

The Chief Executive
Timaru District Council
PO Box 522
Timaru 7940

via email: bede.carran@timdc.govt.nz

16 May 2023

Dear Bede

Report for period 1 July 2022 to 31 March 2023

TDHL is pleased to present this report for the period 1 July 2022 to 31 March 2023.

The significant 2022 strategic refresh enabled TDHL to deliver an updated and more focused draft Statement of Intent to Council at the end of February 2023. This new draft Statement of Intent aligns TDHL closer to Council and clarifies TDHL's purpose to manage and grow an investment portfolio that provides a sustainable intergenerational return and is aligned to the values of the Shareholder.

Included in this is a focus on diversifying and growing the company to deliver an increasing dividend to Council over the long term.

At an operational activity level, the first three months of the calendar year have been focused on putting in place the resources and requirements to support the updated strategy. Work with our associate investments, shareholding partners and on property projects has also continued.

The activity updates below provide further details. The commentary on the financial statements show that the steady start to the year has been maintained.

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Financial Performance

The TDHL financial statements as at 31 March 2023 are provided below.

Profit and Loss

- The year-to-date Net Profit is \$1.8m as per budget of \$1.8m.
- It is noted that prior year comparison includes the share of associate surplus and property revaluation which is not determined until the end of the year.
- As previously reported, the Auditors required the \$471k AEL dividend received in July 2022 to be transferred and recognised in the previous financial year. Therefore the 'Other Income' (dividends) are \$2.3m against budget of \$2.7m. For clarity, the AEL dividends are being received as forecast.
- Year to date expenses are favourable to budget.
- Total finance costs are below budget due to lower overall debt and interest rates slightly below forecasts.

Balance Sheet

- The balance sheet and statement of cashflows show a strong cash position being maintained. This will be reallocated to debt repayment in July 2023 as per the draft Statement of Intent.
- The Investing Activities include the acquisition of the Martin Street sites, capital improvements to current buildings and the disposal of Lot 5 at the Showgrounds.

Movements in Equity / Statement of Cashflows

- The \$500,000 dividend to TDC as paid in November 2022 is shown.
- This, along with interest payments on the intercompany loan, brings the total cash provided to TDC at as 31 March to \$1,350,295.
- A further \$500,000 dividend to TDC is forecast to be paid in June 2023.

Governance

Timaru District Council

- The updated and refreshed draft Statement of Intent was submitted at the end of February. This will be refined based on Council's collective feedback.
- In conjunction with the periodic reporting, the TDHL Chair and General Manager met with Council to discuss property investments.
- In mid-March, the Chair, Deputy Chair and General Manager presented a detailed update on the investment categories including associate performance and outlook.

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PrimePort Timaru Limited

- TDHL continues to receive regular monthly and half yearly reporting from PrimePort.
- The PPT Chair presented a detailed performance and outlook update to the TDHL Board in February 2023.
- TDHL management met with joint venture partners, Port of Tauranga, in late March.

Alpine Energy Limited

- TDHL management continues to meet with AEL management on a regular basis.
- The TDHL Chair and General Manager have met with the other shareholders Mayors / Chairs and Chief Executives.
- The focus of building a collective shareholders' understanding is continuing, with the officers preparing joint feedback on the Statement of Corporate Intent.
- TDHL appointed Director, Melissa Clark-Reynolds, presented a detailed performance and outlook update to the TDHL Board in April 2023.
- The AEL Chair will provide a further update to the TDHL Board in May 2023.

Property

- Programmed rent reviews and renewals are ongoing.
- In late January 2023 the developer of the proposed hotel development on the south Stafford St sites exited. TDHL purchased the sites back.
- The acquisition of the Martin Street vacant industrial land was completed in late February 2023.
- Site sealing works at the 3 Fraser Street yard are well underway. Stage 1 of 3 is due for sealing in the coming weeks.

Sincerely



Mark Rogers
Chairperson

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Profit and Loss - For the 9 months ended 31 March 2023

PROFIT & LOSS	2021/2022 (YTD)	2022/2023 (YTD)	Budget 2022/2023 (YTD)	Budget 2022/2023
Revenue	\$2,037,323	\$2,142,132	\$2,144,956	\$2,903,442
Cost of Sales	\$460,006	\$482,946	\$635,522	\$833,989
Gross Profit	\$1,577,317	\$1,659,186	\$1,509,434	\$2,069,453
Expenses	\$500,586	\$1,115,399	\$1,129,302	\$1,381,103
Operating Profit	\$1,076,731	\$543,786	\$380,132	\$688,350
Other Income	\$2,427,848	\$2,276,030	\$2,669,683	\$2,669,683
Earnings Before Interest & Tax	\$3,504,580	\$2,819,816	\$3,049,815	\$3,358,033
Interest Income	\$22,055	\$129,089	\$17,100	\$22,800
Interest Expenses	\$480,327	\$1,088,687	\$1,203,508	\$1,669,152
Earnings Before Tax	\$3,046,308	\$1,860,218	\$1,863,407	\$1,711,681
Net Income	\$3,046,308	\$1,860,218	\$1,863,407	\$1,711,681

Balance Sheet - As at 31 March 2023

BALANCE SHEET	2021/2022 (YTD)	2022/2023 (YTD)
ASSETS		
Cash & Equivalents	\$4,449,676	\$4,641,009
Accounts Receivable	-\$4,472	\$111,977
Other Current Assets	\$15,189	\$227,874
Total Current Assets	\$4,460,393	\$4,980,860
Investments or Other Non-Current Assets	\$158,580,565	\$174,776,615
Total Non-Current Assets	\$158,580,565	\$174,776,615
Total Assets	\$163,040,958	\$179,757,475
LIABILITIES		
Accounts Payable	\$503,137	\$145,767
Tax Liability	\$593,132	\$1,047,686
Other Current Liabilities	\$40,525	\$46,654
Total Current Liabilities	\$1,136,794	\$1,240,107
Long Term Debt	\$24,680,613	\$27,680,613
Total Non-Current Liabilities	\$24,680,613	\$27,680,613
Total Liabilities	\$25,817,407	\$28,920,720
EQUITY		
Retained Earnings	\$96,486,707	\$112,286,001
Current Earnings	\$3,046,308	\$1,860,218
Other Equity	\$37,690,536	\$36,690,536
Total Equity	\$137,223,551	\$150,836,755
Total Liabilities & Equity	\$163,040,958	\$179,757,475

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Statement of Cash Flows – For the 9 Months ended 31 March 2023

2021/2022 (YTD) 2022/2023 (YTD)

Operating Activities

Total Cash Received	\$4,901,497	\$4,986,733
Total Cash Disbursed	-\$2,089,190	-\$2,654,772
Net Cash Flows from Operating Activities	\$2,812,308	\$2,331,961

Investing Activities

Net Cash Flows from Investing Activities	\$0	-\$3,971,909
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Financing Activities

Drawdown (Repayment) of long-term loans	-\$1,000,000	\$3,500,000
Dividends Paid to Shareholders	-\$500,000	-\$500,000
Net Cash Flows from Financing Activities	-\$1,500,000	\$3,000,000

Net Cash Flows	\$1,312,308	\$1,360,052
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Cash and Cash Equivalents

Cash and cash equivalents at beginning of period	\$3,137,368	\$3,280,957
Cash and cash equivalents at end of period	\$4,449,676	\$4,641,009
Net change in cash for period	\$1,312,308	\$1,360,052

Movements in Equity - For the 9 Months ended 31 March 2023

2022/2023 (YTD)

Equity

Opening Balance	\$149,476,537
Current Year Earnings	\$1,860,218
Equity Dividends Paid	-\$500,000
Total Equity	\$150,836,755

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