

The Chief Executive
Timaru District Council
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30 August 2024

Dear Nigel

Management Report for period 1 July 2023 to 30 June 2024

Please find attached the TDHL report for the period 1 July 2023 to 30 June 2024. In accordance with the Statement of Intent, this report contains the unaudited financial statements and commentary for financial year ending 30 June 2024.

The financial statements, although unaudited, include the incorporation of associates surplus and the property revaluation. They illustrate the challenging trading conditions that TDHL's associates have encountered over the past year. As a result, TDHL's Net Income is \$6.35m against the budget of \$13.25m. This is driven by the lower than budgeted non-cash incorporation of associates surplus as detailed in the table below. It shows the budgeted non-cash incorporations verses actual.

	Actual (\$m)	Budget (\$m)
TDHL Property Revaluation	\$2.77	\$2.61
Alpine Equity	\$1.84	\$6.65
PrimePort Equity	\$0.23	\$2.86

The underlying operations of TDHL remain strong with the EBIT being \$2.8m against a budget of \$3.17m. Within this, revenue from property operations is ahead of budget but the lack of a Q3 and Q4 dividend from Alpine has lowered overall earnings.

The assessment of the 2023/24 Activity Targets shows that we met all of our activity targets for the year, ensuring that our most important asset – our relationships with Council, joint venture partners, associates and stakeholders, remains strong.

A consequence of the lower than forecast associate performance is that many of the financial performance targets have not been met as set out at the bottom of page 1 of the report. This is because they are required to include the associates non-cash incorporation. It is highlighted that, despite this, TDHL continued to pay a dividend to Council as forecast and in line with the Statement of Intent.

In addition to the statements, the bar graph at the bottom of page 3 of the report shows the returns from TDHL's core investment portfolios (PrimePort, Alpine and Property). These have been broken down into percentage returns (both cash and equity) over the past 3 years. These graphs clearly show the significant influence that incorporation of associates equity has on TDHL's results, and the comparative influence of the 2023/24 associate's performance.

Looking ahead to November we will be welcoming Councillors to the TDHL Annual General Meeting and an opportunity to meet with the full TDHL Board.

As always, we look forward to the opportunity to discuss this report with Council and welcome any questions.

Regards



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General Manager

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Quarterly Report

Report for the period 1 July 2023 to 30 June 2024

Activity and Performance Targets

The specific 2023/24 Activity and Performance Targets for TDHL are set annually in the **Statement of Intent** and are designed to support the higher-level Strategic Priorities and Outcomes. An assessment of TDHL's achievement against the activity targets is set out below:


<p>Intergenerational Investments</p> <p>Annually undertake at least one workshop with each associate on Board skills matrix, succession planning, strategic outlook and financial performance.</p> <p>Achieved. Alpine Chair attended December meeting, PrimePort chair attended Feb meeting</p>	<p>Property Portfolio</p> <p>Achieve a three-year rolling average return on investment of 7% or greater for Port property held for investment purposes.</p> <p>Achieved. Unaudited return = 7.2%</p>	<p>New Investments and Diversification</p> <p>Develop a Statement of Investment Policy and Objectives.</p> <p>Achieved. Presented to Council 16 April</p>	<p>Shareholder Return</p> <p>Pay a dividend to TDC of \$1M. Hold at least one workshop with Council per annum. Achieve statutory compliance. Review the dividend policy</p> <p>Achieved. Total Dividend of \$1m paid. Two workshops held, achieving compliance and revised dividend policy.</p>
<p>Relationships + Partnerships</p> <p>That the TDHL Chair and/or GM presents the quarterly reports to Council.</p> <p>Achieved. Chair and GM presented reports at 17 October, 12 December, 26 March and 1 July Council meetings. Workshops held 6 Dec and 16 April. The Board also welcomed the Mayor and CE for part of the April Board meeting.</p>			

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- The TDHL Board welcomed the Mayor and CE for atour of TDHL property prior the April Board meeting.
- In April, the TDHL Chair and GM work-shopped new TDHL Investment Policy Statement with Councilors.

Alpine Energy




- In mid-April and mid-May the AEL Shareholders Group meet with the AEL Board to discuss the price path correction.
- With the change in Chair of the Alpine Board, TDHL facilitated a workshop with the new Chair, Melissa Clark-Reynolds, and Councilors.
- The Shareholder Group agreed to collaborate on the appointment of up to 3 new Directors.

PrimePort Timaru



- TDHL made an appointed to the PrimePort Board in May.
- The TDHL Board welcomed the PrimePort Chair to the 1 July meeting for a financial and activity update.
- Work on the joint District Plan Review submission and attendance at the hearings continues at a management level.

Property Portfolio



- Asbestos removal completed at 101 to 107 Stafford St.
- Construction works are ongoing for the restoration works at 117 Stafford St – the Union Bank building.
- Opportunities for the Lyndon St and Martin St sites continue to be actively pursued.

Financial Performance Targets	Measure	2023/24 SOI Target	Forecast and achievement
<p>An assessment of TDHL's achievement against the performance targets is set out below. It shows that targets are forecast to be achieved.</p> <p><i>The financial statements for the twelve months ending 30 June 2024 are attached.</i></p>	EBITA	\$3,040,215	✗ \$2,807,254
	Net Profit to S/H funds	6.9%	✗ 3.4%
	Net tangible assets per share	\$6.20	✗ \$5.97
	Earnings per share	\$0.43	✗ \$0.20
	Dividends per share	\$0.03	✓ \$0.03
	Shareholder funds to total assets	87%	✗ 86%

Profit and Loss – For the year ended 30 June 2024

- The full year Net Income is \$6.35m, well below of budget of \$13.25m. This is entirely driven by the lower than forecast non-cash incorporation of associate surpluses, which are \$7.3m below budget.
- Underlying operations remain strong with the EBIT being \$2.8m versus budget of \$3.17m, supported by above budget underlying property performance and focused cost control, impacted by associate dividends being below budget and delayed Showgrounds settlement.
- It is noted that the Profit and Loss below contains two 2023/24 budgets. This is a result of Audit NZ requiring TDHL to incorporate the associates surplus into the June Update.

PROFIT & LOSS	2022/2023	2023/2024	Budget 2023/2024 (Original)	Budget 2023/2024 (Updated June)
Revenue	\$2,943,120	\$3,312,943	\$3,180,519	\$3,201,554
Cost of Sales	\$616,875	\$672,063	\$847,952	\$742,106
Gross Profit	\$2,326,245	\$2,640,880	\$2,332,567	\$2,459,449
Expenses	\$1,517,875	\$1,062,266	\$1,536,481	\$1,119,013
Operating Profit	\$808,370	\$1,578,615	\$796,086	\$1,340,436
Other Income	\$2,941,063	\$1,228,639	\$2,374,288	\$1,699,779
Earnings Before Interest & Tax	\$3,749,432	\$2,807,254	\$3,170,374	\$3,040,215
Interest Income	\$184,112	\$113,617	\$0	\$125,820
Interest Expenses	\$1,606,948	\$2,000,231	\$2,183,534	\$2,017,916
Earnings Before Tax	\$2,326,596	\$920,640	\$986,840	\$1,148,119
Tax Expenses	\$92,056	(\$581,015)	\$0	\$24,633
Earnings After Tax	\$2,234,540	\$1,501,655	\$986,840	\$1,123,486
Revaluations and Share of Associate Equity	\$29,135,664	\$4,852,509	(\$141,905)	\$12,129,885
Net Income	\$31,370,203	\$6,354,164	\$844,935	\$13,253,371
Retained Income	\$31,370,203	\$6,354,164	\$844,935	\$13,253,371

Balance Sheet – As at 30 June 2024

The positive influence of the the property revaluation and positive growth in associates has contributed to equity increasing to \$215m.

BALANCE SHEET	2022/2023	2023/2024
ASSETS		
Cash & Equivalents	\$3,162,454	\$986,233
Accounts Receivable	\$548,974	\$98,403
Other Current Assets	\$147,643	\$565,509
Total Current Assets	\$3,859,070	\$1,650,144
Investments or Other Non-Current Assets	\$205,946,379	\$213,512,509
Total Non-Current Assets	\$205,946,379	\$213,512,509
Total Assets	\$209,805,449	\$215,162,653
LIABILITIES		
Accounts Payable	\$948,426	\$330,008
Tax Liability	\$899,636	\$626,183
Other Current Liabilities	\$28,194	\$123,105
Total Current Liabilities	\$1,876,256	\$1,079,296
Long Term Debt	\$28,080,613	\$28,880,613
Total Non-Current Liabilities	\$28,080,613	\$28,880,613
Total Liabilities	\$29,956,869	\$29,959,909
EQUITY		
Retained Earnings	\$98,812,191	\$130,182,394
Current Earnings	\$31,370,203	\$6,354,164
Other Equity	\$49,666,186	\$48,666,186
Total Equity	\$179,848,580	\$185,202,744
Total Liabilities & Equity	\$209,805,449	\$215,162,653

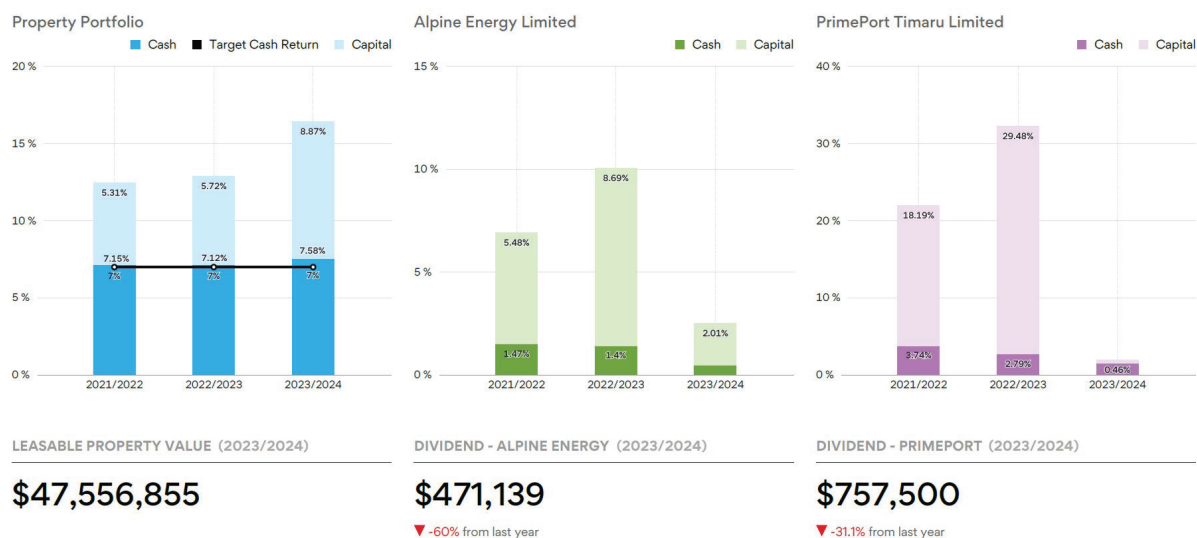
Statement of Cash Flows - For the 12 months ended 30 June 2024

CASH FLOW STATEMENT	2022/2023	2023/2024
OPERATING ACTIVITIES		
Rentals	\$3,406,971	\$3,782,395
Interest received	\$184,112	\$113,607
Dividends Received from Alpine Energy	\$1,177,848	\$942,279
Dividends Received from Primeport	\$1,100,000	\$757,500
	\$5,868,931	\$5,595,781
Payments to suppliers and employees	(\$2,136,298)	(\$2,331,273)
Interest Payments & Line of Credit	(\$1,434,592)	(\$1,923,315)
	(\$3,570,891)	(\$4,254,588)
Cash Flow from Operating Activities	\$2,298,040	\$1,341,193
INVESTING ACTIVITIES		
Showgrounds Sale	\$663,075	\$0
Capital Works	(\$5,983,433)	(\$3,317,414)
Cash Flow from Investing Activities	(\$5,320,358)	(\$3,317,414)
FINANCING ACTIVITIES		
Dividends Paid	(\$1,000,000)	(\$1,000,000)
Change in Long Term Debt	\$3,900,000	\$800,000
Cash Flow from Financing Activities	\$2,900,000	(\$200,000)
Change in Cash & Equivalents	(\$122,318)	(\$2,176,221)
Cash & Equivalents, Opening Balance	\$3,284,772	\$3,162,454
Cash & Equivalents, Closing Balance	\$3,162,454	\$986,233

Movements in Equity – For the 12 months ended 30 June 2024

Movements in Equity	2023/2024
Equity - Opening Balance	\$179,848,580
Current Year Earnings	\$6,354,164
Equity Dividends Paid	-\$1,000,000
Total Equity	\$185,202,744

Segmented Portfolio Return 2021/22 to 2023/24



The Property Portfolio returns include property available to lease on commercial terms. Legacy properties (e.g. 1 Unwin Street) and Capital Projects (e.g. Meadows Street) are excluded from the calculation.