JUNE 2018**

**Note 1: Operational expenses**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Directors' fees	107	104
Audit fees - annual accounts audit	14	14
- Other	0	0
Operating lease costs	0	0
Holding company operating costs	816	817
Bad debts written off	0	6
Donations	0	0
	<b>937</b>	<b>941</b>

**Note 2: Property rentals**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Investment property rentals	2,054	1,869
	<b>2,054</b>	<b>1,869</b>

Yields currently range from 5.6 – 14.8% on freehold land value determined at the time of rent review for investment land leases. Ground lease terms and conditions vary widely with a number of perpetually renewable leases. Rent review terms also vary between 1 year to 21 years. Direct operating expenses related to investment properties amounts to \$632,118 (2017: \$720,351). Included in these figures are \$89,272 (2017: \$52,440) of direct operating expenses arising from investment property that did not generate rental income during the year.

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Operating lease receivables		
Non cancellable operating lease receivables		
Not later than one year	2,021	1,377
Later than one year but not later than 2 years	1,844	1,087
Later than 2 years but not later than 5 years	3,142	1,858
Later than 5 years	23,857	6,243
	<b>30,864</b>	<b>10,565</b>

**Note 3: Taxation**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Surplus/(deficit) before taxation	14,342	12,290
Prima facie taxation at 28%	4,016	3,441
Plus/(less) taxation effect of:		
Non taxable income	(3,932)	(3,258)
Non taxable expenditure	31	(102)
Prior period adjustment	0	0
Tax expense/ (Benefit)	<u>115</u>	<u>81</u>

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Comprising:		
Current tax	0	0
Deferred tax	115	81
Prior Period adjustment	0	0
	<u>115</u>	<u>81</u>

Future tax benefit /(deferred taxation)		
Opening balance	(6)	75
Temporary Differences		
Long Term assets	0	0
Employee entitlements	0	0
Prior period adjustment	0	0
Others	115	81
Closing balance	<u>(121)</u>	<u>(6)</u>

Future tax benefit /(deferred taxation) is represented by:

Long Term assets	0	0
Employee entitlements	0	0
Tax losses	(121)	(6)
Others	0	0
Closing balance	<u>(121)</u>	<u>(6)</u>

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Imputation credit account		
Balance as at 1 July	11,592	10,683
Credits attached to dividends received	2,059	1,920
Credits attached to dividends paid	(1,031)	(1,011)
Income tax payments	0	0
Income tax refunds	0	0
Balance at 30 June	<u>12,620</u>	<u>11,592</u>

#### Note 4: Equity

##### ◇ (a) Share capital

	2018 \$000	2017 \$000
Opening balance	1,000	1,000
Issues during the year	0	0
<b>Balance at 30 June</b>	<b>1,000</b>	<b>1,000</b>

At 30 June 2018 the company has issued 1,000,000 shares which are fully paid, and 18,550,000 shares at an issue price of \$1.35 per share. Calls to date on these 18,550,000 shares amount to \$185.50. All ordinary shares carry equal voting rights and the right to share in any surplus on winding up of the company. None of the ordinary shares carry fixed dividend rights.

##### ◇ (b) Retained earnings

	2018 \$000	2017 \$000
Retained earning at 1 July	87,962	78,353
Net operating surplus/(deficit)	14,227	12,209
Dividends Declared	(2,650)	(2,600)
<b>Retained earnings at 30 June</b>	<b>99,539</b>	<b>87,962</b>

As at 30 June 2018, no dividends have been declared that have not yet been paid (2017: \$nil).

#### Note 5: Receivables and prepayments

	2018 \$000	2017 \$000
Trade debtors	101	194
Prepayments	32	17
	<b>133</b>	<b>211</b>
Amount owing by Timaru District Council	736	785
Amount owing by associates	1,885	1,767
<b>Total receivables and prepayments</b>	<b>2,754</b>	<b>2,763</b>

Trade debtors are non-interest bearing and receipt is normally on 30 day terms, therefore their carrying value approximates their fair value.

Trade debtors are shown net of impairment losses arising from the likely non-payment of a small number of customers. As at 30 June 2018 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables for the company is as follows:

	2018			2017		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due – under 30 days	2,716	0	2,716	2,734	0	2,734
Past due – 30 to 60 days	26	0	26	15	0	15
Past due – 60 to 90 days	12	0	12	12	0	12
Past due – over 90 days	0	0	0	2	0	2
	<u>2,754</u>	<u>0</u>	<u>2,754</u>	<u>2,763</u>	<u>0</u>	<u>2,763</u>

The provision for impairment has been determined on an analysis of bad debts in previous periods and review of specific debtors. The movement in the provision for impairment is as follows:

	2018 \$000	2017 \$000
Balance as at 1 July	0	0
Additional provisions made during the year/(provisions released)	0	0
Trade debtors written off during period	0	0
	<u>0</u>	<u>0</u>

#### Note 6: Cash and cash equivalents and other financial assets

	2018 \$000	2017 \$000
<b>Cash and cash equivalents</b>		
Cash	534	980
Short term investments	0	0
	<u>534</u>	<u>980</u>

	2018 \$000	2017 \$000
<b>Other financial assets</b>		
Short term investments	1,500	2,000
Investment in Hunter Downs Irrigation – non current	0	250
	<u>1,500</u>	<u>2,250</u>

Other financial assets are short term deposits with terms over 90 days. The carrying amount of short term deposits approximates their fair value. During the year, the investment in Hunter Downs Irrigation was fully impaired. There were no impairment provisions for the short term investments.



## Note 7: Investment Property

### Investment Properties

	2018	2017
	\$000	\$000
Opening balance	30,704	22,174
Revaluation	5,687	2,234
Write offs – demolitions	0	0
Sales	0	0
Purchases	3,040	6,296
	<u>39,431</u>	<u>30,704</u>
Land at valuation	35,852	28,871
Building at valuation	3,579	1,833
	<u>39,431</u>	<u>30,704</u>

Investment property held by the company was independently valued as at 30 June for the 2018 financial year by Ian Fairbrother VP (Urban) FNZIV, FPINZI, a registered valuer 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.

### Note 8: 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.

#### PrimePort Timaru Ltd

Principal activity: Port operator  
Ownership: 50.0% (2017: 50.0%)  
Balance date: 30 June

#### Results of Associate

	2018	2017
	\$000	\$000
Share of Operating Surpluses before tax	2,049	2,492
Taxation	(554)	(680)
Share of Operating Surplus	1,495	1,812
Share of Other Comprehensive Income	287	647
Share of Total Recognised Revenues and Expenses	<u>1,782</u>	<u>2,459</u>

Interest in Associate

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Balance at Beginning of Year	25,573	23,792
Fair value at time of recognition	0	0
Recognised Revenues and Expenses	1,782	2,459
Dividends	(700)	(678)
Balance at End of Year	<u>26,655</u>	<u>25,573</u>
Movements in Reserves		
Share of Recognised Revenues and Expenses	<u>1,782</u>	<u>2,459</u>
	1,782	2,459
Dividends Paid	<u>(700)</u>	<u>(678)</u>
Share of Retained Surpluses	<u>1,082</u>	<u>1,781</u>

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

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Current Assets	7,656	5,622
Non Current Assets	73,803	75,147
Current Liabilities	4,303	1,905
Non Current Liabilities	23,088	27,000
Revenues	22,218	18,826
Profit or loss from continuing operations	2,989	3,624
Other Comprehensive Income	575	1,293
Total Comprehensive Income	3,564	4,917

**Alpine Energy Ltd**

Principal activity: Electricity Distribution

Ownership: 47.50% (2017: 47.50%)

Balance date: 31 March

Results of Associate

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Share of Operating Surpluses before tax	9,197	8,872
Taxation	(2,560)	(2,486)
Share of Operating Surplus	<u>6,637</u>	<u>6,386</u>
Revaluation Reserve movements	(63)	557
Share of Total Recognised Revenues and Expenses	<u>6,574</u>	<u>6,943</u>

Interest in Associate

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Balance at Beginning of Year	66,558	64,032
Recognised Revenues and Expenses	6,574	6,943
Dividends	(4,711)	(4,417)
Balance at End of Year	<u>68,421</u>	<u>66,558</u>
<b>Movements in Reserves</b>		
Share of Recognised Revenues and Expenses	<u>6,574</u>	<u>6,943</u>
	6,574	6,943
Dividends Paid	<u>(4,711)</u>	<u>(4,417)</u>
Share of Retained Surpluses	<u>1,863</u>	<u>2,526</u>

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

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Current Assets	18,955	17,795
Non Current Assets	266,577	237,053
Current Liabilities	17,120	22,045
Non Current Liabilities	128,121	96,434
Revenues	93,338	63,655
Profit or loss from continuing operations	13,972	13,444
Other Comprehensive Income	(132)	1,173
Total Comprehensive Income	13,840	14,617

Dividends of \$4,593,609 were received during the year including \$1,766,772, which related to 2017. A further \$1,884,558 was receivable at the end of the year.

An independent valuation of the Shares in Alpine Energy Limited was undertaken by Ernst and Young as at 31 March 2018. This valuation assessed the value of 100% of the shares in Alpine Energy Limited to be in the range of \$182.4 million to \$206.1 million as at 31 March 2018. Based on this valuation, Ernst and Young also provided a Fair Value of a 47.5% shareholding in Alpine Energy Limited as at 31 March 2018 to Timaru District Holdings Limited which was in the range of \$86.6 million to \$97.9 million, with a mid point of \$92.2 million.

**Note 9: Bank overdraft**

There is no bank overdraft facility in place, although a borrowing facility is in place that can be drawn upon at any time.

**Note 10: Payables and accruals**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Trade creditors and accruals	134	91
Interest payable	748	796
Revenue in advance	49	122
Dividends payable	0	0
Directors fees payable	0	0
<b>Total payables and accruals</b>	<u><b>931</b></u>	<u><b>1,009</b></u>

Trade creditors are non-interest bearing and are normally settled on a 30 day basis, therefore the carrying value approximates their fair value.

**Note 11: Term loans**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Commercial Bills	14,900	15,900
Loans from Timaru District Council	22,180	22,180
Other loans	0	0
	<u>37,080</u>	<u>38,080</u>
Less current portion	0	0
	<u><b>37,080</b></u>	<u><b>38,080</b></u>

**Effective Interest rates**

Loans from Timaru District Council	3.23% to 3.38% (2017: 3.36% to 3.79%)
Wholesale Money Market	2.63% to 2.86% (2017: 2.65% to 3.02%)

Wholesale money market borrowing of \$11,500,000 is on fixed interest rates. The fixed term borrowings are for up to a 4 year term remaining at interest rates of between 5.26% and 5.47%. The average interest rate on wholesale money market borrowings at year end is 4.84%.

Loans from Timaru District Council have no fixed repayment terms.

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

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Less than one year	3,000	0
One to two years	8,500	3,000
Three to four years	0	8,500
Four to five years	0	0
Greater than 5 years	0	0

**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.

**Liquidity Risk**

Liquidity risk is the risk that the company will have difficulty raising funds to meet commitments as they fall due. The company's short term liquidity is managed by ensuring that there are sufficient committed financing facilities to cover at least \$1 million in excess of anticipated peak borrowing requirement as determined by cashflow forecasts. The maximum amount that can be drawn against borrowing facilities is \$19 million (2017: \$19 million).

**Note 12: Reconciliation of net surplus/(deficit) after taxation with net cash flow from operating activities**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Net surplus/(deficit) after taxation	14,227	12,209
Associated entity surpluses	(2,945)	(4,307)
	<u>11,282</u>	<u>7,902</u>
<i>Add/(less) non-cash items:</i>		
Depreciation	0	0
Impairment loss	250	0
Loss/(gain) on fair value of derivatives	(147)	(364)
Increase/(decrease) in deferred taxation	115	81
	<u>218</u>	<u>(283)</u>
	<u>11,500</u>	<u>7,619</u>
<i>Add/(less) items classified as investment activity:</i>		
(Gain) on fair value of Investment property	(5,687)	(2,234)
<b>Total investing activity items</b>	<u>(5,687)</u>	<u>(2,234)</u>
<i>Add/(less) movements in working capital items:</i>		
(Increase)/decrease in receivables and prepayments	9	(128)
(Increase)/decrease in inventories	0	0
Increase/(decrease) in payables and employee entitlements	(78)	(225)
Increase/(decrease) in provisions	0	0
<b>Working capital movement – net</b>	<u>(69)</u>	<u>(353)</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<u><b>5,744</b></u>	<u><b>5,032</b></u>

**Note 13: Contingent assets and liabilities**

No contingent assets or contingent liabilities exist at balance date for Timaru District Holdings Limited (2017: Nil)

PrimePort Timaru Limited has a contingent liability of \$1.85 million (2017: \$1.85 million) relating to the Seabourn Encore cruise liner, which broke its mooring and collided with the Milburn Carrier II at PrimePort on 12 February 2017. Any reimbursement is fully insured.

Alpine Energy Limited group has contingent liabilities as at 31 March 2018 of \$9,106,474 in the form of performance and import guarantees to cover ongoing project work (2017: \$8,627,480)

**Note 14: Commitments**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Equity commitments</b>	0	0
<b>Capital commitments</b>	0	0

<b>Non-cancellable Operating lease commitments</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
Less than one year	0	0
One to two years	0	0
Two to five years	0	0
Over five years	0	0
<b>Total commitments</b>	<b>0</b>	<b>0</b>

**Note 15: Related parties transactions**

Timaru District Holdings Limited, PrimePort Timaru Limited and Alpine Energy Limited are considered to be related parties of Timaru District Council.

**Related party transactions and balances**

<b>Shareholder</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
Services provided to Timaru District Council	736	786
Services received from Timaru District Council	915	949
Rates paid to Timaru District Council	290	208
Amounts owing to Council (interest)	736	785
Amounts owing to Council (other)	69	30
Loan owing to Council	22,181	22,181
Amounts receivable from Council	736	785

Timaru District Holdings Limited paid dividends of \$2,650,000 to Timaru District Council during the year (2017: \$2,600,000).

Remuneration paid to Timaru District Holdings Limited key management personnel totalled \$106,954 (2017: \$104,144). Key management personnel are directors.

The amounts owing to associates are disclosed in Note 10. The amounts receivable from associates are disclosed in Note 5.

Timaru District Holdings Limited is a wholly owned subsidiary of the Timaru District Council.

**Parties Associated with Directors**

No directors or senior management have entered into related party transactions with the company. No related party debts have been written off or forgiven during the year.

**Associated Entities**

**Alpine Energy Limited**

	<b>2018 \$000</b>	<b>2017 \$000</b>
Services provided to associate by Timaru District Council	29	20
Services provided by associate to Timaru District Council	1,323	571
Amounts owing by associate to Timaru District Council	1	1
Amounts owing by Timaru District Council	32	20

## PrimePort Timaru

	2018 \$000	2017 \$000
Services provided to associate by Timaru District Council	43	20
Services provided by associate to Timaru District Council	0	0
Amounts owing by associate to Timaru District Council	0	0
Amounts owing by Timaru District Council	0	0
Services provided to associate by Timaru District Holdings Ltd	59	58
Services provided by associate to Timaru District Holdings Ltd	0	0
Amounts owing by associate to Timaru District Holdings Ltd	3	4
Amounts owing by Timaru District Holdings Ltd	0	0

### Note 16: Financial instruments

Timaru District Holdings Limited is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, trade creditors, shares in associate companies, and loans.

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.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return on investments.

The weighted average interest rate on the company's investment is:

		2018	2017		
Short term deposits		3.63%	3.06%		
Repricing maturities (\$000)	<b>Less than 6 mths</b>	<b>6-12 mths</b>	<b>1-2 yrs</b>	<b>2-5 yrs</b>	<b>Total</b>
Short term deposits	1,500	0	0	0	1,500

The directors do not consider there is any significant exposure to interest rate risk on its investments.

Term loan liabilities are shown in note 11.

The company has variable rate long term borrowings to fund ongoing activities. Swaps have been entered to manage interest rate fluctuation risks. The principal or contract amounts of interest rate swaps outstanding as at 30 June are as follows:

<b>Interest rate swaps</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
One to two years	3,000	0
Two to three years	8,500	3,000
Three to four years	0	8,500
Four to five year	0	0
Greater than five years	0	0

The carrying value of the financial assets and liabilities are recorded at estimated fair value as described in the accounting policies and notes. The Mark to Market valuation is determined by the bank at the close of business at balance date.

### **Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

### **Cash flow hedging**

Cash flow hedges cover:

Foreign exchange – No significant foreign exchange transactions took place in the financial year.

Interest rate swaps – managing interest rate risks up to 3 years with the impact of the hedge taken up in the profit or loss as they occur.

Interest rate swaps are taken up to lock in interest rates over future periods avoiding interest rate fluctuations.

### **Credit Risk**

Credit risk is the risk that a third party will default on its obligation to the company causing the company to incur a loss.

Financial instruments, which potentially subject the company to risk, consist principally of cash and short-term investments and trade receivables.

The company invests in high credit quality financial institutions, local and government stock and limits the amount of credit exposure to any one financial institution. Accordingly, the company does not require any collateral or security to support financial instruments with organisations it deals with.

## **Note 17: Financial assets and liabilities**

### Fair Value

The company carries certain financial assets and financial liabilities at fair value. In accordance with NZ IFRS 13 – Fair Value Measurement, the company uses various methods in estimating the fair value of its financial instruments. The methods comprise:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value measurement of Investment Properties is Level 3 as per Note 7.



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

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<u>Loans and Receivables</u>		
Cash and cash equivalents	534	980
Other financial assets – short term deposits	1,500	2,000
Receivables and prepayments	2,754	2,763
Total financial assets	<u>4,788</u>	<u>5,743</u>
<u>Financial liabilities at amortised cost</u>		
Payables and accruals	931	1,009
Term loans	37,080	38,080
Total financial liabilities	<u>38,011</u>	<u>39,089</u>

**Note 18: 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 operate 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.

**Note 19: Local Government Act 2002 Requirements**

Section 67 of the Local Government Act 2002 requires council controlled organisations to adopt its annual report within three months after the end of the financial year. The 2018 annual report was adopted on 1 November 2018.

