

The Chief Executive  
Timaru District Council  
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22 August 2023

Dear Bede

**TDHL – Annual Management Report for the period 1 July 2022 to 30 June 2023**

We are proud to present this management report for the financial year ending 30 June 2023.

In accordance with the Statement of Intent, this report provides a pre-audit summary of a year's performance. As is usual practice, the full Annual Report will be provided upon the completion of the audit later this year.

2022/23 has seen TDHL continue to grow, actively invest in its future, and still deliver a sustainable return to Council in an increasingly challenging economic environment.

The strategic refresh undertaken during the year has enabled TDHL to deliver its significantly updated and focused Statement of Intent to Council. It also provides the foundation for TDHL to align closer to Council, and to identify how it can best support Council's priorities as it works through the upcoming Long Term Plan process.

The themes of diversification, re-investment and supporting Council's wider objectives can already be seen in TDHL's land acquisitions in Washdyke. These will ensure we can continue to support the growing port related business and industries, as well as providing wider opportunities for the District to grow its economy.

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While the challenging economic conditions have affected the south Stafford Street development, the long-term future of the sites and the role they can play in supporting Council's projects and the wider CBD remains protected.

We have continued to focus on our associate investments of PrimePort Timaru and Alpine Energy through direct engagement with the respective Boards and our fellow shareholders. Continuous engagement ensures that we maintain a strong collective understanding of the challenges they face and the support they require.

## Financial Summary

- The unaudited financial statements for the year ending 30 June 2023 are attached. Note that they exclude the property revaluation and incorporation of share of associate surplus.
- The unaudited pre-tax operating surplus is \$2.37M, being \$0.65M (38%) above budget. This is a strong result driven by higher revenue from the property portfolio and PrimePort dividend, and lower than budgeted costs across the business.
- Year on year (on the basis of excluding the property revaluation and incorporation of share of associate surplus), the pre-tax operating surplus is \$0.89M lower 2022, primarily due to an increase in finance and interest costs of \$0.86M. It is noted that the vast majority of interest payments (\$1.28M of the total \$1.57M costs) went directly to the Council.
- The strong financial position can be seen in the balance sheet which, despite excluding the property revaluation and share of associate surplus, shows the maintenance of the cash position and significant reduction in liabilities. This results in net assets and total equity increasing.

## Dividends

- TDHL paid a total dividend of \$1M to TDC for the 2022/23 year as per the budget and Statement of Intent.

## Governance

### Timaru District Council

- The Board finalised the 2023/24 Statement of Intent which was provided to Council within the statutory timeframes.

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- Engagement with Council at a governance and management level on a range of matters has been ongoing.

#### PrimePort Timaru Limited

- Executives from joint venture partner, Port of Tauranga, visited Council and TDHL in June 2023.
- A TDHL and PrimePort Board to Board meeting was held in June 2023.

#### Alpine Energy Limited

- Ongoing work with fellow shareholders enabled collective feedback on the Statement of Corporate Intent and subsequent discussions with the company.
- In May 2023, the AEL Chair, Warren McNabb, presented to the Board on recent performance and governance updates.
- In June, Directors attended a shareholders update hosted online by the AEL Board.
- A Board to Board meeting is planned for early August 2023.

#### Property

- The acquisition of Lyndon St / Aorangi Rd land was completed in late June 2023.
- Work continues on capital investment projects, prospective new tenants and re-investment opportunities.

Finally, on behalf of the Board, I would like to acknowledge and thank the Mayor, Councillors, Chief Executive and Council staff for their support and collaboration over the year and look forward to an exciting year ahead.

Sincerely



**TDHL Chairman**

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## Profit and Loss - ended 30 June 2023

PROFIT & LOSS	2021/2022	2022/2023	Budget 2022/2023 (YTD)	Budget 2022/2023
Revenue	\$2,806,907	\$2,943,478	\$2,903,442	\$2,903,442
Cost of Sales	\$583,306	\$616,875	\$833,989	\$833,989
<b>Gross Profit</b>	<b>\$2,223,601</b>	<b>\$2,326,603</b>	<b>\$2,069,453</b>	<b>\$2,069,453</b>
Expenses	\$718,923	\$1,324,005	\$1,381,103	\$1,381,103
<b>Operating Profit</b>	<b>\$1,504,678</b>	<b>\$1,002,598</b>	<b>\$688,350</b>	<b>\$688,350</b>
Other Income	\$15,101,076	\$2,747,169	\$2,669,683	\$2,669,683
<b>Earnings Before Interest &amp; Tax</b>	<b>\$16,605,754</b>	<b>\$3,749,767</b>	<b>\$3,358,033</b>	<b>\$3,358,033</b>
Interest Income	\$34,221	\$184,112	\$22,800	\$22,800
Interest Expenses	\$709,307	\$1,568,409	\$1,669,152	\$1,669,152
<b>Earnings Before Tax</b>	<b>\$15,930,668</b>	<b>\$2,365,470</b>	<b>\$1,711,681</b>	<b>\$1,711,681</b>
Tax Expenses	\$131,374	\$209,301	\$0	\$0
<b>Earnings After Tax</b>	<b>\$15,799,294</b>	<b>\$2,156,169</b>	<b>\$1,711,681</b>	<b>\$1,711,681</b>
<b>Net Income</b>	<b>\$15,799,294</b>	<b>\$2,156,169</b>	<b>\$1,711,681</b>	<b>\$1,711,681</b>

## Balance Sheet - As at 30 June 2023

BALANCE SHEET	2021/2022	2022/2023
<b>ASSETS</b>		
Cash & Equivalents	\$3,280,957	\$3,162,454
Accounts Receivable	\$566,637	\$547,128
Other Current Assets	\$360,770	\$150,436
<b>Total Current Assets</b>	<b>\$4,208,363</b>	<b>\$3,860,017</b>
Investments or Other Non-Current Assets	\$170,761,130	\$176,661,229
<b>Total Non-Current Assets</b>	<b>\$170,761,130</b>	<b>\$176,661,229</b>
<b>Total Assets</b>	<b>\$174,969,493</b>	<b>\$180,521,246</b>
<b>LIABILITIES</b>		
Accounts Payable	\$109,284	\$776,517
Tax Liability	\$1,075,148	\$1,016,881
Other Current Liabilities	\$127,911	\$14,529
<b>Total Current Liabilities</b>	<b>\$1,312,343</b>	<b>\$1,807,927</b>
Long Term Debt	\$24,180,613	\$28,080,613
<b>Total Non-Current Liabilities</b>	<b>\$24,180,613</b>	<b>\$28,080,613</b>
<b>Total Liabilities</b>	<b>\$25,492,957</b>	<b>\$29,888,540</b>
<b>EQUITY</b>		
Retained Earnings	\$96,486,707	\$112,286,001
Current Earnings	\$15,799,294	\$2,156,169
Other Equity	\$37,190,536	\$36,190,536
<b>Total Equity</b>	<b>\$149,476,537</b>	<b>\$150,632,706</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$174,969,493</b>	<b>\$180,521,246</b>

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## Statement of Cash Flows - ended 30 June 2023

	2021/2022	2022/2023
<b>OPERATING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Rentals	\$3,236,689	\$3,410,786
Interest received	\$34,221	\$184,112
Dividends Received from Alpine Energy	\$1,177,848	\$1,177,848
Dividends Received from Primeport	\$1,250,000	\$1,100,000
<b>Total Cash was provided from:</b>	<b>\$5,698,758</b>	<b>\$5,872,746</b>
<b>Cash was disbursed to:</b>		
Payments to suppliers and employees	\$1,748,399	\$2,136,299
Interest Payments & Line of Credit	\$1,306,770	\$1,434,592
<b>Total Cash was disbursed to:</b>	<b>\$3,055,170</b>	<b>\$3,570,891</b>
<b>Cash Flow from Operating Activities</b>	<b>\$2,643,589</b>	<b>\$2,301,855</b>
<b>INVESTING ACTIVITIES</b>		
Showgrounds Lot 5 Sale	\$0	\$663,075
Capital Works - Martin Street	\$0	(\$4,467,000)
Capital Works - Meadows Road	\$0	(\$1,108,377)
Capital Works - SCS Yard Sealing	\$0	(\$195,772)
Capital Works - Turnbull Street	\$0	(\$212,285)
<b>Cash Flow From Investing Activities</b>	<b>\$0</b>	<b>(\$5,320,358)</b>
<b>FINANCING ACTIVITIES</b>		
Drawdown (Repayment) of long-term loans	(\$1,500,000)	\$3,900,000
Dividends Paid to Shareholders	(\$1,000,000)	(\$1,000,000)
<b>Cash Flow From Financing Activities</b>	<b>(\$2,500,000)</b>	<b>\$2,900,000</b>
<b>Net change in cash for period</b>	<b>\$143,589</b>	<b>(\$118,503)</b>
Cash and cash equivalents at beginning of period	\$3,137,368	\$3,280,957
Cash and cash equivalents at end of period	\$3,280,957	\$3,162,454

## Movements in Equity - ended 30 June 2023

Movements in Equity	2022/2023
Equity - Opening Balance	\$149,476,537
Current Year Earnings	\$2,156,169
Equity Dividends Paid	-\$1,000,000
<b>Total Equity</b>	<b>\$150,632,706</b>

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