



AGENDA

Commercial and Strategy Committee Meeting Tuesday, 1 September 2020

Date Tuesday, 1 September 2020

Time following the Community Services Committee

Location Council Chamber
Timaru District Council
King George Place
Timaru

File Reference 1367100

Timaru District Council

Notice is hereby given that a meeting of the Commercial and Strategy Committee will be held in the Council Chamber, Timaru District Council, King George Place, Timaru, on Tuesday 1 September 2020, at the conclusion of the Community Development Committee meeting.

Commercial and Strategy Committee Members

Clrs Peter Burt (Chairperson), Allan Booth (Deputy Chairperson), Richard Lyon, Gavin Oliver, Paddy O'Reilly, Barbara Gilchrist, Sally Parker, Stu Piddington, Steve Wills and the Mayor Nigel Bowen

Quorum – no less than 2 members

Local Authorities (Members' Interests) Act 1968

Committee members are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Donna Cross

Group Manager Commercial and Strategy

Order Of Business

1	Apologies	5
2	Identification of Items of Urgent Business.....	5
3	Identification of Matters of a Minor Nature	5
4	Declaration of Conflicts of Interest	5
5	Chairperson’s Report.....	5
6	Confirmation of Minutes	6
6.1	Minutes of the Commercial and Strategy Committee Meeting held on 21 July 2020.....	6
7	Reports	12
7.1	Overview of 2020/2021 Capital Work Programme - Dashboard	12
7.2	Progress Report: Theatre Royal and Heritage Facility Development and Social Housing Ventilation Compliance projects.....	16
7.3	Timaru District Holdings Limited – Final Statement of Intent for 2020/2021	20
8	Consideration of Urgent Business Items.....	40
9	Consideration of Minor Nature Matters.....	40
10	Exclusion of the Public.....	41
11	Public Excluded Reports.....	42
11.1	Property Matter	42
12	Readmittance of the Public.....	43

- 1 Apologies**
- 2 Identification of Items of Urgent Business**
- 3 Identification of Matters of a Minor Nature**
- 4 Declaration of Conflicts of Interest**
- 5 Chairperson's Report**

6 Confirmation of Minutes

6.1 Minutes of the Commercial and Strategy Committee Meeting held on 21 July 2020

Author: Jo Doyle, Governance Advisor

Recommendation

That the Minutes of the Commercial and Strategy Committee Meeting held on 21 July 2020 be confirmed as a true and correct record of that meeting.

Attachments

- 1. Minutes of the Commercial and Strategy Committee Meeting held on 21 July 2020**



MINUTES

Commercial and Strategy Committee Meeting Tuesday, 21 July 2020

Ref: 1367100

**Minutes of Timaru District Council
Commercial and Strategy Committee Meeting
Held in the Council Chamber, Timaru District Council, King George Place, Timaru
on Tuesday, 21 July 2020 at 11.10am**

Present: Cr Peter Burt (Chairperson), Cr Allan Booth (Deputy Chairperson), Cr Richard Lyon, Cr Gavin Oliver, Cr Paddy O'Reilly, Cr Barbara Gilchrist, Cr Sally Parker, Cr Stu Piddington, Cr Steve Wills, Mayor Nigel Bowen

In Attendance: **Community Board Representatives**
Temuka Community Board – Lloyd McMillan
Pleasant Point Community Board – Anne Lemmens
Geraldine Community Board – Jennine Maguire
Council Officers
Group Manager Commercial and Strategy (Donna Cross), Chief Executive (Bede Carran), Chief Financial Officer (David Codyre), Governance Advisor (Jo Doyle)

The Chairperson welcomed the Community Board members to the meeting.

1 Apologies

There were no apologies.

2 Identification of Items of Urgent Business

There were no items of urgent business.

3 Identification of Matters of a Minor Nature

There were no items of minor nature.

4 Declaration of Conflicts of Interest

There were no conflicts of interests.

5 Chairperson's Report

The Chairperson reported on duties he had carried out since the last meeting:

- Meetings with interest groups
- Licensing matters
- Council meetings and workshops
- Group Manager meeting
- Meeting with the Chamber of Commerce.

Resolution 2020/23

Moved: Cr Peter Burt

Seconded: Mayor Nigel Bowen

That the Chairperson's report be accepted.

Carried

6 Confirmation of Minutes**6.1 Minutes of the Commercial and Strategy Committee Meeting held on 9 June 2020****Resolution 2020/24**

Moved: Cr Barbara Gilchrist

Seconded: Cr Gavin Oliver

That the Minutes of the Commercial and Strategy Committee Meeting held on 9 June 2020 be confirmed as a true and correct record of that meeting.

Carried

7 Reports**7.1 2020 General Revaluation of District - Quotable Value valuation timeline**

The Committee was provided with an overview of the general rates revaluation timeline to be completed in the 2021 financial year.

Resolution 2020/25

Moved: Mayor Nigel Bowen

Seconded: Cr Barbara Gilchrist

That the report be received and noted.

Carried

7.2 3 Waters Asset Revaluation Project

An update to the water infrastructure asset revaluation project was provided by the Chief Financial Officer.

The project is now being assessed by auditors and testing assumptions are being undertaken. This change of revaluation is an increase of \$216 million on the balance sheet.

Downlands is excluded for this report but will be included in the annual report.

The potential centralisation of 3 waters announced by the government was discussed, and this revaluation of assets will provide accurate reporting and show a good matrix against other comparable Councils.

Resolution 2020/26

Moved: Cr Sally Parker

Seconded: Cr Richard Lyon

That the Committee receives and notes the report.

Carried

7.3 Investments and Borrowing Treasury Report for quarter ending 30 June 2020

The status of Council treasury activities at 30 June 2020 and possible amendments to the Liability Management Policy were presented for consideration.

The Chief Financial Officer advised that Council has not been borrowing but using cash reserves to pay bills.

The change to the Liability Management policy relates to interest rate swaps and changing the bands will mean less swaps for the future. This will mitigate interest rate risk and provides a form of insurance for movement in future interest rates.

Resolution 2020/27

Moved: Cr Richard Lyon

Seconded: Cr Sally Parker

That the Committee approves the amendments to the Liability Management Policy as set out in the policy presented in the agenda.

Carried

7.4 Aoraki Development and Promotions Limited - Final Statement of Intent for 2020/21-2023/24

The final statement of intent (SOI) for Aoraki Development and Promotions Limited (AD) was presented by the Group Manager Commercial and Strategy.

The feedback provided to AD for its Statement of Intent has been included in the document and this now completes the process.

Resolution 2020/28

Moved: Cr Steve Wills

Seconded: Cr Gavin Oliver

That the Committee receives and notes the report.

Carried

8 Consideration of Urgent Business Items

There was no urgent business.

9 Consideration of Minor Nature Matters

There were no minor nature items.

The Meeting closed at 11.22am.

.....
Chairperson

7 Reports

7.1 Overview of 2020/2021 Capital Work Programme - Dashboard

Author: Ashley Harper, Senior Programme Delivery Manager
Lili Delwaide, Programme Delivery Manager

Authoriser: Donna Cross, Group Manager Commercial and Strategy
Erik Barnes, Action Group Manager Infrastructure

Recommendation

That this report be received and noted.

Purpose of Report

- 1 The purpose of this report is to provide the Committee with an overview of the 2020/2021 capital work programme and its current status.

Assessment of Significance

- 2 This matter is not significant according to the Significance and Engagement policy.

Discussion

- 3 The attached dashboard provides an overview of the 2020/2021 capital work programme for Timaru District Council, including the capital expenditure planned on behalf of the Downlands Water Supply Joint Standing Committee (included in the dashboard at 100%).

2020/21 Capital Work Programme Overview

- 4 Council's annual plan for 2020/21 comprises a capital expenditure programme valued at \$58.9m for Timaru District Council. Additionally, Timaru District Council is undertaking an additional \$25.3m of capital work on behalf of the Downlands Water Supply Joint Standing Committee. The combined total is \$84.2m.
- 5 Of the \$84.2m of approved capital expenditure, \$78.1m constitutes construction projects (\$52.8 m for Timaru District Council and \$25.3m for Downlands Water Supply Joint Standing Committee), with the remainder being other capital expenditure.
- 6 The capital expenditure programme spans all groups of Council activities with the exception of Democracy and comprises 140 projects.
- 7 Although only 8 in number, individual projects that have a value of more than \$2m account for more than half of the total approved capital expenditure.

Feasibility Assessment and Current Delivery

- 8 In terms of the implementation of the approved \$78.1m construction capital expenditure programme, there are projects where there is a high degree of confidence in relation to Council's ability to fully achieve the progress or completion anticipated by the annual plan (for the purpose of this report we refer to these as our high feasibility programme), and others where there is a greater degree of uncertainty due to those projects being conditional, contingent or subject to external dependencies over which Council has little control. The high

feasibility programme includes construction capital project delivery or expenditure to the value of approximately \$53.5m.

9 Included within the high feasibility programme (key examples, list not exhaustive):

- Pareora pipeline replacement (\$4m in 2020/21)
- Downlands water supply scheme upgrade (\$6m for the water main, \$740k for the intake and \$8.5m for the water treatment plant and water storage)
- Te Moana water reticulation (\$600k)
- Water supply other (\$4.8m)
- Geraldine Road/Coach Road/Tiplady Road intersection upgrade (\$2m)
- Footpath renewals (\$1.67m)
- Roading other (\$12.9m)
- Sewer renewals and upgrades (\$2.6m)
- Stormwater upgrades (\$1.4m)
- Redruth landfill cell (\$175k)
- Timaru Airport runway resurfacing and carpark upgrade (\$830k)
- Temuka pool upgrade (\$1.3m)
- Temuka Domain development (\$168k)
- Parks and recreation other (\$1.5m)
- Theatre Royal Upgrade/Heritage Facility (\$3-4m)¹
- Social housing ventilation upgrades (\$740k)
- Soundshell seating upgrade (\$1.7m)
- Public toilets (\$114k)
- Properties other (\$645k)

10 It is important to note that some of the above projects still have consenting requirements or third parties dependencies but at this stage, for the majority of projects this has been assessed low risk. Emerging issues exist for the Downlands Water Treatment Plant which could affect progress (refer to Report to Infrastructure Committee: Progress Report: Pareora Pipeline Renewal, Downlands Water Supply Scheme Upgrade and Winchester Geraldine Roundabout).

11 In terms of expenditure that is classified as conditional, contingent or subject to uncertain external dependencies, there are a number of external factors that are likely to impact the progress and delivery of some projects:

11.1 The most uncertainty usually arises with projects involving third parties. Factors that can impede project delivery include complex consenting processes, land entry approvals, the timing of private developments, and projects that are subject to feasibility assessment and / or options analysis.

¹ COVID-19 resulted in some delays with procurement. Requirements for additional seismic strengthening to be satisfactorily resolved early in design phase. External fundraising dependency exists for part of project cost.

- 11.2 In some cases the contingency arises due to timing or opportunity. For example: (a) a small number of projects are subject to private developments proceeding and therefore the timeframe for these projects is unknown.; (b) a number of infrastructure renewals are carried out on an as needed basis.
- 11.3 For some projects complex investigations are anticipated and pending the results of those investigations the timeframe for delivery remains uncertain. In this instance, the expenditure associated with those projects has been classified as conditional or contingent.
- 11.4 For the Aigantighe Art Gallery, while the 2020/21 budget provision for this project is \$600k, further investigation and feasibility work is required to determine the way forward for this project, therefore expenditure within this financial year is now likely to be less than budget.
- 12 It is important to note that the above assessment as to feasibility within 2020/21 is not a priority ranking and, as such, all projects included in the 2020/21 work programme will continue to be progressed over the 2020/21 financial year.

Contracts recently awarded

- 13 Construction work valued at approximately \$6.2m has been awarded since July 1st, 2020. Expenditure is planned for this financial year.
- 14 An updated dashboard will be presented to the Commercial and Strategy Standing Committee meeting every six weeks.

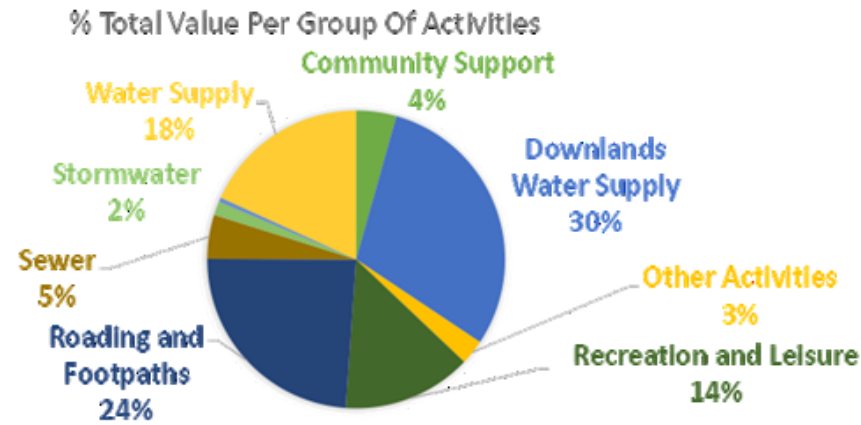
Attachments

1. **Programme Delivery Dashboard July 2020** [↓](#) 

Timaru District Council 2020/2021 Capital Work Programme July 2020

Number of Projects: 140

Total Value: \$84.23m incl. \$58.9m TDC + \$25.3m for Downlands



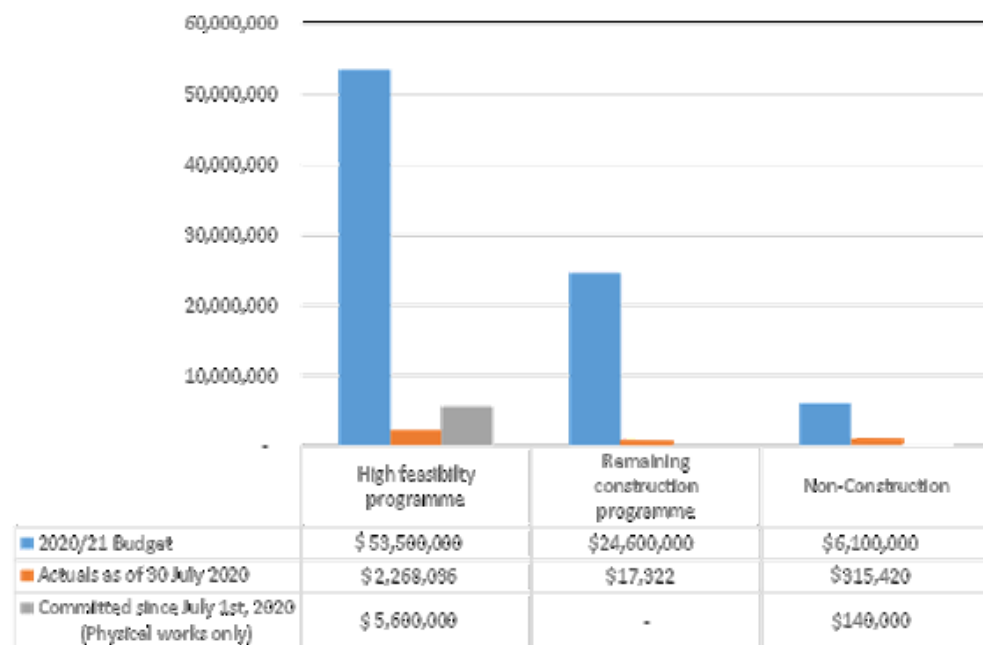
TDC Capital Work Programme 2020/2021 - Overview of Key Projects



Capital work programme and construction works

Construction	Others (e.g. purchase of books, LED lighting, cemetery site purchase)	Total capital work programme (TDC + Downlands at 100%)
\$78.1m	\$6.1m	\$84.3m

Feasibility and Delivery – Financials – July 2020



Tender opportunities currently advertised (as of 20 August 2020)

Contract	Project	Closing Date
2468	Pareora Pipeline Renewal Section 1 (above Pareora Gorge)	10/9/2020
2046	Temuka Domain and Golf Course Sewermain Upgrade	3/09/2020
2368	Theatre Royal and Heritage Facility Development - Building Services Engineering	24/08/2020
2367	Theatre Royal and Heritage Facility Development - Structural, Civil and Geotechnical Engineering Services	25/08/2020

Key Current Projects (separate Progress Reports available)

- Theatre Royal Upgrade and Heritage Facility Development
- Downlands Water Supply Scheme Upgrade
- Pareora Pipeline Renewal
- Social Housing Ventilation Compliance
- Winchester – Geraldine Road / Coach Road / Tiplady Road Intersection Upgrade



7.2 Progress Report: Theatre Royal and Heritage Facility Development and Social Housing Ventilation Compliance projects

Author: Ashley Harper, Senior Programme Delivery Manager
Lili Delwaide, Programme Delivery Manager

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That this report be received and noted.

Purpose of Report

- 1 The purpose of this report is to inform the Committee on the progress of the two key property projects: the Theatre Royal and Heritage Facility Development project and the Social Housing Ventilation Compliance project.

Assessment of Significance

- 2 This matter is not significant in terms of the Significance and Engagement Policy.

Discussion

- 3 Progress reports are attached for the Theatre Royal and Heritage Facility Development and for the Social Housing Ventilation Compliance projects.
- 4 The 2020/21 approved budget for the above projects is:
 - 4.1 \$5.2m for the Theatre Royal and Heritage Facility Development project;
 - 4.2 \$740,000 for the Social Housing Ventilation Compliance project.
- 5 The attached progress reports cover all aspects of the project up until the 24th of August, 2020 except for the financials that cover the month of July 2020 only.
- 6 The progress reports include an overview of the project and their context as well as a detailed update on latest programme and current status.

Attachments

1. **Theatre Royal and Heritage Facility - Progress Report July-August 2020** [!\[\]\(f0543fe51acd79be3858008749d93a88_img.jpg\) !\[\]\(b452a1210835992e25e075124622531b_img.jpg\)](#)
2. **Social Housing Ventilation Compliance - Progress Report July- August 2020** [!\[\]\(7bc2b99ff222bd0a25e1cf77d692b0e7_img.jpg\) !\[\]\(2a8e852b9c8306ea71a116afe600d421_img.jpg\)](#)

KEY PROJECT

Theatre Royal and Heritage Facility Development

Progress report – Issue 1 – July / August 2020



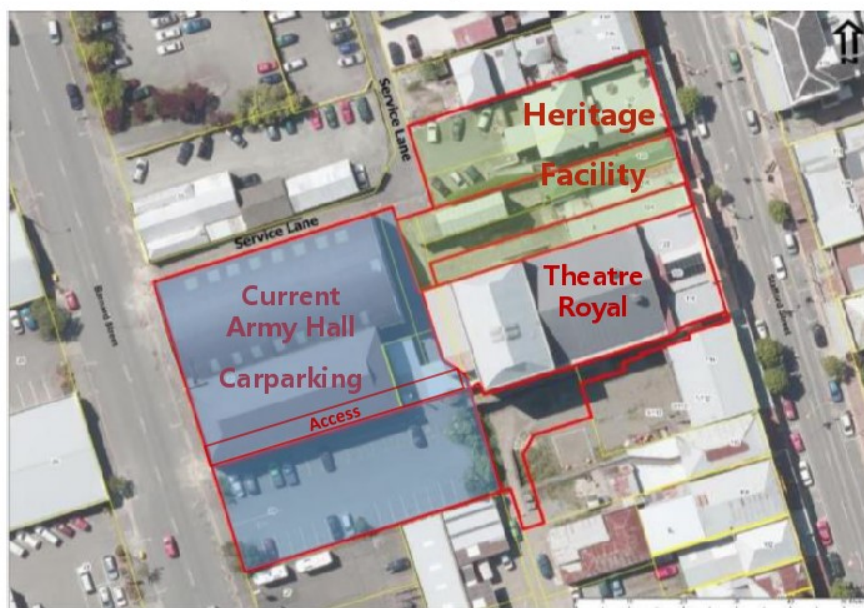
OVERVIEW

This project combines the upgrade of the Theatre Royal with the development of a new Heritage Facility, key projects under our Long Term Plan.

This project/development will:

- Provide a fit-for-purpose facility for local and touring performing arts and other shows within an exciting heritage theatre, and for the exhibition and education component of the South Canterbury Museum and touring heritage exhibitions. The facility will also be able to be utilised by Aigantighe Art Gallery for touring shows, to complement the Wai-iti Road gallery.
- Improve the vibrancy of the CBD and be a catalyst for the redevelopment of the south end of Stafford Street.
- Address significant deficiencies with current facilities, and create a multi-purpose facility that the community can be proud of.
- Create jobs during and after construction, make Timaru a more dynamic and attractive place to live, work and visit - and deliver improved economic, social, cultural, educational, recreational and entertainment outcomes for our region and community.

The Theatre Royal will benefit from a new back of house, upgraded stage house, new theatrical flying system, upgraded auditorium (new seating and floor) an improved front of house, and improved access. The Heritage Facility will provide exhibition and education space and cover 1335-1400sqm. Synergies between the Theatre and Heritage Centre will be optimised, with shared space, facilities and services between the two.



PROJECT TEAM

Project Sponsor: Donna Cross - **Client Representative:** Nicole Timney - **Museum Lead:** Philip Howe - **Project Manager:** Rubix

\$23.8M

Total 2018-2028 LTP Budget

\$5.2M

2020/21 Budget

Current Status:
Procurement and pre-design

KEY PROJECT

Theatre Royal and Heritage Facility Development

Progress report – Issue 1 – July / August 2020



PROJECT PROGRESS

- An application to the Crown Infrastructure Partners (CIP) Shovel Ready Fund was made and the project has been shortlisted (included on the list assessed by CIP as meeting the criteria, and submitted to Government to consider funding). We await the outcome of that process.
- The fundraising plan for external funding has been under development and is in the process of being finalised.
- A new Manager of Property Services has commenced with Timaru District Council, who will also act as “Client Representative” for the project. This role acts as internal lead/person responsible, working closely with the Museum Director, and who will be the main point of contact with the external team).
- Architect appointed – following a robust procurement process, the architect has been appointed. A public announcement will be released shortly.
- Requests for proposal for the engineering disciplines, including structural, civil and geotechnical, and building services (mechanical and hydraulics, electrical and ancillary, vertical transportation, environmentally sustainable design, fire engineering) are in the procurement phase. Evaluation of proposals will commence immediately following the deadline for proposals. A site visit was offered as part of the procurement process. This was held on 11 August and attracted 32 representatives from more than 14 companies.

REVISED PROJECT TIMELINE

	2020					2021											2022	2023	
	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	Jan	September
Pre-design and stakeholder engagement	■	■	■																
Stage 1 works: complete decommissioning	■	■	■	■	■														
Planning/investigation continues (design team)			■	■	■														
Concept design			■	■	■														
Preliminary design						■	■	■	■										
Developed design									■	■	■	■	■						
Detailed design													■	■	■	■			
Tendering – Stage 2 works						■	■	■											
Stage 2 works – construction (Enabling Works)									■	■	■	■	■	■					
Tendering – Stage 3 works																	■	■	■
Stage 3 works - construction (Main Construction)																		■	■
Completion																			■

PROJECT FINANCIALS

The combined total capital cost of the project is \$23.8m out of which \$11.8m is allocated for the Theatre Royal Upgrade and \$12m is allocated for the Heritage Facility.

This project is to be funded by loan, reserves and external fundraising.

The 2020/21 budget is \$5.2m. The expenditure for July 2020 was \$19,163.

PROJECT RISKS

(requiring active management)

COVID-19 - Alert Levels and restrictions resulting in project delays or increased costs. Impact of COVID-19 on the efficiency and effectiveness of the early design phase, stakeholder consultation, and initial site investigation progress by the design team.

Brownfields development – site or building complexities resulting in project delays or increased costs.

Fundraising targets not being met resulting in funding shortfall.

KEY PROJECT

Social Housing Ventilation Compliance

Progress report – Issue 1 – July / August 2020



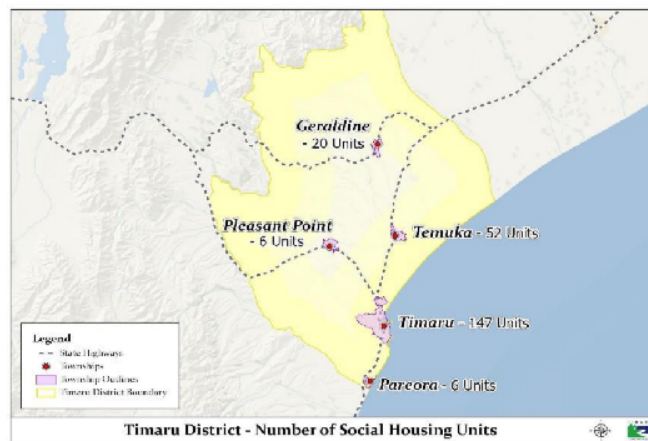
OVERVIEW

Timaru District Council currently owns and manages 231 social housing units. The Residential Tenancies (Healthy Homes Standards) Regulations 2019 requires all tenanted houses to be ventilated. In this context, the 2020/2021 Annual Plan includes a budget of \$740,00 to install bathrooms fans and rangehoods in TDC social housing units. At the end of this project, all 231 social housing units will be equipped with both a bathroom fan and a rangehood.

PROJECT UPDATE

- This project was selected as part of the acceleration process to kick-start the economy following the COVID-19 Alert Levels 4 and 3. As such, a project plan was prepared in June 2020 and a Registration of Interest advertised on Tenderlink, TDC Website and local newspaper on June 27.

- A panel of suppliers was established and all suppliers in the panel (5) were subsequently awarded a contract for 18-22 units. The next contracts will be awarded as contracts within the first tranche near completion.



- The procurement process resulted in high local participation with builders in Geraldine, Temuka, Timaru (2) and Pleasant Point awarded work in their respective towns.

- Rangehoods and bathroom fans are currently in very high demand. As a result, there is a lead time of up to 6 weeks to procure the materials. As procurement has been done early in the year, it will not delay the overall project completion which is still planned for June 2021

PROJECT TIMELINE



PROJECT TEAM

Project Sponsor: Donna Cross **Project Manager:** Phillipa Steans

\$740k

Total 2020/21 Annual Plan Budget

Panel of Local Suppliers Confirmed

First contracts awarded (> 90 units)

7.3 Timaru District Holdings Limited – Final Statement of Intent for 2020/2021**Author:** Bede Carran, Chief Executive**Authoriser:** Bede Carran, Chief Executive**Recommendation**

That the Committee note and receive the report.

Purpose of Report

- 1 To provide a copy of the final statement of intent (SOI) for Timaru District Holdings Limited (TDHL).

Assessment of Significance

- 2 This matter is of low significance in terms of Council's significance and engagement policy.

Discussion

- 3 A copy of TDHL's confirmation letter from the TDHL Chairman and the final Statement of Intent for 2020/21 are attached. TDHL has reviewed and addressed the items within Council's letter of expectations, and feedback on TDHL's draft statement of intent.
- 4 The Statement of Intent is reviewed and updated on an annual basis.

Attachments

1. **TDHL's confirmation letter of Board's approval**  
2. **TDHL Final Statement of Intent 2020/2021**  

TIMARU DISTRICT HOLDINGS LIMITED

PO Box 522
Timaru 7940

7 August 2020

Chief Executive
Timaru District Council
PO Box 552
Timaru 7940

Via Email : bede.carran@timdc.govt.nz

Dear Bede

Timaru District Holdings Limited – Statement of Intent 2020/21

Thank you for providing Timaru District Council's feedback on TDHL's draft Statement of Intent.

Please find attached TDHL's final Statement of Intent for the 2020/21 year approved by the TDHL Board.

Yours faithfully



Ian Fitzgerald
Chairman

e. frazer.munro@tdhl.co.nz

#1362426

Timaru District Holdings Limited Statement of Intent 2020/21

1 Preamble

Timaru District Holdings Limited (TDHL) is a council-controlled organisation as defined by Section 6 of the Local Government Act 2002.

This Statement of Intent sets out the overall intentions and objectives for TDHL for the period 1 July 2020 to 30 June 2021 and the two succeeding financial years. It has been prepared after taking into account the letter of expectations provided by Council.

TDHL was incorporated on 29 October 1997 with the intent to manage the commercial assets and investments of Timaru District Council. In particular, this related to the Council's shareholding in PrimePort Timaru Limited and Alpine Energy Limited.

In 2014, the Board took the opportunity after consultation with its shareholder to sell half its shares in PrimePort Timaru Limited to the Port of Tauranga Limit. This was done with the intention of securing the long-term future of the port by becoming a domestic port base for a larger port operation. The funds from the sale of PrimePort shares enabled TDHL to purchase a substantial commercial property portfolio based around the port area. The company has since added to the property portfolio with additional port property purchases, attracted significant new value add tenants to Timaru such as Timaru Oil Services Ltd, and undertaken strategic purchase including the Showgrounds site on Evans Street Timaru and commercial properties situated at the southern end of Stafford Street.

TDHL's intention is to be a long-term holder of its investment in Alpine Energy, PrimePort and Port properties, all of which benefit the community. 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 and facilities supporting and enabling the growth of our local economy. The port properties owned by TDHL provide premises, on a commercial basis, for businesses that support the operation of the Port or provide ancillary services.

TDHL's intention is also to be profitable, to enable reinvestment in the business, deliver a return on investment to Council, and repay debt.

Since its inception the company has consistently paid a dividend to its Shareholder while also minimising debt levels.

Following a recent TDHL review, Council and TDHL are working together to implement the recommendations from that review.

TDHL contracts its administration from the Timaru District Council (the Council) and as such does not employ staff.

2 Operating Environment

The prevalent operating environment for 2020/21 includes:

- a. COVID-19 – navigating the adverse economic, commercial and social impacts of COVID-19
- b. Alpine Energy – together with the other shareholders, monitoring and engaging with the company as it navigates regulatory changes in particular the default price path limiting the revenue it can generate.
- c. TDHL review – working to newly defined expectations, director recruitment, a change in Board structure, and new framework for engagement with Council.

In relation to COVID-19, TDHL will continue to monitor the potential impact of COVID-19 on its commercial activities including lease arrangements. TDHL's own programme of work continues and through this TDHL contributes to local economic activity, with a significant portion of its expenditure spent within the district.

3 Objectives Of The Company

Pursuant to Section 59 of the Local Government Act 2002, as a Council Controlled Organisation, the principal objectives of TDHL are to:

- a. achieve the objectives of its shareholder, both commercial and non-commercial, as specified in the statement of intent; and
- b. be a good employer; and
- c. exhibit a sense of social, environmental and cultural responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- d. conduct its affairs in accordance with sound business practice.

Purpose and Mission Statement

The purpose of TDHL is to hold and manage the commercial assets and investments of Timaru District Council.

It seeks to be a successful and growing business increasing the value of the Company and its return to its shareholder, while taking into account the special needs of the shareholder.

General objectives are: -

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

- b. To ensure insofar as it is reasonably and lawfully able, that the Statements of Intent of each of TDHL's subsidiaries and associates reflects the policies and objectives of the Council and TDHL in the area of activity or operation of that subsidiary or associate.
- c. To monitor the activities of the companies, comprising the group, to ensure that the respective Statements of Intent are adhered to.
- d. To keep the TDC informed of matters of substance affecting the group.
- e. To ensure that regular reporting of results from the subsidiaries and associates to TDHL occurs to the holding company.
- f. To provide feedback on Statements of Intent, for each of TDHL's subsidiaries and associates through which the performance (including the financial performance) will be monitored, and to confer with each company on their long term strategic direction.
- g. To undertake strategic asset purchases, partner with external parties, or assist future developments in the district.
- h. To obtain a commercial return and build long term strategic value from the port property portfolio, but to have regard to the broader port economy including working in conjunction with PrimePort to ensure operations contribute to the port business as far as practicable.
- i. To ensure activities around TDHL's property portfolio mitigate risk to the Company and its Shareholders.

Specific Objectives and performance targets for 2020/21 are:

Objective	Performance Target
<p>Effectively and prudently manage TDHL's property assets, obtaining a satisfactory return on investment on commercial properties</p> <p>Property held for non-financial reasons shall achieve good community outcomes over the medium term.</p>	<p>To achieve a return on investment of 7% or greater on the leasable port property portfolio held for investment purposes.</p> <p>Annual review of property held for non-financial reasons and related strategy. Community outcomes to be defined and monitored.</p> <p>Ensure that all lease renewals are completed in a timely manner.</p>
<p>To review the TDHL investment portfolio for strategic opportunities.</p>	<p>Annual deep dive on each investment by TDHL Board. Update shareholder on outcomes through quarterly workshops and AGM.</p>
<p>To continue debt reduction and shareholder distributions subject to no major investments being undertaken and available cashflow.</p>	<p>The current intention is to maintain \$3m of reserves, provide a dividend to Timaru District Council as indicated below, with any remaining surplus to be used for debt reduction.</p> <p>The above is subject to the solvency test and no new major investments being undertaken.</p>
<p>To work with Council in relation to the implementation of the recommendations from the 2019 TDHL review.</p>	<ul style="list-style-type: none"> • Together with Council, document the roles and responsibilities between Council, TDHL and council officers (provide feedback to Council). • Refresh the TDHL constitution (Council led). • Develop and implement an appointments process (Council led) • Hold periodic joint "deep dives" to discuss TDHL's • performance and direction

Additional financial performance targets are included below.

TDHL will report to Council on progress on a quarterly basis.

4 Nature And Scope Of Activities To Be Undertaken

TDHL's business is that of an investor for the benefit of the district and to provide a commercial return to the Council.

Its investment portfolio includes:

- a. Shareholding in local companies providing significant economic and community benefits; specifically Alpine Energy Ltd – 47.5% shareholding, PrimePort Timaru Ltd – 50.0% shareholding.

Activities to be undertaken regarding TDHL's investment in Alpine Energy and PrimePort, in addition to the above objectives, include:

- Acting as a diligent, constructive and inquiring Shareholder
- Commenting on their statement of intent.

- b. Property investments providing portfolio of investment properties including:

- Properties located in the vicinity of PrimePort Timaru that are targeted for leasing to port related operations to achieve an overall set rate of return; and
- Strategic properties such as the "Showgrounds" site on State Highway 1 and Stafford Street South.

Activities to be undertaken regarding TDHL's property investments, in addition to the above objectives, 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.

TDHL, may undertake development of properties that will benefit the district or the company. TDHL will inform the shareholder prior to committing or undertaking property development (this does not apply to the improvement or development of its port properties).

5 Governance

The TDHL Board meets monthly and receives regular reporting in relation to its financials and property portfolio.

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 (as per 2.6 above);
- regular monthly reporting on performance and against budget;
- regular reports on the property portfolio; and
- the AGM between each company and shareholders, as well as additional shareholder and Board to Board meetings on an as needed basis.

A Board competency matrix is being developed, and 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.

6 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 25.00%.

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 to equity.

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

7 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, and section 69 of the Local Government Act 2002. Details of the current accounting policies and their application are contained in Appendix A.

8 Performance Targets (Parent)

The performance targets are based on the financial forecasts and the associated assumptions.

TDHL expects to have a gross income of \$2.7m excluding valuations and share of associate surpluses and to pay an ordinary dividend of \$2m for 2020/21, decreasing to \$1m in 2021/22 and 2022/23,

Performance targets					
	2018/19 Actual	2019/20 Projected	2020/21 Budget	2021/22 Budget	2022/23 Budget
EBITDA (Earnings before Interest Tax Depreciation and Amortisation)	\$ 6,417,598	\$ 6,775,575	\$ 3,634,017	\$ 2,418,702	\$ 2,457,493
Net profit after tax to shareholders funds (ROE)	5%	5%	3%	1%	2%
Net tangible assets per share	\$ 3.45	\$ 3.54	\$ 3.57	\$ 3.59	\$ 3.61
Earnings per full paid share	\$ 0.18	\$ 0.19	\$ 0.09	\$ 0.05	\$ 0.06
Dividends per fully paid share	\$ 1.06	\$ 0.09	\$ 0.06	\$ 0.03	\$ 0.03
Shareholder funds to total assets	74%	76%	80%	81%	81%

9 Financial Forecasts

The financial forecasts are based on estimated revenue flows and estimated capital structures. The forecasts are based on the current operating environment and are subject to no major investments being undertaken.

	2018/19 Actual	2019/20 Projected	2020/21 Budget	2021/22 Budget	2022/23 Budget
Property Revenue	2,543,504	2,610,000	2,713,959	2,777,958	2,843,748
Other Revenue	9,083,163	5,571,861	2,315,337	709,492	704,798
Total Income	11,626,667	8,181,861	5,029,297	3,487,450	3,548,546
Expenses	2,522,146	2,405,669	2,250,347	1,835,815	1,810,120
Total Comprehensive Income excluding Revaluations and Share of Associate Surplus	9,104,521	5,776,192	2,778,950	1,651,636	1,730,426
TOTAL EQUITY	107,014,807	109,820,077	110,599,027	111,250,662	111,981,088
Current Assets					
Bank	1,967,982	2,735,243	3,792,950	3,442,786	3,171,412
Other Current Assets	2,075,066	2,049,287	156,529	158,329	160,129
TOTAL CURRENT ASSETS	4,043,048	4,784,529	3,949,479	3,601,115	3,331,541
TOTAL CURRENT LIABILITIES	1,367,081	1,303,306	1,293,306	1,293,306	1,293,306
Working Capital	2,675,967	3,481,223	2,656,173	2,307,809	2,038,235
TOTAL NON CURRENT ASSETS	140,565,906	140,565,906	134,269,906	134,269,906	134,269,906
TOTAL NON CURRENT LIABILITIES	36,227,066	34,227,063	26,327,063	25,327,063	24,327,063
NET ASSETS	107,014,807	109,820,076	110,599,026	111,250,662	111,981,088

10 Financial Projections

It is forecast that term debt within the company be repaid in each of the years. External debt will continue to be repaid over the three year period of this SOI. This is assuming that alternative investment opportunities necessitating funds are not required.

It is expected that there will be a substantial reduction of dividends received from Alpine Energy Limited, largely attributable to regulations that limit the amount of revenue lines companies can earn. These regulations are put in place by the Commerce Commission and exist to protect the consumer (in monopoly markets) and to incentivise efficiencies within the industry.

The Board has a policy of retaining \$3 million in cash reserves. Funds in excess of this will be prioritised for shareholder dividends and debt repayment as per the company's objectives. This has been incorporated into the forecasts.

11 Reporting To Shareholder

The following information will be available to the Council based on an annual balance date of 30 June.

Draft Statement of Intent

By the 1st of March each year, the directors, deliver a draft Statement of Intent for the following financial year which is informed by the Letter of Expectation from Council and fulfils the requirements of Section 64 of the Local Government Act 2002.

Completed Statement of Intent

By the 30th June each year the directors shall deliver to the shareholder the final Statement of Intent for the following financial year which fulfils the requirements of Section 64 of the Local Government Act 2002.

Quarterly Report – First and Third Quarters

Within 2 months of the end of the quarter, the directors shall deliver to the shareholder an unaudited report containing the following information as a minimum in respect of the quarter under review:

- a) Statement of Comprehensive Revenue and Expense disclosing actual revenue and expenditure including a comparison of actual against budget, and comparative figures
- b) Statement of Changes in Equity
- c) Statement of Financial Position
- d) Cashflow Statement
- e) A commentary on 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 have an effect on TDHL's performance, including an estimated forecast of the financial results for the year based on that outlook.
- f) Notice of and the reasons for any material changes to the dividend payments.

Half Yearly Report

Within two months after the end of the first half of each financial year, the directors shall deliver to the shareholder an unaudited report containing the following information as a minimum in respect of the half year under review:

- a) A Statement of Comprehensive Income disclosing actual revenue and expenditure including a comparison of actual against budget, and comparative figures
- b) A Statement of Changes in Equity
- c) A Statement of Financial Position
- d) A Cashflow Statement
- e) A commentary on the results for the first six months, together with a report on the outlook for the second six months, with reference to any significant factors that are likely to have an effect on the company's performance, including an estimated forecast of the financial results for the year based on that outlook.
- f) Notice of and the reasons for any material changes to the dividend payments
- g) Risk management:
 - Overview of business risks and risk management processes.
 - TDHL's approach to managing its current investments (including the opportunities and risks with TDHL's investments).
 - The actions that will be taken to maximise opportunities and mitigate risks.

Annual Report

Annual Management Report: Within eight weeks after the end of each financial year, the directors shall deliver to the shareholder unaudited financial statements in respect of that financial year, containing the following information as a minimum:

- a. A Statement of Comprehensive Income disclosing actual revenue and expenditure including a comparison of actual against budget, and comparative figures
- b. A Statement of Changes in Equity
- c. A Statement of Financial Position
- d. A Statement of Cashflow.
- e. Legislative compliance.
- f. Risk management:
 - Overview of business risks and risk management processes.
 - TDHL's approach to managing its current investments (including the opportunities and risks with TDHL's investments).
 - The actions that will be taken to maximise opportunities and mitigate risks.

Audited Annual Report: Within three months after the end of each financial year, the directors shall deliver to the shareholder, and make available to the public, an annual report and audited financial statements of that financial year, containing the following information as a minimum:

- a. A directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend;
- b. A Statement of Comprehensive Income disclosing actual revenue and expenditure including a comparison of actual against budget, and comparative figures;
- c. A Statement of Changes in Equity
- d. A Statement of Financial Position
- e. A Statement of Cashflow
- f. Summarised list of Intercompany transactions for the year
- g. A Statement of Objectives and Performance
- h. An Auditor's report on the above statements and the measurement of performance in relation to objectives.

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 three times a year in addition to the AGM.

No surprises: TDHL will use its reasonable endeavours to operate on a no surprises basis, particularly on matters where there is political, financial or other risk.

12 Dividend Policy

The company will distribute a dividend of no more than 100% of the 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 notice of this and the reasons for it should be disclosed in its reporting to Council.

13 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.

14 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.

15 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 86.6 and 97.9 million as at 25 October 2018 whereas the cost and recorded value of these shares is \$68 million. A subsequent desktop valuation carried out in July 2019 confirmed the independent valuation. A review of this valuation, along with a valuation of PrimePort Timaru Limited, will be undertaken periodically.

The shares held in PrimePort Timaru Limited are recorded at fair value. No independent valuation has been completed at this time.

The investment properties portfolio is revalued annually, at 30 June 2019 the portfolio had a valuation of \$45.5 million.

16 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.

17 Other

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

Appendix A**Timaru District Holdings Limited - Statement Of Accounting Policies****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 2019 (1 July 2019):

- NZ IFRS 16 *Leases*

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of NZ IFRS 16. 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

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

From 1 July 2019, lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the term of the lease.

Prior to 1 July 2019, operating lease payments were 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, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably measured. 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 2019 Leases

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the entity.

Prior to 1 July 2019, leases of property, plant and equipment were classified as either finance leases or operating 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.

Lease income from operating leases where the entity is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The entity did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting NZ IFRS 16 *Leases* from 1 July 2019.

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.

TIMARU DISTRICT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Note 1: Changes in Accounting Policies

This note explains the impact of the adoption of NZ IFRS 16 Leases on the Group's financial statements.

i. NZ IFRS 16 Leases

Timaru District Holdings Limited has adopted the requirements of NZ IFRS 16 in the year to 30 June 2020. NZ IFRS 16 replaces the principles of NZ IAS 17. The entity did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of NZ IFRS 16. The entity has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the entity relied on its assessment made applying NZ IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

8 Consideration of Urgent Business Items

9 Consideration of Minor Nature Matters

10 Exclusion of the Public**Recommendation**

That the public be excluded from the following parts of the proceedings of this meeting on the grounds under section 48 of the Local Government Official Information and Meetings Act 1987 as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
11.1 - Property Matter	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>

11 Public Excluded Reports

11.1 Property Matter

12 Readmittance of the Public