



TDHL

Timaru District Holdings Ltd

Delivering Prosperity

Statement of Intent 2023/2024

www.tdhl.co.nz

Statement of Intent

1. Introduction

Timaru District Holdings Limited (TDHL) is a council-controlled organisation as defined by Section 6 of the Local Government Act 2002 (the Act). Accordingly, this Statement of Intent is prepared in accordance with section 64(1) of the Act.

This Statement of Intent sets out TDHL's strategic framework and the resulting activity and financial performance measures by which the performance of TDHL can be judged in accordance with the statutory requirements of Part 2 of Schedule 8 of the Act. It applies to the period 1 July 2023 to 30 June 2024 and the following two financial years.

TDHL was incorporated on 29 October 1997 as a 100% owned subsidiary of the Timaru District Council. Its purpose is to manage and grow an investment portfolio that provides a sustainable intergenerational return and is aligned with the values of the Shareholder.

The initial cornerstone assets were the shareholding in PrimePort Timaru Limited and Alpine Energy Limited which TDHL purchased off Timaru District Council. These remain key investments for TDHL forming intergenerational assets held in the interest of ensuring the community is provided with value add infrastructure.

Alpine Energy owns and manages infrastructure to provide secure reliable electricity supply in South Canterbury. PrimePort owns and operates the port, cargo and marine services along with facilities that support and enable the growth of our local economy through its connection to world markets.

TDHL also owns an industrial and commercial property portfolio which it actively manages. The purpose of this portfolio is to provide a commercial return and support the capacity of the Port. In addition, TDHL owns a smaller portfolio of property aimed at supporting wider economic investment.

2. Purpose of TDHL

In addition to the requirements of s59 of the Act, the core purpose of TDHL is set out below. This reflects an approach focused on generating a financial return for our principal shareholder.

Core Purpose

To manage and grow an investment portfolio that provides a sustainable intergenerational return and is aligned to the values of the Shareholder

3. TDHL Vision

This is an aspirational goal that reflects the future state TDHL seeks to attain.

Vision

To be a successful and diversified regional investment company

4. TDHL Values

The values below set out the principles by which TDHL will go about achieving its purpose and vision

We are Collaborative

TDHL will work closely alongside its stakeholders, supporting their success and enhancing their reputation

We are Agile

TDHL will be nimble and move quickly to respond to the needs of its stakeholders and capitalise on new opportunities

We are Intergenerational

TDHL will take a sustainable and long-term view to the commercial and financial management of its investments

We have Integrity

TDHL will act with clear intent, honesty in all it does to maintain the trust and respect it holds with its stakeholders.

We have Commercial Discipline

TDHL will foster an innovative and proactive corporate culture that creates opportunities while delivering on operational and regulatory obligations

5. Strategic Priorities

The Strategic Priorities are our areas of key focus. By successfully concentrating on these priorities, we will remain focused on our Core Purpose. They are structured to reflect the nature of our operations (intergenerational investment, property, new investments and diversification) and the core purpose of TDHL (providing a return to the Shareholder), all of which is underpinned by our approach (investing in relationships and partnerships). This approach reflects the importance we place on preserving our most valuable asset – our relationship with Council. This is supported by a ‘No Surprises Approach’ whereby TDHL is committed to keeping the Council informed of material matters at all times.

Intergenerational Investments

Ensuring our intergenerational investments (PrimePort and Alpine) are well governed, meet the needs of our community, and provide a sustainable return.



Property Portfolio

Manage and grow a property portfolio in a profitable manner that complements our associate investments and our Shareholder's strategic priorities.



New Investments and Diversification

Pursue new and diverse investments that will grow the business.



Providing Shareholder Return

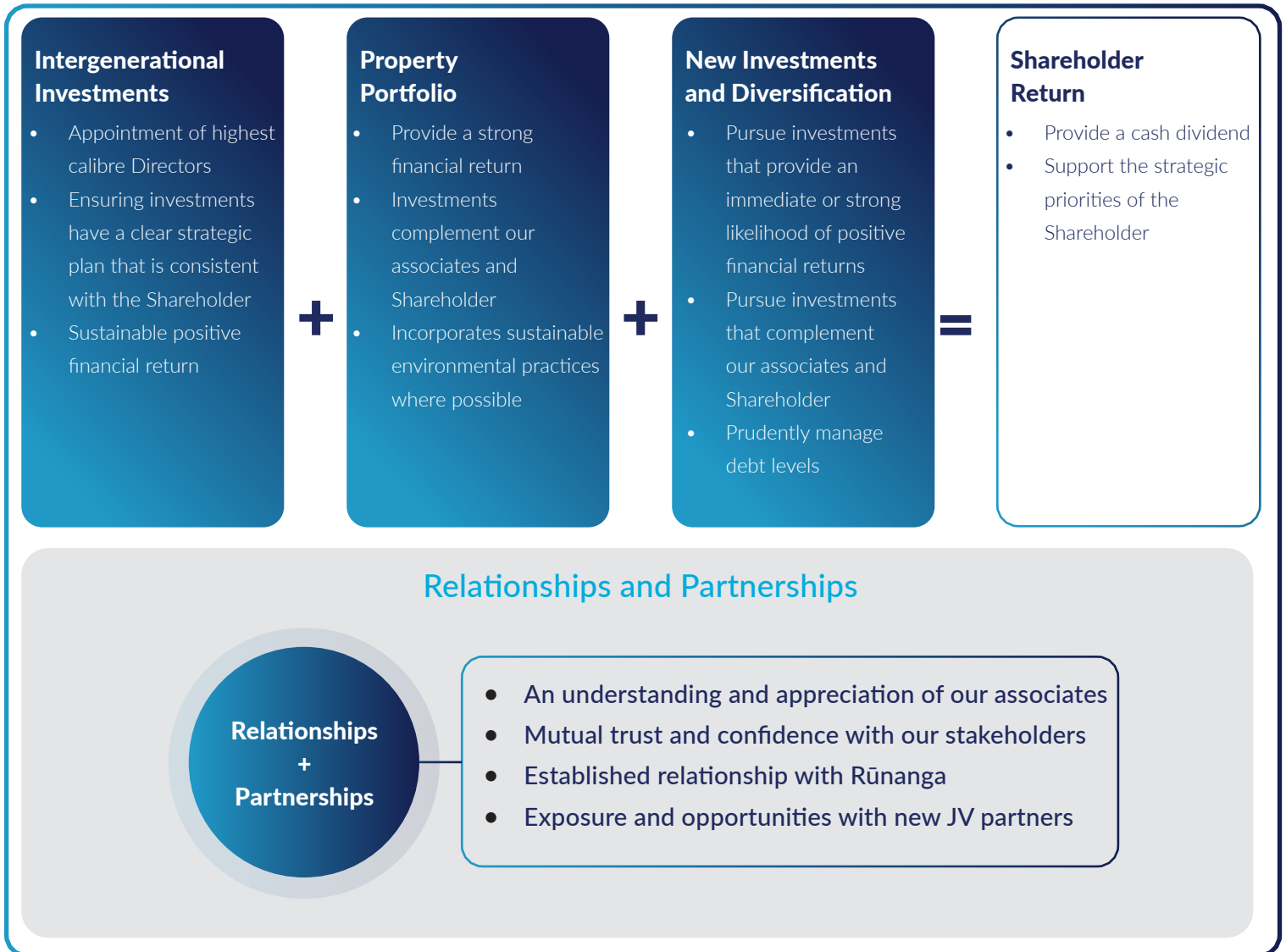
First and foremost, to provide the Shareholder with a sustainable cash dividend and under specific circumstances support projects that align with the Shareholder's Strategic Priorities.

Relationships + Partnerships

Ensuring we invest time and effort into the relationships with our shareholder, joint venture partners, associates and future investment partners. Ensuring we are aligned to our shareholder's Long Term Plan.

6. Objectives and Outcomes

The Outcomes are the long-term results of focusing on each Strategic Priority and provide more granular detail to support the strategic priorities.



The property investments that complement our shareholder and the support of the strategic priorities of our shareholder shall be considered to the extent that they are commercially viable, clearly articulated by the shareholder, and does not inhibit reinvestment or the dividend.

7. Specific Activity and Financial Performance Targets for 2023/24

The Specific Performance Targets are set annually and are designed to support the Strategic Outcomes based on the more granular Outcomes.



For the 2023/24 year, TDHL expects to have a net profit of \$0.86M excluding valuations and share of associate surpluses and to pay an ordinary dividend of \$1m. The dividend is forecast to remain at \$1m for subsequent years.

Performance Targets

	2021/22 Actuals	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget
EBITDA (excluding revaluations)	3,908,000	3,696,151	3,080,421	3,253,451	3,511,141
Net Profit After Tax to S/H funds (ROE)	2.0%	2.08%	1.63%	1.74%	1.92%
Net tangible assets per fully paid share	4.82	4.87	4.87	4.87	4.88
Earnings per fully paid share	0.10	0.10	0.08	0.08	0.09
Dividends per fully paid share	0.03	0.03	0.03	0.03	0.03
Shareholder funds to total assets	85%	83%	83%	82%	81%

8. Financial Forecasts

The financial forecasts are based on estimated revenue flows and estimated capital structures.

Profit and Loss summary

	2021/22 Actuals	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget
Summary					
Gross Profit from Property	2,214,601	2,395,268	2,365,381	2,545,279	2,873,840
Other Revenue	2,427,848	2,183,533	1,942,280	1,942,280	1,942,280
Total Gross Profit	4,642,449	4,578,801	4,307,661	4,487,559	4,816,120
Expenses	666,471	882,650	1,227,240	1,234,108	1,304,979
Interest	718,537	1,581,612	2,185,029	2,217,979	2,151,464
Net Profit	3,257,440	2,114,539	895,392	1,035,472	1,359,677

Balance Sheet Summary

	2021/22 Actuals	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget
Total Equity	149,476,536	151,091,075	150,986,467	151,021,939	151,381,616
Current Assets	5,188,140	5,642,061	1,127,058	898,644	971,647
Current Liabilities	1,312,621	1,103,961	1,142,424	1,148,539	1,161,861
Total Non-Current Assets	169,781,631	176,933,588	180,741,580	183,311,581	185,511,577
Total Non-Current Liabilities	24,180,613	30,380,613	29,739,747	32,039,747	33,939,747
Net Assets	149,476,536	151,091,075	150,986,467	151,021,939	151,381,616

9. Reporting to a Shareholder

The following information will be available to Council:

Information	Quarterly	Half Yearly	Annually	
	Within 2 months of the end of quarter	Within 2 months of the first six months	(Unaudited) Within 2 months of the end of financial year	(Audited) Within 3 months of the end of financial year
Statement of Revenue and Expense disclosing actual revenue and expenditure including a comparison of actual against budget	✓	✓	✓	✓
Statement of Changes in Equity	✓	✓	✓	✓
Statement of Financial Position	✓	✓	✓	✓
Cashflow Statement	✓	✓	✓	✓
<p>Commentary</p> <p>The results for the quarter, together with a report on the outlook for the following quarter with reference to any significant factors that are likely to affect performance, include an estimated forecast of the financial results for the year based on that outlook.</p>	✓	✓	✓	✓
<p>Notice of dividends</p> <p>Notice of and the reasons for any material changes to the dividend payments.</p>	✓	✓	✓	✓
<p>Directors' report</p> <p>Including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividends.</p>				✓
<p>Auditor's report</p> <p>On the above statements and the measurement of performance in relation to objectives.</p>				✓
Statement of Intent (Draft)				1 March
Statement of Intent (Final)				30 June

10. Nature and Scope of Activities to be Undertaken

TDHL's business is that of an investor for the benefit of our Shareholder by providing a commercial return. In all activities that TDHL undertakes, it shall apply the values set out above. The specific nature and scope of TDHL's activities include:

a. Intergenerational Investments. As shareholders in Alpine Energy Ltd – (47.5%) and PrimePort Timaru Ltd – (50.0%) we will:

- Act as an informed, diligent, constructive, and inquiring Shareholder
- Proactively engage on their Board skills, matrix, succession planning, strategic outlook, financial performance and their Statement of Intent

b. Property investments including:

- Properties primarily located in the vicinity of PrimePort Timaru that are targeted for leasing to port-related operations to achieve an overall set rate of return
- Activities to be undertaken include:
 - Ensuring appropriate leases are in place and lessees are compliant with the terms of those leases
 - Having appropriate insurance in place
 - Having appropriate asset management plans in place that comply with TDHL's obligations as a Lessor under the Health and Safety at Work Act

c. New Investments and Diversification

TDHL will undertake activities that enables the consideration and pursuit of new investments and diversification opportunities that are consistent with its purpose. The priorities for 2023/24 include:

- Development of a Statement of Investment Policy and Objectives
- The proactive development of industrial land

11. Governance

TDHL proactively seeks to promote the highest standards of governance internally, with its shareholder, our joint venture partners and to its associates.

The TDHL Board meets on a monthly schedule and receives regular management reporting on all company activities. TDHL monitors the performance of associate companies Alpine Energy Ltd and PrimePort Timaru Ltd through:

- Monitoring each company's compliance with their Statement of Intent
- Regular monthly reporting on performance and against budget
- Regular reports on the property portfolio
- The AGM between each company and shareholders, as well as additional shareholder and Board to Board meetings on an as needed basis

Board succession and development planning for the TDHL Board (in conjunction with Council) and its associate companies (where TDHL has a right to appoint directors) will be managed on an ongoing basis. This includes the maintenance of an up-to-date skills matrix for the TDHL Board and an annual Board performance review.

12. Ratio of Consolidated Shareholders' Funds to Total Assets

This ratio shows the proportion of total assets financed by shareholders funds. TDHL will ensure that the ratio of Shareholders Funds to Total Assets remains above 25%.

For the purposes of this ratio, shareholders' funds are defined as the paid-up capital plus any tax-paid profits earned and less any dividends distributed to shareholders. They include undistributed profits, which have been accumulated into equity.

Total assets are defined as the sum of all current, fixed and investment assets of the group.

13. Statement of Accounting Policies

TDHL is registered under the Companies Act 1993. The Company's accounting policies comply with the legal requirements of the Companies Act 1993.

The financial statements are prepared in accordance with the Financial Reporting Act 1993, section 69 of the Local Government Act 2002, the New Zealand International Financial Reporting Standards and generally accepted accounting practice.

Details of the current accounting policies and their application are available in the most recent Annual Report which can be found here.

14. Periodic Workshops

Strategic or targeted workshops will be offered to Council as needed, to improve Council's understanding of TDHL's business, to workshop matters of mutual interest or concern, and to discuss TDHL's performance and direction. Workshops are intended to be held once a year in addition to the AGM.

15. Dividend Policy

The company will distribute a dividend of no more than 100% of the accumulated tax-paid profit. It is the intention of TDHL to pay out interim dividends as cashflows allow. Dividends are to be disclosed along with the dividend payout policies, where applicable. Where there are material changes to the dividend payments, a notice of this and the reasons for it shall be disclosed in its reporting to the Council.

16. Procedures for Acquisition of Other Interests

The company will only purchase an interest in another business or invest in the shares of another company or organisation on the basis set out in its constitution.

17. Activities for Which Compensation is Sought from Any Local Authority

It is not anticipated that the Company will seek compensation from any local authority otherwise than in the context of normal commercial contractual relationships.

18. Estimate of Commercial Value of the Shareholders' Investment

The commercial value of the shareholders' investment in Timaru District Holdings Limited is considered by the directors to be no less than the shareholders' funds of the company as shown in the Statement of Financial Position. This will be considered annually when the Statement of Intent is completed. The shares held in Alpine Energy Limited were independently valued between \$104.4 and \$109.4 million as at 30 June 2022 whereas the cost and recorded value of these shares are \$84.4 million. The shares held in PrimePort Timaru Limited are recorded at fair value \$39.5 million as at 30 June 2022. No independent valuation has been completed at this time. The investment properties portfolio is revalued annually, at 30 June 2022 the portfolio had a valuation of \$46.8 million.

19. Capital Expenditure and Asset Management Intentions

TDHL will update Timaru District Council on its capital expenditure and asset management intentions as part of its periodic reporting and workshops.

20. Other

Land: Activities on TDHL's land will have appropriate consents and leases in place, and TDHL will use all reasonable endeavors to ensure lessees comply with their leases and consent conditions.

