Timaru District Holdings Limited

Annual Report for the Year Ended 30 June 2019

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2019 ANNUAL REPORT

The directors are pleased to present the annual report for Timaru District Holdings Limited for the year ended 30 June 2019

On behalf of the Board:

Ian R Fitzgerald	Richard Lyon
Chairman	Director
5 September 2019	5 September 2019

DIRECTORY

Directors

Ian R. Fitzgerald (Chairman)

Richard L. Lyon (Deputy Chairman)

Damon J. Odey

Richie J. Smith

Kerry M. Stevens

Registered Office
2 King George Place
TIMARU

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P O Box 522
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Telephone: (03) 687 7200

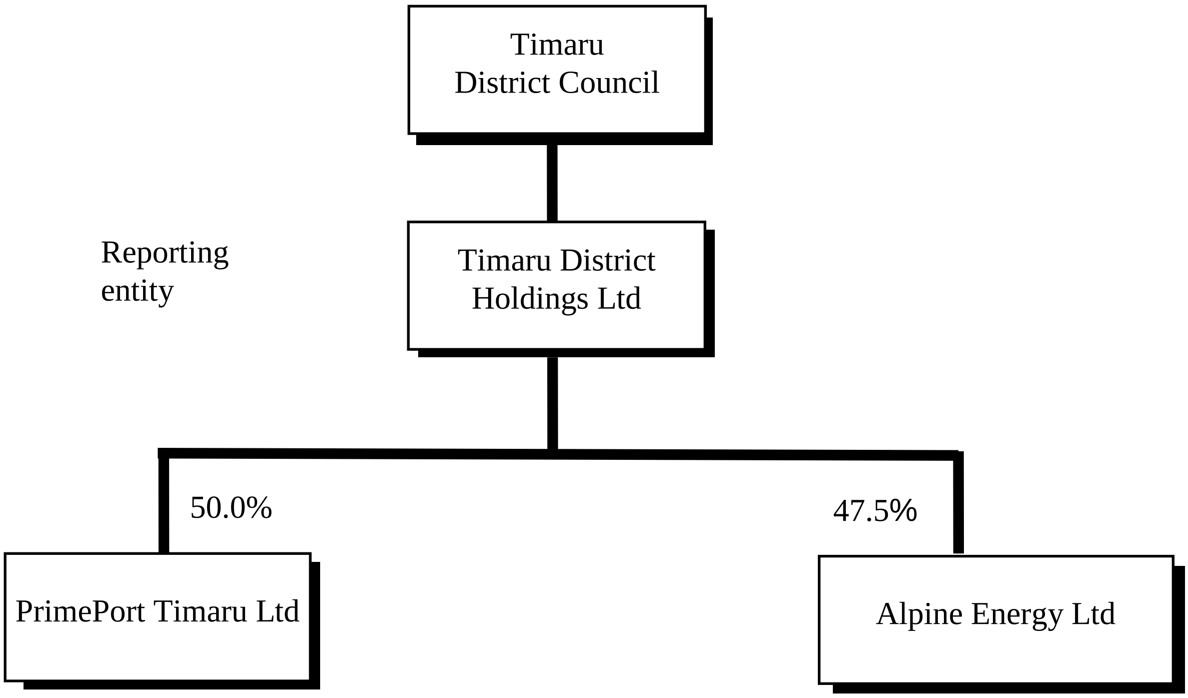
Auditor
Audit New Zealand, Christchurch
On behalf of the Auditor-General

Bankers
Bank of New Zealand
Stafford Street
TIMARU

ANZ
Riccarton Road
CHRISTCHURCH

Solicitors
Buddle Findlay
CHRISTCHURCH

ORGANISATIONAL STRUCTURE



TIMARU DISTRICT HOLDINGS LIMITED

ANNUAL REPORT 2018/19

CHAIRMAN'S REPORT

I have pleasure in presenting the Annual Report of Timaru District Holdings Limited (TDHL) for the year ended 30 June 2019.

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 its investments comprise 50% shareholding in PrimePort Timaru Limited (PrimePort), 47.5% shareholding in Alpine Energy Limited (Alpine Energy) and a commercial property portfolio.

The returns from TDHL's investments have steadily grown over recent years because of the positive impact of the alliance with the Port of Tauranga (who purchased 50% of Primeport in 2013) and TDHL's active management of the commercial property portfolio.

In late 2018 the community provided strong and unequivocal feedback that it did not support any sell down of TDHL's shareholding in Alpine Energy. While Alpine Energy in recent years has continued to provide strong dividend flow to shareholders the Company has recently signalled that it now faces some headwinds, and this may have implications for further dividends. TDHL is working closely with the other shareholders to ensure that Alpine Energy is well placed to continue to provide reliable and affordable electricity supply.

In June 2019 the Timaru District Council announced it was undertaking a periodic review of TDHL's governance structure to ensure it is consistent with best practice and the results of this review are expected to be known before the end of this year.

I would like to acknowledge the contribution my fellow directors have made to TDHL's continued success as well as the dedication and professionalism of the management team.

FINANCIAL PERFORMANCE

TDHL's after tax operating surplus was $13.4 million for the year ended 30 June 2019.

Results for the Year Ended 30 June 2019

	Actual 2019 $000	Budget 2019 $000	Actual 2018 $000
Operating Income			
Alpine Energy Limited Dividend	4,711	4,711	4,711
PrimePort Timaru Limited Dividend	650	700	700
Property Rentals	2,544	1,880	2,054
Share of Associate Surplus	4,173	0	2,945
Investment property revaluations	3,729	0	5,687
Other	258	905	997
	16,065	8,196	17,094
Financial costs	1,587	1,101	1,565
Other Operating Expenditure	1,200	1,230	1,187
Operating Surplus	13,277	5,865	14,432
Tax charge / (benefit)	(121)	127	115
Net Surplus after Income Tax attributable to Shareholders	13,398	5,738	14,227

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 due to expected cash inflows being received and maintains a strong balance sheet. The Directors declared a Bonus Taxable Issue on 29 June 2019 which resulted in the company crediting Timaru District Council's shareholding 30 Million $1 fully paid shares.

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. The company also took the opportunity to purchase of number of South Stafford St properties during the year. Future options for these sites are continuously being reviewed.

Property portfolio for the year ended 30 June	**2019** **$000**	**2018** **$000**
Rental revenue	2,544	2,054
Direct Operating expenses	685	632
Contribution to Net Surplus before taxation	**1,859**	**1,422**
Value of Investment Property portfolio	**45,490**	**39,431**

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 2019.

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.

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 2019.

RESULTS FOR THE YEAR ENDED 31 MARCH 2019		
	Group	
	2019	**2018**
	$000	**$000**
Operating Surplus Before Tax	19,465	19,362
Income Tax	(5,715)	(5,390)
Net Surplus after Income Tax attributable to the Shareholders	**13,750**	**13,972**

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.

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 2019.

	Parent	
	2019	**2018**
	$000	**$000**
Revenue	22,917	22,218
Operating expenses	17,299	18,214
Net Surplus before taxation	**5,618**	**4,004**
Port Investment Property revaluations	-	93
Taxation	(1,576)	(1,108)
Net Surplus after taxation	**4,042**	**2,989**

Conclusion
The 2018/19 year has been another successful year for Timaru District Holdings Limited. Satisfactory results have been achieved by both PrimePort and Alpine Energy while the TDHL property portfolio continues to generate positive returns for the company.

Ian R Fitzgerald
Chairman

TIMARU DISTRICT HOLDINGS LIMITED
STATUTORY INFORMATION
For the year ended 30 June 2019

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

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

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
Ministry of Social Development Audit & Risk committee (Member)
Ministry of Foreign Affairs and Trade Audit and Risk Committee - Member
Land Information New Zealand ASaTS Project– Independent Member
World of Wearable Art Limited - Director

Richard L Lyon
Timaru District Council – Councillor

Damon J Odey
Timaru District Council – Mayor
PrimePort Timaru Limited - Director
Parr and Co Limited – Director
Diverse Management Limited – Director
Yedo Investments Limited – Director
Air and Power Industrial Limited – Director
Parr Dairy Limited – Director
Nomad Management Limited – Director

Richie J Smith
Hilton Haulage GP 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 Limited – Director
New Zealand Post Trustees Limited - Director
Land and Survey Limited – Director
Lake Tekapo Village Motel Limited – Director
Walk On Limited - Director
Puketeraki Limited – Director
M2M NZ Limited – Director
Waka Capital Limited – Director
United Fire Brigades Limited - Chairman

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	**2019**	**2018**
Ian R Fitzgerald (Chairman)	$23,060	$21,541
Richard L Lyon (Deputy Chairman)	$18,000	$18,000
Damon J Odey	$29,350	$31,414
Richie J Smith	$18,000	$18,000
Kerry M. Stevens	$18,000	$18,000
	$106,410	$106,955

- 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
Dividends of 275.0 cents per share were paid during the year.

A taxable bonus issue of 30,000,000 $1.00 shares was credited to the Shareholders shareholding on 29 June 2019.

Employee's remuneration
The company does not have any employees.

Donations
During the year Timaru District Holdings Limited made no donations. (2018: $Nil).

Changes in Accounting Policies
The group had to change its accounting policies and make certain retrospective adjustments following the adoption of NZ IFRS 9 and NZ IFRS 15. These are disclosed in note 1.

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	$14,011	$0

STATEMENT OF OBJECTIVES AND PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

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's results for the 2018/19 financial year are as follows;

Performance Measure	**Target**	**Achieved**
Ratio of shareholders equity to total assets	52%	49%
Ratio of net profit after tax to shareholders equity	14.5%	9.7%
Net Tangible assets per share	$7.41	$7.09
Earnings per fully paid share	54.1 cps	33.3 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 2018/19 year.

Performance Measure	**Target**	**Achieved**
Return on total assets	3.83%	Yes
Return (after tax) on shareholders funds	5.90%	Yes
Ratio of shareholders funds to total assets	0.65	Yes
Net Tangible assets per share	$6.64	Yes
Earnings per fully paid share	39 cps	Yes
Dividend per fully paid share (proposed)	0.0 cps	Yes

Achievement: Returns, in the form of dividends, from Alpine Energy and PrimePort remained consistent with previous years.

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

Achievement: Several strategic acquisitions where undertaken in the 2018/2019 year with an outlook to continue where considered appropriate. TDHL is actively engaging with external parties on current and future projects and will continue to do so.

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: The commercial focus on the port property portfolio is being formalised and advanced through the development of a strategic plan and identification of necessary supporting corporate infrastructure. The cooperative working relationship with PrimePort has seen the realisation of several significant projects in the past year, with major joint initiatives an ongoing work stream for the foreseeable future.

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 was 8%. The majority of lease renewals were completed in a timely manner, with those not identified through a portfolio-wide review and initiated immediately

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

Achievement: Loans of $2.5 million were repaid during the year. A new loan for $1.5 million was drawn down towards the purchase of new property.

Timaru District Holdings Limited performance targets

Performance Targets (excluding asset revaluations and before associates included)

	Target	**Actual**	**Achieved**	**Adjusted***	**Achieved***
Net profit after tax to shareholders funds	9.2%	12.5%	Yes	12.5%	Yes
Net tangible assets per share	$62.29	$2.39	No*	$74.02	Yes
Earnings per fully paid share	$5.74	$0.30	No*	$9.23	Yes
Dividends paid per full paid share	$2.75	$1.06	No*	$2.75	Yes
Shareholder funds to total assets	65.1%	66.3%	Yes	66.3%	Yes

*A Taxable Bonus Share Issue of $30 million was declared on 29 June 2019. This increased the Timaru District Council's Shareholding in Timaru District Holdings Limited. This directly affected the above ratios and has resulted in some of the Targets for the 2019 year not being met. An adjusted column has been added eliminating the effect of the Taxable Bonus Issue showing all performance targets being met.

Timaru District Holdings Limited
Statement of Comprehensive Income
For the year ended 30 June 2019

	Notes	2019 $000	2018 $000
Revenue			
Dividends			
Alpine Energy Limited		4,711	4,711
PrimePort Timaru Limited		650	700
Interest		73	114
Subvention Income			
Timaru District Council interest on loan		0	736
Property rentals	2	2,544	2,054
Investment property revaluations	8	3,729	5,687
Surplus on disposal of operational fixed assets		0	0
Share of Associate Surplus	9	4,173	2,945
Gain on changes in fair value of derivative financial instruments		185	147
		16,065	17,094
Expenses			
Operational expenses	3	1,200	937
Interest on Timaru District Council loan		727	736
External finance costs		860	829
Impairment of financial assets		0	250
Depreciation		0	0
		2,788	2,752
OPERATING SURPLUS/(DEFICIT) BEFORE TAX		13,277	14,342
Tax Expense/(Benefit)	4	(121)	115
OPERATING SURPLUS/(DEFICIT) AFTER TAX		13,398	14,227
Operating Surplus/ (Deficit) attributable to:			
Timaru District Holdings Limited		13,398	14,227
TOTAL COMPREHENSIVE INCOME		13,398	14,227
Total Comprehensive Income attributable to:			
Timaru District Holdings Limited		13,398	14,227

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 2019

	2019 $000	2018 $000
Total Comprehensive income	13,398	14,227
Dividends declared	(32,750)	(2,650)
Shares Issued	30,000	0
Transaction with owners	(2,750)	(2,650)
Equity at the beginning of year	100,539	88,962
Equity at end of year	111,188	100,539

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

Timaru District Holdings Limited
Statement of Financial Position
As at 30 June 2019

	Notes	2019 $000	2018 $000
EQUITY			
Share capital	5	31,000	1,000
Retained Earnings	5	80,187	99,539
Total Equity		111,188	100,539
REPRESENTED BY:			
ASSETS			
Current assets			
Cash and cash equivalents	7	1,468	534
Other financial assets	7	500	1,500
Receivables and Prepayments	6	2,075	2,754
Taxation refund		0	0
Inventories		0	0
Total current assets		4,043	4,788
Non current assets			
Other financial assets	7	0	0
Future tax benefits	4	0	0
Property, plant and equipment		0	0
Investment properties	8	45,490	39,431
Investments in associates	9	99,249	95,076
Total non current assets		144,739	134,507
Total assets		148,782	139,295
LIABILITIES			
Current liabilities			
Payables and accruals	11	1,074	931
Taxation payable		0	121
Derivative financial instruments		293	295
Current portion of term loans	12	0	0
Total current liabilities		1,367	1,347
Non current liabilities			
Term loans	12	36,081	37,080
Derivative financial instruments		146	329
Total non current liabilities		36,227	37,409
Total liabilities		37,594	38,756
NET ASSETS		111,188	100,539

For and on behalf of the Board

Ian Fitzgerald
Chairman
5 September 2019

Richard Lyon
Director
5 September 2019

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 2019

	Notes	2019 $000	2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		2,569	2,027
Subvention receipt			0
Dividends received		5,359	5,294
Interest received		73	132
		8,001	7,453
Cash was disbursed to:			
Payments to suppliers and employees		840	745
Taxes and Subvention payments			0
Interest Paid		942	800
GST (net)		205	164
		1,987	1,709
Net cash inflow/(outflow) from operating activities	13	6,014	5,744
CASH FLOWS FROM INVESTING ACTIVITIES			
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		1,500	500
		1,500	500
Cash was applied to:			
Purchase of fixed assets		2,330	3,040
Purchase of investments		500	0
		2,830	3,040
Net cash inflow/(outflow) from investing activities		(1,330)	(2,540)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Issue of shares			0
Proceeds from term loan		1,500	2,000
		1,500	2,000
Cash was applied to:			
Dividends paid		2,750	2,650
Repayment of loans		2,500	3,000
		5,250	5,650
Net cash inflow/(outflow) from financing activities		(3,750)	(3,650)
Net increase in cash held		934	(446)
Add opening cash		534	980
Closing cash balance		**1,468**	**534**
Made up of:			
Cash and cash equivalents		1,468	534
Short term deposits		0	0
Closing cash balance		**1,468**	**534**

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 2019

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:

Changes in Accounting Policies

New and amended standards adopted by the Group
Timaru District Holdings Limited has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018:

- NZ IFRS 9 *Financial Instruments*
- NZ IFRS 15 *Revenue from Contracts with Customers*

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of NZ IFRS 9 and NZ IFRS 15. These are disclosed in note 1.

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 were recorded inclusive of GST.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

i. *Sales of goods*

Revenue from sale of goods is recognised when ownership is transferred.

ii. *Sales of Services*

Revenue from the rendering of services is recognised in the profit or loss at the completion of transactions at balance date.

iii. *Rental and Sub-lease income*

Rental and sub-lease income is recognised on a straight line basis over the term of the lease.

iv. *Interest Income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate

v. *Dividend Income*

Dividend income is recognised net of imputation credits when the right to receive payment is established.

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

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.

The company applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and days past due.

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 classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

i. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

ii. Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policies applied prior to 30 June 2018
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 revalued 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.

Note 1: Changes in Accounting Policies

This note explains the impact of the adoption of NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

i. NZ IFRS 15 Revenue from Contracts with customers

Timaru District Holdings Limited has adopted the requirements for NZ IFRS 15 in the year to 30 June 2019. The standard introduces a revised model for the recognition of revenue, and a revised policy for revenue recognition has been adopted. There were no material changes in recognition or measurement required upon adoption.

ii. NZ IFRS 9 Financial Instruments

NZ IFRS 9 replaces the provisions of NZ IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of NZ IFRS 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in NZ IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Note 2: Revenue

	2019	2018
	$000	$000
Property Rentals	2,544	2,054
Total Revenue	**2,544**	**2,054**
Other Income		
Dividends	5,361	5,411
Share of Associate Surplus	4,173	2,945
Investment Property revaluations	3,729	5,687
Other	185	997
Total Other Income	**13,448**	**15,040**

Disaggregation of revenue recognition, the company derives revenue from the transfer of goods and services over time and at a point in time:

Timing of revenue recognition		
At a point in time	7,898	8,315
Over time	8,087	8,779
	16,065	**17,094**

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 $684,752 (2018: $632,118). Included in these figures are $95,607 (2018: $89,272) of direct operating expenses arising from investment property that did not generate rental income during the year. The future aggregate minimum lease payments to be collected under non-cancellable operating lease are as follows.
`

Operating lease receivables Non cancellable operating lease receivables	**2019** **$000**	**2018** **$000**
Not later than one year	2,111	2,021
Later than one year but not later than 2 years	1,946	1,844
Later than 2 years but not later than 5 years	3,028	3,142
Later than 5 years	22,022	23,857
	29,107	**30,864**

Note 3: Operational expenses

	2019	2018
	$000	$000
Directors' fees	106	107
Audit fees - annual accounts audit	14	14
- Other	0	0
Operating lease costs	0	0
Holding company operating costs	1,080	816
Bad debts written off	0	6
Donations	0	0
	1,200	**937**

Note 4: Taxation

	2019 $000	2018 $000
Surplus/(deficit) before taxation	13,277	14,342
Prima facie taxation at 28%	3,718	4,016
Plus/(less) taxation effect of:		
Non taxable income	(3,766)	(3,932)
Non taxable expenditure	49	31
Prior period adjustment	(121)	0
Tax expense/ (Benefit)	**(121)**	**115**

	2019 $000	2018 $000
Comprising:		
Current tax	0	0
Deferred tax	0	115
Prior Period adjustment	(121)	0
	(121)	115

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

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

Long Term assets	0	0
Employee entitlements	0	0
Tax losses	0	(121)
Others	0	0
Closing balance	0	(121)

	2019 $000	2018 $000
Imputation credit account		
Balance as at 1 July	12,620	11,592
Credits attached to dividends received	2,085	2,059
Credits attached to dividends paid	(12,736)	(1,031)
Income tax payments	0	0
Income tax refunds	0	0
Balance at 30 June	1,970	12,620

Note 5: Equity

◊ **(a) Share capital**

	2019 $000	2018 $000
Opening balance	1,000	1,000
Issues during the year	30,000	0
Balance at 30 June	**31,000**	**1,000**

At 30 June 2019 the company has issued 31,000,000 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. The Directors issued 30,000,000 fully paid $1.00 shares on 29 June 2019 to the existing shareholder by way of a taxable bonus issue.

◊ **(b) Retained earnings**

	2019 $000	2018 $000
Retained earnings at 1 July	99,539	87,962
Net operating surplus/(deficit)	13,398	14,227
Dividends Declared	(32,750)	(2,650)
Retained earnings at 30 June	**80,187**	**99,539**

As at 30 June 2019, no dividends have been declared that have not yet been paid (2018: $nil).

Note 6: Receivables and prepayments

	2019 $000	2018 $000
Trade debtors	146	101
Prepayments	42	32
	188	**133**
Amount owing by Timaru District Council	0	736
Amount owing by associates	1,887	1,885
Total receivables and prepayments	**2,075**	**2,754**

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 2019 all overdue receivables had been assessed for impairment and appropriate provisions applied. The ageing of receivables for the company is as follows:

	2019			**2018**		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due – under 30 days	2,011	0	2,011	2,716	0	2,716
Past due – 30 to 60 days	59	0	59	26	0	26
Past due – 60 to 90 days	5	0	5	12	0	12
Past due – over 90 days	0	0	0	0	0	0
	2,075	0	2,075	2,754	0	2,754

The provision for impairment has been determined using an expected credit loss model (2018: On an analysis of bad debts in previous periods and review of specific debtors). The movement in the provision for impairment is as follows:

	2019 $000	2018 $000
Balance as at 1 July	-	-
Additional provisions made during the year/(provisions released)	-	-
Trade debtors written off during period	-	-
	-	**-**

Note 7: Cash and cash equivalents and other financial assets

Cash and cash equivalents	2019 $000	2018 $000
Cash	1,468	534
Short term investments	0	0
	1,468	**534**

Other financial assets	2019 $000	2018 $000
Short term investments	500	1,500
	500	**1,500**

Other financial assets are short term deposits with terms over 90 days. The carrying amount of short term deposits approximates their fair value. The investment in Hunter Downs Irrigation was fully impaired in the 2018 year. There were no impairment provisions for the short term investments.

Note 8: Investment Property

Investment Properties

	2019 $000	2018 $000
Opening balance	39,431	30,704
Revaluation	3,729	5,687
Write offs – demolitions	0	0
Sales	0	0
Purchases	2,330	3,040
	45,490	**39,431**
Land at valuation	41,310	35,852
Building at valuation	4,180	3,579
	45,490	**39,431**

Investment property held by the company was independently valued as at 30 June for the 2019 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 9: 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% (2018: 50.0%)
Balance date: 30 June

Results of Associate

	2019 $000	2018 $000
Share of Operating Surpluses before tax	2,809	2,049
Taxation	(788)	(554)
Share of Operating Surplus	2,021	1,495
Share of Other Comprehensive Income	573	287
Share of Total Recognised Revenues and Expenses	2,594	1,782

Interest in Associate

	2019 $000	2018 $000
Balance at Beginning of Year	26,655	25,573
Fair value at time of recognition	0	0
Recognised Revenues and Expenses	2,594	1,782
Dividends	(650)	(700)
Balance at End of Year	28,599	26,655
Movements in Reserves		
Share of Recognised Revenues and Expenses	2,594	1,782
	2,594	1,782
Dividends Paid	(650)	(700)
Share of Retained Surpluses	1,944	1,082

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

	2019 $000	2018 $000
Current Assets	5,470	7,656
Non Current Assets	84,738	73,803
Current Liabilities	3,160	4,303
Non Current Liabilities	29,092	23,088
Revenues	22,917	22,218
Profit or loss from continuing operations	4,042	2,989
Other Comprehensive Income	1,146	575
Total Comprehensive Income	5,188	3,564

Alpine Energy Ltd
Principal activity: Electricity Distribution
Ownership: 47.50% (2018: 47.50%)
Balance date: 31 March

Results of Associate

	2019 $000	2018 $000
Share of Operating Surpluses before tax	9,246	9,197
Taxation	(2,715)	(2,560)
Share of Operating Surplus	6,531	6,637
Revaluation Reserve movements	409	(63)
Share of Total Recognised Revenues and Expenses	6,940	6,574

Interest in Associate

	2019 $000	2018 $000
Balance at Beginning of Year	68,421	66,558
Recognised Revenues and Expenses	6,940	6,574
Dividends	(4,711)	(4,711)
Balance at End of Year	70,650	68,421
Movements in Reserves		
Share of Recognised Revenues and Expenses	6,940	6,574
	6,940	6,574
Dividends Paid	(4,711)	(4,711)
Share of Retained Surpluses	2,229	1,863

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

	2019 $000	2018 $000
Current Assets	17,898	18,955
Non Current Assets	277,927	266,577
Current Liabilities	17,867	17,120
Non Current Liabilities	135,397	128,121
Revenues	79,651	93,338
Profit or loss from continuing operations	13,750	13,972
Other Comprehensive Income	861	(132)
Total Comprehensive Income	14,611	13,840

Dividends of $4,711,394 were received during the year including $1,884,558, which related to 2018. A further $1,884,558 was receivable at the end of the year.

Note 10: 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 11: Payables and accruals

	2019 $000	2018 $000
Trade creditors and accruals	198	134
Interest payable	746	748
Revenue in advance	130	49
Dividends payable	0	0
Directors fees payable	0	0
Total payables and accruals	**1,074**	**931**

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

Note 12: Term loans

	2019 $000	2018 $000
Commercial Bills	13,900	14,900
Loans from Timaru District Council	22,181	22,181
Other loans	0	0
	36,081	37,081
Less current portion	0	0
	36,081	**37,081**

Effective Interest rates	
Loans from Timaru District Council	3.16% to 3.35% (2018: 3.23% to 3.38%)
Wholesale Money Market	2.44% to 2.86% (2018: 2.63% to 2.86%)

Wholesale money market borrowing of $8,500,000 is on fixed interest rates. The fixed term borrowings are for up to a 2 year term remaining at interest rates of between 2.44% and 5.48%. The average interest rate on wholesale money market borrowings at year end is 4.17%.

Loans from Timaru District Council have no fixed repayment terms.

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

	2019 $000	2018 $000
Less than one year	0	3,000
One to two years	8,500	8,500
Three to four years	0	0
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 cash flow forecasts. The maximum amount that can be drawn against borrowing facilities is $19 million (2018: $19 million).

Note 13: Reconciliation of net surplus/(deficit) after taxation with net cash flow from operating activities

	2019 $000	2018 $000
Net surplus/(deficit) after taxation	13,398	14,227
Associated entity surpluses	(4,173)	(2,945)
	9,225	11,282
Add/(less) non-cash items:		
Depreciation	0	0
Impairment loss	0	250
Loss/(gain) on fair value of derivatives	(185)	(147)
Increase/(decrease) in deferred taxation	(121)	115
	(306)	218
	8,920	11,500
Add/(less) items classified as investment activity:		
(Gain) on fair value of Investment property	(3,729)	(5,687)
Total investing activity items	(3,729)	(5,687)
Add/(less) movements in working capital items:		
(Increase)/decrease in receivables and prepayments	681	9
(Increase)/decrease in inventories	0	0
Increase/(decrease) in payables and employee entitlements	143	(78)
Increase/(decrease) in provisions	0	0
Working capital movement – net	822	(69)
Net cash (outflow)/inflow from operating activities	**6,014**	**5,744**

Note 14: Contingent assets and liabilities

No contingent assets or contingent liabilities exist at balance date for Timaru District Holdings Limited (2018: Nil)

PrimePort Timaru Limited has no contingent liabilities at balance date (2018: $1.85 million).

Alpine Energy Limited group has contingent liabilities as at 31 March 2019 of $5.677m in the form of performance and import guarantees to cover ongoing project work (2018: $9.106m)

Note 15: Commitments

There were no capital, equity or operating lease commitments at 30 June 2019 (2018: Nil)

Note 16: 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

Shareholder	**2019 $000**	**2018 $000**
Services provided to Timaru District Council	2	736
Services received from Timaru District Council	1087	915
Rates paid to Timaru District Council	330	290
Amounts owing to Council (interest)	727	736
Amounts owing to Council (other)	94	69
Loan owing to Council	22,181	22,181
Amounts receivable from Council	0	736

Timaru District Holdings Limited paid dividends of $32,750,000 to Timaru District Council during the year (2018: $2,650,000).

Remuneration paid to Timaru District Holdings Limited key management personnel totalled $106,410 (2018: $106,954). Key management personnel are directors.

The amounts owing to associates are disclosed in Note 11. The amounts receivable from associates are disclosed in Note 6.

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

	2019 $000	**2018 $000**
Services provided to associate by Timaru District Holdings Ltd	0	0
Services provided by associate to Timaru District Holdings Limited	22	0
Amounts owing by associate to Timaru District Holdings Limited	1,885	1,885
Amounts owing by Timaru District Holdings Limited	22	0

PrimePort Timaru

	2019 $000	**2018 $000**
Services provided to associate by Timaru District Holdings Ltd	64	59
Services provided by associate to Timaru District Holdings Ltd	0	0
Amounts owing by associate to Timaru District Holdings Ltd	3	3
Amounts owing by Timaru District Holdings Ltd	0	0

Note 17: 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 fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

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

	2019	**2018**
Short term deposits	3.25%	3.63%

Repricing maturities ($000)	**Less than 6 mths**	**6-12 mths**	**1-2 yrs**	**2-5 yrs**	**Total**
Short term deposits	500	0	0	0	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 12.

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:

Interest rate swaps	**2019 $000**	**2018 $000**
One to two years	8,500	3,000
Two to three years	0	8,500
Three to four years	0	0
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 2 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 18: 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 8.

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

	2019 $000	**2018 $000**
Financial assets as per balance sheet		
Measured at amortised cost:		
Cash and cash equivalents	1,468	534
Other financial assets – short term deposits	500	1,500
Receivables	2,075	2,754
	4,043	*4,788*
Measured at FVPL:		
Derivatives	-	-
	-	-
Total financial assets	**4,043**	**4,788**

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

	2019 $000	**2018 $000**
Financial liabilities as per balance sheet		
Measured at amortised cost:		
Payables and accruals	1,074	931
Term loans	36,081	37,080
	37,155	38,011
Measured at FVPL:		
Derivatives	439	624
	439	624
Total financial liabilities	**37,594**	**38,635**

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.

Note 19: 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.

Independent Auditor's Report

To the readers of Timaru District Holdings Limited's financial statements and performance information for the year ended 30 June 2019

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 13 to 35, that comprise the statement of financial position as at 30 June 2019, 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 10 to 12.

In our opinion:

- the financial statements of the company on pages 13 to 35:

    - present fairly, in all material respects:

        - its financial position as at 30 June 2019; 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 10 to 12 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 2019.

Our audit was completed on 5 September 2019. 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, 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.

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 3 to 9, 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(Revised): 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