TDHL

Timaru District Holdings Ltd

Delivering Prosperity

Annual Report 2023

www.tdhl.co.nz

Report Contents

Directors declaration

In the opinion of the Directors of Timaru District Holdings Limited ('the Company') the financial statements and notes, on pages 8 to 26:

- Comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Company as at 30 June 2023 and the result of operations for the year ended on that date;
- Have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the annual report including the financial statements of Timaru District Holdings Limited for the year ended 30 June 2023.

Mark F. Rogers (Chairperson)
Date: 2 October 2023

RLKeoghan
Rebecca L. Keoghan (Deputy Chairperson)
Date: 2 October 2023

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Directory

Incorporation number	881487
Principal activities	Property - non-residential - renting or leasing
Registered office	2 King George Place Timaru 7910 New Zealand
Directors	Aaron W.K Bethune Peter J. Burt Rebecca L. Keoghan Sally B. Parker Mark F. Rogers
Shareholders	Timaru District Council 49,550,000 ordinary shares 49,550,000 ordinary shares
Auditor	Audit New Zealand, Christchurch On behalf of the Auditor-General

Highlights & Challenges

Net Surplus after tax
$20.7M
up from $13M

Net Cash from Operations
$2.3M
down from $2.7M

Dividends from Associates
$2.3M
down from $2.4M

Property Revenue
$2.9M
up from $2.8M

Investment Property Valuation
$62.7M
up 37.8% including investment in new property assets

Share of Associate Surplus
$10.6M
up from $10.1M

Total Dividend to TDC
$1M
consistent with 2021/22

Total Equity
$179.9M
up from $149.5M

Chairman and General Manager Report

At TDHL, we continue to focus on our core priorities, being our investments in associates, the property portfolio and the provision of a sustainable cash return to our shareholder. This is all underpinned by strong relationships with our shareholder, joint venture partners, associates and wider stakeholders. Our relationships remain our greatest asset, the foundation of our future growth and the means by which we ensure we add the greatest value.

To articulate and illustrate this, 2022/23 has seen TDHL undertake a full refresh of its strategy culminating in the delivery of an updated and more focused Statement of Intent. This reinforces that the core purpose of TDHL is to provide a sustainable intergenerational return to our shareholder and that we will achieve this through focusing on commercial priorities and relationships.

The Statement of Intent also recognises that for TDHL to continue to deliver a sustainable financial return, we need to re-invest and consider diversification options. Critically, these must be balanced against our existing priorities and be consistent with our shareholder's values. The beginning of this re-investment can be seen already through the Aorangi Road industrial land acquisition and the growing balance sheet. This land will be progressively developed and positioned to respond to market opportunities.

Our strengthened relationship with our intergenerational associate investments of PrimePort Timaru and Alpine Energy has enabled us to better understand the unique challenges each of these companies face in their respective sectors. Proactively managing Board appointments and joint venture partner relationships is our primary means of ensuring that these companies are equipped with the highest calibre directors, achieve their objectives and provide a financial return. As we move into 2023/24, mindful of the economic and political uncertainties that lie ahead, we are confident that TDHL is well placed to achieve our objectives, align closer with our shareholder through their Long Term Plan, and continue to re-invest in the company’s capability and capacity.

Financial performance

The recent property acquisitions, positive portfolio revaluation and incorporation of associate surplus have driven a strong operating surplus after tax of $31.1M. Within this is a net cash surplus from operations of $2.3M, down from $2.7M last year. This includes a growing return from the property portfolio and steady dividends from the associates. We have maintained our financial support to our shareholder through the $1M dividend payment and $1.2M in interest payments throughout the year. This resulted in total cash payments to Timaru District Council of $2.2M. The total assets have increased by $34.9M to $209.9M while total liabilities have increased by $4.5M to $30M, thus lifting shareholders equity by $30.4M to a total of $179.8M.

Commercial property portfolio

Re-investment and prioritisation on our assets within the port related property portfolio has continued with the commencement of several capital improvement projects which will be completed early in the 2023/24 year. This will add value to our tenants, their operations and the overall effectiveness of the port zone. The acquisitions this year of land in Washdyke at Aorangi Road and Martin Street provide TDHL with the opportunity to further support our industrial and primary industry sector tenants, as well as to diversify within the property sector.

In closing, we would like to thank the Mayor, Councillors, Chief Executive and Council Officers for their support throughout the year. We look forward to ongoing collaboration as TDHL continues to manage and grow a sustainable intergenerational return for the benefit of the Timaru District.

Mark F. Rogers **Chairman**

Frazer Munro **General Manager**

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TDHL has a 50% shareholding in PrimePort Timaru Limited with the other 50% shareholding held by Port of Tauranga Limited. PrimePort plays a critical role connecting our district's exporters and importers to the world.

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.

TDHL owns 48ha of industrial and commercial land and buildings across the Timaru District. The priority areas being 30ha within the Timaru Port zone and 16ha in the Washdyke industrial area.

Statement of objectives and performance

For the year ended 30 June 2023 in New Zealand dollars

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.

General Objectives

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

   Achievement: TDHL monitors the performance of its associate investments through their financial, safety and activity metrics. TDHL also regularly engages at a governance and management to management level, to ensure maximum value for the shareholder is being achieved.

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.

   Achievement: All Statements were reviewed and considered to be in line with applicable policies and objectives.

c. To monitor the activities of the companies, comprising the group, to ensure that the respective Statements of Intent are adhered to.

   Achievement: The performance and activities of the companies are monitored through regular reporting and in-person updates.

d. To keep the TDC 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.

e. 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.

   Achievement: The commercial return is achieved through diligent management of the leases and regular market rent reviews. A close relationship with PrimePort is maintained by regular engagement at a management and Board level.

f. To evaluate and consider commercial development options.

   Achievement: TDHL actively maintains a watching brief for development opportunities and improvement options, with several projects investigated over the year and others coming to fruition.

g. To undertake asset purchases, partner with external parties, or assist future developments that, taking into account the strategic priorities of the shareholder, contribute to the economic capacity of the district.

   Achievement: TDHL continues to take a proactive approach with an outlook to pursue opportunities where considered appropriate. TDHL is actively engaging with external parties on current and future projects and will continue to do so. An example of this is the acquisition of the Aorangi Road industrial properties.

h. To maintain current best practices of risk management including health and safety.

   Achievement: Risk management is incorporated into every decision TDHL considers. Health and Safety at an operational and associate level has been reviewed by the Board.

I. To ensure activities around TDHL's property portfolio mitigate risk to the Company and its Shareholders.

   Achievement: TDHL continually reviews its investment portfolio, specifically around the tradeable property assets.

Statement of objectives and performance (continued)

Specific Objectives for 2022/2023

Objective	Performance Target	Achieved
Engage with Council to ensure TDHL contributes to Council's Strategic Framework. Keep Council informed on a no surprises basis of TDHL's activities.	Hold at least two strategic workshops with Council per annum. Quarterly reporting to Council in accordance with SoI.	Five workshops were held over the 2022/23 financial year. Quarterly reporting in accordance with the SoI was achieved.
Building on previous engagement with Council, refine the strategic plan for the company.	Refine the medium to long term investment strategy in alignment with Council's strategic priorities.	Achieved and reflected in the updated and refreshed 2023/24 SoI
Effectively and prudently manage TDHL's property assets, obtaining a satisfactory return on investment on commercial properties. Property held for non-financial reasons shall achieve good community outcomes over the medium term. Continue with business-as-usual approach acknowledging there will be some optimisation on the fringes of the portfolio.	To achieve a three-year rolling return on investment of 7% or greater on the leasable port property portfolio held for investment purposes.	A return on investment of 7.5% was achieved.
To continue debt reduction and shareholder distributions subject to no major investments being undertaken subject to available cashflow.	The current intention is to maintain $3M of cash reserves, provide a dividend to Timaru District Council as indicated below, with any remaining surplus to be used for debt reduction. The above is subject to the solvency test and no new major investments being undertaken.	$3M of cash reserves maintained and $1M dividend paid.

Financial Performance Targets

Financial Performance Targets	Target	Actual	Achieved
EBITDA			
Earnings before Interest Tax Depreciation and Amortisation	$3,376,837	$3,749,767	Yes
Net profit after tax to shareholders funds	2%	1.24%	No*
Net tangible assets per share	4.4	5.8	Yes
Earnings per fully paid share	0.08	0.07	No
Dividends paid per fully paid share	0.03	0.03	Yes
Shareholder funds to total assets	80%	86%	Yes

*The net profit after tax to shareholder funds target is calculated based on a forecast position which did not consider the gains as a result of the revaluation of investment property or share of associate surplus. The actual result saw increases in both the investment property portfolio value and equity values of PrimePort Timaru Limited and Alpine Energy Limited which increased shareholder funds beyond forecast and as a result this target was not met. The Local Government Act 2002 requires CCOs to include forecast financial statements in their SOI for the financial year to which the statement of intent relates, and each of the 2 following financial years. In 2023 it was identified that these forecast financial statements must be prepared in accordance with generally accepted accounting practice and consistent with the accounting policies applied by the CCO in the annual report. TDHL published budget information in its SOI in 2022 relating to the 2022/2023 year which only partially complies with GAAP. As a result no comparison of the forecast financial statements has been presented in the annual report.

Statement of comprehensive income

For the year ended 30 June 2023 in New Zealand dollars

	Note	2023 $000	2022 $000
Revenue	3	2,943	$2,808
Share of associate surplus	11	10,564	10,096
Revaluation of investment properties	9	10,167	2,212
		23,674	**15,116**
Operating expenses	5	(1,502)	(1,299)
Gain on sale of property held for sale	9	31	-
Operating profit before financing costs		**22,203**	**13,817**
Finance income		184	34
Finance expenses		(1,607)	(710)
Net financing costs	4	**(1,423)**	**(676)**
Profit before income tax		20,780	13,141
Income tax expense	6	(92)	(131)
Profit for the year		20,688	13,010
Other comprehensive income			
Share of associate surplus - other comprehensive income	11	10,683	2,793
Other comprehensive income for the year, net of income tax		10,683	2,793
Total comprehensive income for the year		**31,371**	**15,803**

Statement of financial position

As at 30 June 2023 in New Zealand dollars

	Note	2023 $000	2022 $000
Assets			
Current assets			
Cash and cash equivalents	7	1,663	785
Other financial assets		1,500	2,500
Trade and other receivables	8	634	565
Property held for sale	10	432	979
Total current assets		**4,229**	**4,829**
Non-current assets			
Right of use assets	12	16	5
Investment properties	9	62, 684	45,488
Investments in associates	11	142,831	123,862
Property held for sale	10	-	432
Deferred tax asset	6	131	356
Total non-current assets		**205,662**	**170,143**
Total assets		**209,891**	**174,972**

	Note	2023 $000	2022 $000
Liabilities			
Current liabilities			
Trade and other payables	13	1,020	215
Employee benefits	14	22	14
Income tax payable	6	899	1,075
Lease liabilites	12	7	5
Total current liabilities		**1,948**	**1,309**
Non-current liabilities			
Interest bearing loans and borrowings	15,17	28,081	24,181
Lease liabilities	12	9	-
Total non-current liabilities		**28,090**	**24, 181**
Total Liabilities		**30,038**	**25,490**
Equity			
Share capital	18	31,000	31,000
Retained earnings		123,337	103,649
Asset revaluation reserve		25,516	14,833
Total equity		**179,853**	**149,482**
Total liabilities and equity		**209,891**	**174,972**

Statement of changes in equity

For the year ended 30 June 2023 in New Zealand dollars

	Note	Share capital $000	Retained earnings $000	Asset revaluation reserve $000	Total $000
Balance at 1 July 2022	18	31,000	103,649	14,833	149,482
Total comprehensive income for the year					
Profit for the year		-	20,688	10,683	31,371
Total comprehensive income for the year		-	20,688	10,683	31,371
Transactions with owners of the Company					
Dividends paid during the year		-	(1,000)	-	(1,000)
Total transactions with owners		-	(1,000)	-	(1,000)
Balance at 30 June 2023		31,000	123,337	25,516	179,853
Balance at 1 July 2021	18	31,000	91,639	12,040	134,679
Total comprehensive income for the year					
Profit for the year		-	13,010	2,793	15,803
Total comprehensive income for the year		-	13,010	2,793	15,803
Transactions with owners of the Company					
Dividends paid during the year		-	(1,000)	-	(1,000)
Total transactions with owners		-	(1,000)	-	(1,000)
Balance at 30 June 2022		31,000	103,649	14,833	149,482

Statement of cash flows

For the year ended 30 June 2023 in New Zealand dollars

	Note	2023 $000	2022 $000
Cash flows from operating activities			
Cash received from customers		3,407	3,242
Cash paid to suppliers and employees		(2,131)	(1,738)
Interest received		184	34
Interest paid		(1,435)	(1,307)
Dividends received		2,278	2,428
Net cash from operating activities		2,303	2,659
Cash flows from investing activities			
Proceeds from other financial assets		4,000	-
Acquisition of other financial assets		(3,000)	-
Proceeds from sale of property held for sale		1,023	-
Aquisition of investment property		(6,343)	-
Net cash (to)/from investing activities		(4,320)	-
Cash flows from financing activities			
Proceeds from loans and borrowings		3,900	-
Repayments of loans and borrowings		-	(1,500)
Dividends paid		(1,000)	(1,000)
Lease payments		(5)	(9)
Net cash from/(to) financing activities		2,895	(2,509)
Net increase		878	150
Opening cash and cash equivalents 1 July		785	635
Closing cash and cash equivalents 30 June	7	1,663	785

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Notes to the financial statements

1 Reporting entity

Timaru District Holdings Limited ("the Company") 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 Company's principal activity is property - non-residential - renting or leasing. The financial statements presented are for Timaru District Holdings Limited as at and for the year ended 30 June 2023.

2 Basis of preparation

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 the 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. For the purposes of complying with NZ GAAP, the Company is eligible to apply Tier-2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR") on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions. All accounting policies set out below have been consistently applied to all periods presented in these financial statements. Where applicable, certain comparatives have been restated to comply with the accounting presentation adopted in the current year to ensure consistency with the current year classification.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment property which are measured at fair value, and associates which are equity accounted. Fair values have been determined for measurement purposes based on the methods outlined in the notes specific to the asset. Where applicable, further information about the assumptions made in determining fair value is also disclosed in the notes specific to that asset or liability. These financial statements are presented in New Zealand dollars ($) which is the Company's functional currency, rounded to the nearest thousand dollars ($000). They have been prepared on a GST exclusive basis except for receivables and payables that are stated inclusive of GST.

Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The principal areas of judgement in preparing these financial statements are set out below. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 9 Valuation of investment property.
- Note 12 Leases, on determining whether a contract contains a lease, lease terms, incremental borrowing rate, and lease renewal options.

Foreign currency
Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

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.

Basis of preparation continued

Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Cash and cash equivalents policy

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.

Derivative financial instruments and hedge accounting

Derivatives held by associates are initially measured at fair value. Subsequent to initial recognition derivatives are measured at fair value and changes therein are generally recognised in profit or loss.

3 Revenue

	2023	2022
	$000	$000
Property rentals	2,943	2,808
	2,943	2,808

Revenue is recognised when the performance obligation associated with the respective contract is satisfied and can be reliably measured. Rental income from the investment property is recognised in the Statement of Comprehensive Income when due and paid by the Lessee and is spread evenly over the lease period. Rental income from investment property solely comprises of operating lease income from lease contracts in which the Company acts as a lessor (refer to note 12).

4 Net financing costs

	2023	2022
	$000	$000
Interest income	184	34
Finance income	184	34
Interest expense	(1,607)	(710)
Finance expense	(1,607)	(710)
Net financing costs	(1,423)	(676)

Finance income and expenses policy
Finance income comprises interest income on funds invested using the effective interest method.
Finance costs comprise interest expense on interest bearing loans and borrowings. The interest expense component of interest bearing loans and borrowings is recognised as an expense using the effective interest rate method

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5 Operating expenses

	2023 $000	2022 $000
Directors' fees	208	195
Audit fees - Audit fees relating to the previous financial year	17	6
Audit fees - Annual accounts audit	27	28
Holding Company operating costs	1,258	1,040
Impairment (reversal of impairment)	(13)	22
Depreciation - Lease assets	5	8
	1,502	1,299

6 Income tax

	2023 $000	2022 $000
Tax recognised in profit or loss		
Current tax expense		
Current period	(132)	485
Total current tax expense	(132)	485
Deferred tax expense		
Origination and reversal of temporary differences	224	(354)
Total deferred tax expense/(benefit)	224	(354)
Total income tax expense	92	131
Reconciliation of effective tax rate		
Profit before tax	20,780	13,141
Income tax using the Company's domestic tax rate of 28%	5,818	3,678
Permanent differences	(5,088)	(2,867)
Imputation credits received on dividends	(638)	(680)
Income tax expense	92	131
Deferred tax		
Investment property	122	346
Property held for sale	4	6
Employee benefits	6	4
Lease liability	4	1
Right of use assets	(5)	(1)
Net deferred tax asset	131	356

The current tax liability of $899,000 (2022: 1,075,000) represents the amount of income taxes payable in respect of current and prior periods.

Income tax policy

Tax expense comprises current and deferred tax and is calculated using rates enacted or substantively enacted at balance date. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case the tax is recognised as an adjustment against the item to which it relates. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of goodwill. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

7 Cash and cash equivalents

	2023 $000	2022 $000
Current assets		
Bank accounts	1,663	785
Total cash and cash equivalents in the statement of cash flows	**1,663**	**785**

Reconciliation of cash flows from operating activities

	2023 $000	2022 $000
Cash flows from operating activities		
Profit for the year	20,688	13,010
Adjustments for:		
Gain on sale of property held for sale	(31)	-
Share of associate surplus	(8,286)	(7,669)
Deferred tax expense (income)	224	(354)
Impairment (reversal) of property held for sale	(13)	22
Gain on FV of investment property	(10,167)	(2,212)
	2,415	2,797
Change in trade and other receivables	16	13
Change in trade and other payables	(128)	(151)
Net cash from operating activities	**2,303**	**2,659**

8 Trade and other receivables

	2023 $000	2022 $000
Debtors	546	565
GST receivable	88	-
	634	**565**

No bad debt expenses have been recorded for this financial year (2022: nil).

Trade and other receivables policy

Trade and other receivables are initially recognised at fair value, being their cost, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Impairment is calculated based on an expected credit loss (ECL) model under NZ IFRS 9.
No provision is recognised as at 30 June 2023 (2022: nil).

Notes to the financial statements continued

9 Investment properties

	2023 $000	2022 $000
Opening balance	45,488	43,645
Change in fair value	10,167	2,212
Acquisition of investment property	7,029	-
Transfer Stafford Street Properties to property held for sale	-	(369)
Closing balance	62,684	45,488

Amounts recognised in profit or loss for investment properties	2023 $000	2022 $000
Rental income from operating leases	2,943	2,807
Direct operating expenses from property that generated rental income	(563)	(583)
Direct operating expenses from property that did not generate rental income	(54)	(97)
Fair value gain recognised in other income	10,167	2,212
	12,493	4,339

Measuring investment property at fair value

Investment properties held by the Company were independently valued as at 30 June 2023 by Hayden Doody (VPM), SPINZ, ANZIV a registered valuer at Telfer Young (Canterbury) Limited. The valuation is based on fair value. In determining fair value, Mr Doody 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.

Investment property policy

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. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Stafford Street buyback and reclassification

In July 2022 three properties located in Stafford Street Timaru were sold to a third-party. As at 30 June 2022 these properties were under contract for sale and classified as property held for sale in the annual report. In January 2023 the properties were subsequently repurchased by Timaru District Holdings Limited and are classified as Investment Property as at 30 June 2023.

10 Property held for sale

Property held for sale is classified as held for sale if the carrying amount will be recovered principally through a sale transaction within the next financial year. Property held for sale is 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. Property held for sale is not depreciated or amortised while it is classified as held for sale.

Sale of Showgrounds	2023 $000	2022 $000
Sale of property held for sale	663	-
Opening carrying value of Showgrounds	(620)	-
Reversal of impairment	(12)	-
Gain recognised as income	31	-

Timaru District Holdings Limited has the following commitments as at 30 June 2023 and 30 June 2022. During the 2023 financial year settlement was received for the contract of the sale of lot 5 of the Showgrounds Property. A contract has been signed for the remaining lots 8 and 9 with an expected settlement date of October 2023. The remaining value of the property is reflected on the balance sheet as property held for sale.

Notes to the financial statements continued

11 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. For the purpose of equity accounting, all property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses with the exception of land which is recognised at fair value. An impairment assessment has been completed for the Company's investment in associate entities (Alpine Energy Limited and PrimePort Timaru Limited) as at 30 June 2023. No impairment loss is required to be recognised.

PrimePort Timaru Ltd

Principal activity: Port operator

Ownership: 50.0% (2022: 50.0%)

Balance date: 30 June

Results of Associate

	2023 $000	2022 $000
Share of Profit before tax	3,636	5,482
Taxation	(964)	(949)
Share of Profit After Tax	2,672	4,533
Share of Other Comprehensive Income	10,065	2,793
Share of Total Comprehensive Income	12,737	7,326

Interest in Associate

	2023 $000	2022 $000
Balance at Beginning of Year	39,471	33,395
Recognised total comprehensive income	12,737	7,326
Dividends	(1,100)	(1,250)
Balance at End of Year	51,108	39,471
Share of Recognised total comprehensive income	12,737	7,326
Dividends Paid	(1,100)	(1,250)
Total Movement in Investment	11,637	6,076

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

	2023 $000	2022
Current Assets	4,211	5,467
Non Current Assets	152,583	121,247
Current Liabilities	30,511	5,374
Non Current Liabilities	24,070	42,401
Revenues	28,977	28,350
Profit or loss from continuing operations	5,344	9,068
Other Comprehensive Income	20,130	5,585
Total Comprehensive Income	**25,474**	**14,653**

Notes to the financial statements continued

Alpine Energy Ltd

Principal activity: Electricity Distribution
Ownership: 47.50% (2020: 47.50%)
Balance date: 31 March
The financial statements of Alpine Energy are prepared for the year to 31 March 2023.
There have been no significant transactions or events between that date and 30 June 2023 that require adjustments for equity accounting purposes.

Results of Associate

	2023 $000	2022 $000
Share of Profit before tax	10,194	7,458
Taxation	(2,302)	(1,895)
Share of Profit After Tax	7,892	5,563
Share of Other Comprehensive Income	618	-
Share of Total comprehensive income	**8,510**	**5,563**

Interest in Associate

	2023 $000	2022 $000
Balance at Beginning of Year	84,391	80,006
Recognised total comprehensive income	8,510	5,563
Dividends	(1,178)	(1,178)
Balance at the End of Year	91,723	84,391
Share of Recognised total comprehensive income	8,510	5,563
	8,510	5,563
Dividends Paid	(1,178)	(1,178)
Total movement in investment	**7,332**	**4,385**

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

	2023 $000	2022 $000
Current Assets	21,806	22,256
Non Current Assets	324,126	302,703
Current Liabilities	17,387	19,733
Non Current Liabilities	135,446	127,705
Revenues	80,346	68,402
Profit or loss from continuing operations	16,094	11,711
Other Comprehensive Income	1,301	-
Total comprehensive income	**17,395**	**11,711**

12 Leases

As a lessee

Right-of-use asset	Motor Vehicle 2023 $000	Motor Vehicle 2022 $000
Balance at 1 July 2022	5	14
Additions	16	-
Depreciation charge for the year	(5)	(9)
Balance at 30 June 2023	**16**	**5**

Lease Liabilities	Motor Vehicle 2023 $000	Motor Vehicle 2022 $000
Current	7	5
Non-current	9	-
Total lease liabilities	**16**	**5**

The interest rate applied to lease liabilities is 7.60% and the lease matures in June 2025.

Amounts recognised in the statement of cash flows Cash outflows for leases totalled $5,000 (2022: $9,000) during the year.

Leases policy
Recognition and measurement

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the contract. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
Impairment
The right-of-use asset is regularly assessed for impairment (see further detail in note 2).

As a lessor
The Company leases out its investment properties. The Company classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Assets held under operating leases are included within Investment property in note 9. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2023 $000	2022 $000
Less than one year	2,254	2,027
One to two years	1,878	1,479
Two to five years	3,791	3,396
More than five years	13,343	14,242
	21,266	**21,144**

13 Trade and other payables

	2023 $000	2022 $000
Trade creditors and accruals	844	126
Interest payable	164	81
Sundry payables	12	8
	1,020	215

Trade and other payables policy

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate. These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

14 Employee benefits

	2023 $000	2022 $000
Current		
Annual leave accrual	22	14
	22	14

Employee benefit policy

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid for outstanding annual leave balances if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

15 Interest bearing loans and borrowings

	Note	2023 $000	2022 $000
Non-Current			
Bank loans		6,400	2,500
Loans from Timaru District Council	17	21,681	21,681
		28,081	24,181

The interest rates for the loans from Timaru District Council range from 4.03% to 7.04% (2022: 1.75% to 4.03%). These loans have no fixed repayment terms and are repayable within 366 days (2022: 366 days) after notice by the Council seeking repayment of the outstanding amount. The interest rate applied is linked to the bank bill rate for the period plus basis points agreed with the Council.
The interest rates for the bank loan facilities range from 3.46% to 6.95% (2022: 1.67% to 3.46%). The $6,400,000 borrowing is on a fixed interest rate of 6.95% until 24 July 2023. The interest rate applied to the wholesale money market borrowing is reviewed every month by reference to the bank bill bid rate for that period. The average rate on the wholesale money market borrowing during the year is 5.47%.
Maturity dates of the interest rate instruments within the long term facility are:

	2023 $000	2022 $000
One to two years	6,400	2,500

Notes to the financial statements continued

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.

Interest bearing loans and liabilities policy

Borrowings are initially recognised at fair value, net of transaction costs incurred.
Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowing using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

16 Financial instruments classification

Financial instruments are recognised in the Statement of Financial Position when the Company becomes party to a financial contract. They include cash and cash equivalents, short term investments, trade and other receivables, trade and other payables, interest bearing loans and borrowings, lease liabilities, shares in associate companies, related party receivables, and related party payables.
Financial assets (except for trade receivables without a significant financing component) and liabilities are initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.
Financial assets and liabilities are classified into the following categories:

Financial assets held at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amounts outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss. Financial assets held at amortised cost comprise: cash and cash equivalents, short term investments, trade and other receivables, and related party receivables.

Financial assets held at fair value through profit and loss
All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss. Financial assets at FVTPL comprise derivative financial instruments.

Financial assets held at fair value through other comprehensive income
A financial asset is measured at fair value through other comprehensive income (FVOCI) if it meets both the following conditions, and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amounts outstanding.

Financial liabilities held at amortised cost
Financial liabilities not designated as at FVTPL on initial recognition are classified as at amortised cost. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss. Financial liabilities held at amortised cost comprise: trade and other payables, interest bearing loans and borrowings, related party payables, and lease liabilities.

Impairment - financial assets
The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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

	2023	2022
Financial assets as per balance sheet	**$000**	**$000**
Measured at amortised cost:		
Cash and cash equivalents	1,663	785
Other financial assets - short term deposits	1,500	2,500
Receivables	634	565
Total financial assets	**3,797**	**3,850**

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

Notes to the financial statements continued

Financial assets as per balance sheet	2023 $000	2022 $000
Measured at amortised cost:		
Payables and accruals	1,020	215
Term loans	28,081	24,181
Total financial liabilities	**29,101**	**24,396**

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.

17 Related parties

Key management personnel
Key management personnel comprise the Directors and the General Manager
Key management personnel compensation comprised of:

	2023 $000	2022 $000
Short term employee benefits	447	389
Post-employment benefits	8	7
	455	**396**

Dividends paid
During the year a dividend of $1,000,000 (2022: $1,000,000) was paid.

Transactions involving related entities
The entities, the nature of the relationship and the types of transactions which the Company entered into during the period are detailed below:

Related entity	Nature of relationship	Types of transactions
Timaru District Council	Parent	Sales, purchases, loan payable, balance payable
Alpine Energy Limited	Partially owned	Sales, balance receivable
PrimePort Timaru Limited	Partially owned	Sales, balance receivable

The following transactions between related parties occurred during the year:

2023	Sale of goods and services	Purchase of goods and services	Balances receivable	Balances payable	Loan payable
Related party	$000	$000	$000	$000	$000
Timaru District Council	40	2,722	-	125	21,681
Alpine Energy Limited	2	-	-	-	-
PrimePort Timaru Limited	96	-	3	-	-
	138	**2,722**	**3**	**125**	**21,681**

2022	Sale of goods and services	Purchase of goods and services	Balances receivable	Balances payable	Loan receivable/ payable
Related party	$000	$000	$000	$000	$000
Timaru District Council	32	896	-	77	21,681
Alpine Energy Limited	1	-	-	-	-
PrimePort Timaru Limited	89	-	7	-	-
	122	**896**	**7**	**77**	**21,681**

Related party receivable and payable balances are interest free, unsecured, and are repayable on demand. No related party debts have been written off or forgiven during the year. Refer to note 15 for Timaru District Council loan policy.

During the financial year the company purchased industrial land assets from Timaru District Council for a purchase price of $1.1 million, being the original cost price incurred by the Timaru District Council. These assets are classified as investment property by the Company and were independently revalued at 30 June 2023 as part of the Company's investment property portfolio. The fair value of the assets at 30 June 2023 was independently assessed at $8.945 million. The increase in value has been recognised by the Company as a gain on investment property in the surplus and deficit in line with the Company's investment property accounting policy. No outstanding amount was owing to the Timaru District Council as at 30 June 2023 relating to the Properties.

Notes to the financial statements continued

18 Share capital and reserves

	Number of shares 2023	2022	2023 $000	2022 $000
Shares				
Balance 1 July	49,550,000	49,550,000	31,000	31,000
Balance 30 June	**49,550,000**	**49,550,000**	**31,000**	**31,000**

At 30 June 2023, share capital comprised 49,550,000 shares (2022: 49,550,000). 18,550,000 shares (2022: 18,550,000) issued at a price of $1.35 each have been paid to $185.50 (2022: $185.50). This uncalled capital is security for the Letter of Credit facility of $19,000,000 with ANZ Bank for the credit facilities. All issued shares rank equally.

Share capital policy
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

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.

20 Contingencies

No contingent assets or contingent liabilities exist at balance date for Timaru District Holdings Limited (2022: nil).
No contingent assets or contingent liabilities exist at balance date for PrimePort Timaru Limited (2022: nil).
Alpine Energy Limited group has contingent liabilities of $730,000 as at 31 March 2023 in the form of performance and import guarantees to cover ongoing project work (2022: $4,090,000).

21 Capital commitments

As at 30 June 2023 the Company has outstanding contracted commitments for capital of $1,610,000 relating to investment property (2022: nil). These commitments are expected to be due within the next financial year.

22 Subsequent events

There are no subsequent events to disclose.

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Statutory information

Directors	Mark Rogers (Chairperson)
Timaru District Holdings Limited	Rebecca L. Keoghan (Deputy Chairperson)
	Peter J. Burt
	Aaron W. K. Bethune
	Sally B. Parker

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

Mark Rogers	Men at Work Limited - Independent Chairman
Chairperson	Institute of Directors Canterbury Branch - Committee Member
	PrimePort Timaru Limited - Director
	Kingsdown - Salisbury Hall Society Incorporated - Treasurer
	MVHB Professional Services Limited - Shareholder and Director
	Te Runanga o Arowhenua Limited - Chairman
	The Rogers Family Trust - Trustee
	Westroads Limited - Director
	Cumberland Property Group Limited - Director
	Cumberland Rural Properties Limited - Chairman
	Takapo AMW Limited - Chairman
Rebecca L Keoghan	Keoghan Farm Limited - Director
Deputy Chairperson	Gravity Dance Studio - Director
	Fire and Emergency NZ - Chairman and Director
	Alpine Energy Ltd - Director
	Glen Elgin Family Trust - Trustee
	Glenfiddich Family Trust - Trustee
Peter J Burt	Timaru District Council - Councillor
	Environment Canterbury - Zone Manager South Canterbury
	Aspect Trust - Chairman
	Aorangi Stadium Trust - Chairman
	Roncalli Development Trust - Trustee
	Burt Family Trust - Trustee
Sally B. Parker	Timaru District Council - Councillor
	Te Whatu Ora - Employee
	NZNO New Zealand Nursing Organisation - Member
	Aorangi Stadium Trust - Trustee
	Timaru Town and Country Club - Member
Aaron Bethune	Tainui Group Holdings Limited - Head of Financial Planning and Analytics
	Spirit of Adventure Trust - Trustee
	Bethune Consulting Limited - Director
	Bethune Family Trust - Trustee

Statutory Information continued

Interest in transactions

- All transactions with Directors were entered into during the normal course of business and at normal terms and conditions.

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 Council independently chose to undertake a review of Directors fees in August 2021. The fees were last set in 2014.

	Timaru District Holdings Limited	2023	2022
Director FY2023	Mark Rogers (Chairperson)	$60,000	$50,000
Director FY2023	Rebecca L. Keoghan (Deputy Chairperson)	$43,750	$45,200
Director FY2023	Peter J. Burt	$35,000	$35,000
Director FY2023	Sally B. Parker (8 December 2021 to present)	$35,000	$18,900
Director FY2023	Aaron Bethune (10 May 2022 to present)	$35,000	$5,100
Ceased 8 December 2021	Richard L. Lyon	$-	$16,200
Ceased 30 November 2021	Ian R. Fitzgerald	$-	$25,000
	Total	**$208,750**	**$195,400**

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

Net dividends of 3 cents per fully paid share were paid during the year.

Short term employee benefits

The Company paid short term employee benefits to key management personnel of between $220,001 and $230,000 during the year; (2022: between $200,001 and $210,000).

Donations

During the year Timaru District Holdings Limited made donations of $175. (2022: $Nil).

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	$27,233	$0

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the shareholders of Timaru District Holding Limited's financial statements and statement of objectives and performance for the year ended 30 June 2023

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 statement of objectives and performance of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 10 to 24, that comprise the statement of financial position as at 30 June 2023, 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 statement of objectives and performance of the Company on pages 8 and 9.

In our opinion:

- the financial statements of the Company:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; 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 – Reduced Disclosure Regime; and
- the statement of objectives and performance of the Company 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 2023.

Our audit was completed on 2 October 2023. 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 statement of objectives and performance , we comment on other 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.

Emphasis of Matter - Comparison of forecast financial statements with historical financial statements

Without modifying our opinion, we draw attention to the note on page 7, which outlines that the Company did not present a comparison of the forecast financial statements with the historical financial statements in the annual report.

Responsibilities of the Board of Directors for the financial statements and the statement of objectives and performance

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 statement of objectives and performance 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 statement of objectives and performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of objectives and performance , 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 statement of objectives and performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of objectives and performance , 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 shareholders, taken on the basis of these financial statements and the statement of objectives and performance.

For the performance targets reported in the statement of objectives and performance , our procedures were limited to checking that the information agreed to the Company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of objectives and performance .

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 statement of objectives and performance, 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 statement of objectives and performance 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 statement of objectives and performance 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 statement of objectives and performance, including the disclosures, and whether the financial statements and the statement of objectives and performance 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 1 to 7, 25 and 26, but does not include the financial statements and the statement of objectives and performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of objectives and performance 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 statement of objectives and performance , 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 statement of objectives and performance, 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: *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (PES 1) 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

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