



AGENDA

Commercial and Strategy Committee Meeting Tuesday, 10 March 2020

Date Tuesday, 10 March 2020

Time following the Community Services Committee

Location Council Chamber
Timaru District Council
King George Place
Timaru

File Reference 1325524

Timaru District Council

Notice is hereby given that a meeting of the Commercial and Strategy Committee will be held in the Council Chamber, Timaru District Council, King George Place, Timaru, on Tuesday 10 March 2020, at the conclusion of the Community Development Committee meeting.

Commercial and Strategy Committee Members

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

Quorum – no less than 6 members

Local Authorities (Members' Interests) Act 1968

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

Donna Cross

Group Manager Commercial and Strategy

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

6 Confirmation of Minutes

6.1 Minutes of the Commercial and Strategy Committee Meeting held on 28 January 2020

Author: Jo Doyle, Governance Advisor

Recommendation

That the Minutes of the Commercial and Strategy Committee Meeting held on 28 January 2020 be confirmed as a true and correct record of that meeting.

Attachments

- 1. Minutes of the Commercial and Strategy Committee Meeting held on 28 January 2020**



MINUTES

Commercial and Strategy Committee Meeting Tuesday, 28 January 2020

Ref: 1325524

**Minutes of Timaru District Council
Commercial and Strategy Committee Meeting
Held in the Council Chamber, Timaru District Council, King George Place, Timaru
on Tuesday, 28 January 2020 Following the 9.26am**

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

In Attendance: **Community Board Representatives**
Temuka Community Board – Ali Talbot
Point Community Board – Ross Munro
Geraldine Community Board - Wayne O'Donnell

Council Officers

Chief Executive (Bede Carran) for Item 7.1, Group Manager Commercial and Strategy (Donna Cross), Chief Financial Officer (David Codyre) for Item 7.2, Governance Advisor (Jo Doyle)

1 Apologies

No apologies were received.

2 Identification of Items of Urgent Business

No matters of Urgent Business were identified.

3 Identification of Matters of a Minor Nature

No matters of a Minor Nature were identified.

4 Declarations of Conflicts of Interest

Nigel Bowen declared he is a Director on Timaru District Holdings Limited.

Richard Lyon declared he is a Director on Timaru District Holdings Limited.

Committee Resolution 2020/1

Moved: Cr Barbara Gilchrist

Seconded: Cr Steve Wills

That the declarations of conflict of interest from Nigel Bowen and Richard Lyon be noted.

Carried

5 Chairperson's Report

Several meetings have been held with Group Manager Commercial and Strategy as well as constituent issues that have been resolved collaboratively with staff.

Committee Resolution 2020/2

Moved: Cr Peter Burt

Seconded: Mayor Nigel Bowen

That the Chairperson's Report be received.

Carried

6 Confirmation of Minutes

6.1 Minutes of the Commercial and Strategy Committee Meeting held on 26 November 2019

Committee Resolution 2020/3

Moved: Cr Barbara Gilchrist

Seconded: Mayor Nigel Bowen

That the Minutes of the Commercial and Strategy Committee Meeting held on 26 November 2019 be confirmed as a true and correct record of that meeting.

Carried

7 Reports

7.1 Letter of Expectations to Timaru District Holdings Limited

The Chief Executive presented a Letter of Expectations (LoE) for its approval. This letter is the first piece of work from the recommendations received from the MartinJenkins report and will provide the expectation of the community on transparency, reporting, opportunities and risks.

The programme of work will be presented at the next Council meeting and the timing required for this letter to go to Timaru District Holdings Limited for their Statement of Intent has meant there has been no opportunity to hold a prior workshop.

A committee member referred to examples from Auckland District Council and Tasman District Council and that both examples are very strategic and ensure compliance with Health and Safety and that commercial leases are compliant. This committee member expressed that more work needs to go into the Statement of Intent.

The committee discussed that this is stage one of the process and that a workshop is planned for February which will provide the opportunity to have significant input and discussions into the content of the Timaru District Holdings Limited Statement of Intent.

Committee Resolution 2020/4

Moved: Cr Barbara Gilchrist

Seconded: Cr Allan Booth

That the Committee:

1. Receives the report and draft Letter of Expectations (Draft letter attached)
2. Approves the Mayor signing and sending the Letter of Expectations to Timaru District Holdings Limited

Carried

7.2 Council Investments and Borrowing at 31 December 2019

The Chief Financial Officer provided an update to the committee on the status of Council treasury activities at 31 December 2019.

On a global context there was nervousness worldwide around trade and Brexit which had now disappeared, and the outcome is central banks are not tightening fiscal policy. In the New Zealand context, the Reserve Bank is happy with the current environment with no expected rate cuts forecast. This has meant a slight increase at what we borrow at along with additional reserve bank requirements on banks, which has pushed costs up.

During the last quarter, five million of debt was repaid, resulting in a low net debt figure

Committee Resolution 2020/5

Moved: Cr Sally Parker

Seconded: Cr Paddy O'Reilly

That the Committee;

- 1 Receive and note the report.

Carried

4 Consideration of Urgent Business Items

No matters of Urgent Business were considered.

5 Consideration of Minor Nature Matters

No matters of a Minor Nature were considered.

The Meeting closed at 9.44am.

.....

Chairperson

7 Reports

7.1 Aorangi Stadium Trust Half Year Report 31 December 2019

Author: David Codyre, Chief Financial Officer

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That the Committee receive and note the report.

Purpose of Report

- 1 To provide the Committee with an update of the Financial Performance of the Aorangi Stadium Trust.

Assessment of Significance

- 2 The assessment of significance is low.

Background

- 3 Aorangi Stadium Trust is a Council Controlled Organisation under the Local Government Act 2002.
- 4 The Trust is required to provide an update to the Council on its financial performance over the first six months of the year.
- 5 The half year report from the Trust with covering letter is attached.

Attachments

1. Letter to Timaru District Council - Half Year Report to 31 December 2019 and Draft Statement of Intent 2020/21 [!\[\]\(54a282d3ed55c9b1ac66d6fb81d5de2b_img.jpg\) !\[\]\(990a6ed8a8b9db20056986ea871bc6c5_img.jpg\)](#)
2. Aorangi Stadium Trust - Statement of Financial Performance

AORANGI STADIUM TRUST

PO Box 522
Timaru 7940

27 February 2020

Mr Bede Carran
Timaru District Council
PO Box 522
Timaru 7940

Dear Bede

Aorangi Stadium Trust Half Year report and Statement of Intent

Please find enclosed the Aorangi Stadium Trust half year financial report to 31 December 2019 and the 2020/21 draft Statement of Intent which have been approved by the Board. The financial report is required to be delivered to Council by 29 February 2020 and the Statement of Intent 1 March 2020.

Aorangi Stadium Trust financial report for the period ended 31 December 2019

The Trust has returned an operating deficit of \$81,000 for the six month period ending 31 December 2019. This is more favourable than budget by \$8000. Costs related to providing goods and services consisted mainly of insurance costs incurred of \$38,117 which was reimbursed by Council. Other expenses consisted of depreciation posted for the period of \$81,615 more favourable than budget by \$1,500. Interest received was \$1,217 for the period against budget of \$2,000. The lower revenue can be attributed to lower interest rates received on funds.

The balance sheet is showing a slight increase of cash held while fixed assets have reduced due to depreciation charges.

Aorangi Stadium Trust draft Statement of Intent 2020/21

The Trust is budgeting to make a deficit of \$143,540 for the 2020/21 year. Of this the Trust will receive income of \$96,000 consisting of Grants, Reimbursements and Interest. The Trust will have operating income of \$47,000 of which \$40,000 is insurance costs with the remainder attributable to audit fees, maintenance and general admin charges.

The General Objectives of the Trust have not changed.

1323849

The Half Yearly Report and Annual Report requirements have changed to reflect the Reporting Standards the Trust is required to prepare.

The Accounting Policies have changed to reflect the policies that were audited by Martin Wakefield Limited as part of the 2019 Financial Statement audit.

Please provide any feedback on the draft Statement of Intent to the Trust Board. The Board will consider any feedback received by 30 April 2020 and deliver to the Council the final 2020/21 Statement of Intent by 30 June 2020.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Peter Burt', enclosed within a blue circular scribble.

Peter Burt
Chair Aorangi Stadium Trust

#1323849

Aorangi Stadium Trust
Statement of Financial Performance
 "How was it funded?" and "What did it cost?"
 For the Six Months ended
 31 December 2019

	Actual* 31/12/2019 \$	Budget 31/12/2019 \$
Revenue		
Funding from Central or Local Government	-	-
Revenue from non-governmental sources for providing goods and services	-	
Donations, fundraising and other similar revenue	-	
Interest, dividends and other investment revenue*	1,217	2,000
Other revenue	38,117	32,600
Total Revenue*	39,335	34,600
Expenses		
Expenses related to public fundraising*	-	
Volunteer and employee related costs*	-	
Costs related to providing goods or services*	38,500	40,600
Grants and donations made*	-	
Other expenses	81,615	83,170
Total Expenses*	120,116	123,770
Surplus/(Deficit) for the Year*	(80,781)	(89,170)

Aorangi Stadium Trust
Statement of Financial Position
 "What the entity owns?" and "What the entity owes?"
 As at
 31 December 2019

	Note	Actual* This Year \$	Actual* Last Year \$
Assets			
Current Assets			
Bank accounts and cash*	3	307,527	283,972
Debtors and prepayments*	3	-	34,409
Inventory*		-	-
Other current assets		-	-
Total Current Assets		307,527	318,381
Non-Current Assets			
Property, plant and equipment*	4	758,005	839,622
Investments*		-	-
Other non-current assets		-	-
Total Non-Current Assets		758,005	839,622
Total Assets*		1,065,533	1,158,003
Liabilities			
Current Liabilities			
Bank overdraft*		-	-
Creditors and accrued expenses*	3	(43)	11,645
Employee costs payable*		-	-
Unused donations and grants with conditions*		-	-
Other current liabilities		-	-
Total Current Liabilities		(43)	11,645
Non-Current Liabilities			
Loans*		-	-
Other non-current liabilities		-	-
Total Non-Current liabilities		-	-
Total Liabilities*		(43)	11,645
Total Assets less Total Liabilities (Net Assets)*		1,065,575	1,146,358
Accumulated Funds			
Capital contributed by owners or members*	5	3,050,631	3,050,631
Accumulated surpluses or (deficits)*	5	(2,128,174)	(2,047,392)
Reserves*	5	143,118	143,119
Total Accumulated Funds*		1,065,575	1,146,358

Aorangi Stadium Trust
Statement of Cash Flows
 "How the entity has received and used cash"
 For the six months ended
 31 December 2019

	Actual* This Year \$
Cash Flows from Operating Activities*	
Cash was received from:	
Donations, fundraising and other similar receipts*	83,406
Fees, subscriptions and other receipts from members*	-
Receipts from providing goods or services*	-
Interest, dividends and other investment receipts*	1,594
Net GST	(12,753)
Cash was applied to:	
Payments to suppliers and employees*	48,692
Donations or grants paid*	
Net Cash Flows from Operating Activities*	23,555
Cash flows from Investing and Financing Activities*	
Cash was received from:	
Receipts from the sale of property, plant and equipment*	
Receipts from the sale of investments*	
Proceeds from loans borrowed from other parties*	
Capital contributed from owners or members*	
Cash was applied to:	
Payments to acquire property, plant and equipment*	
Payments to purchase investments*	
Repayments of loans borrowed from other parties*	
Capital repaid to owners or members*	
Net Cash Flows from Investing and Financing Activities*	-
Net Increase / (Decrease) in Cash*	23,555
Opening Cash*	283,972
Closing Cash*	307,527
This is represented by:	
Bank Accounts and Cash*	307,527

7.2 Aorangi Stadium Trust 2020/21 Draft Statement of Intent

Author: David Codyre, Chief Financial Officer

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

1. That draft statement of intent for Aorangi Stadium Trust be received, subject to Council review and feedback at the Council meeting on 7 April 2020.

Purpose of Report

- 1 To provide the Committee with a copy of Aorangi Stadium Trust's draft statement of intent for 2020/21 to 2022/23. This will be included on the Council agenda for 7 April 2020 for Council to agree on the feedback to be provided to the Aorangi Stadium Trust (the Trust Board).

Assessment of Significance

- 2 The assessment of significance under Council's significance and engagement policy is low.

Background

- 3 Aorangi Stadium Trust is a Council Controlled Organisation (CCO), of Timaru District Council under the Local Government Act 2002.
- 4 The Local Government Act 2002 (the Act) requires a CCO to have a statement of intent. The statement of intent must comply with the requirements of the Act.
- 5 Each CCO of Timaru District Council needs to provide its draft statement of intent to it Timaru District Council by 1 March. Council, as soon as practicable after receiving the statement of intent, must respond/provide feedback to the CCO (it must either agree to statement of intent, or take all practicable steps to require it to be modified). The CCO must consider Council's comments by 1 May, and deliver its final statement of intent by 30 June. Council may extend deadlines by up to 1 month.
- 6 In the statement of intent, a CCO is able to publicly state its activities/intentions for the year and objectives to which they contribute. The process for the development of the statement of intent provides an opportunity for Council, to influence the direction of the CCO.
- 7 The Aorangi Stadium Trust has provided its draft statement of intent which is **attached**. With a financial year ending 30 June, for Aorangi Stadium Trust, the statement of intent relates to the year commencing 1 July 2020, and two succeeding years.

Attachments

1. **Letter to Timaru District Council - Half Year Report to 31 December 2019 and Draft Statement of Intent 2020/21** [!\[\]\(569ff5d1aa9137b5defb690d1175fea6_img.jpg\)](#) [!\[\]\(59bff645cb030955f45f21c74e7ddbd4_img.jpg\)](#)
2. **Aorangi Stadium Trust - Draft Statement of Intent 2020 2021** [!\[\]\(dd83808d77658902b474c9e02c5f52d1_img.jpg\)](#) [!\[\]\(987f007ec31dbf160273204c7c2fd496_img.jpg\)](#)

AORANGI STADIUM TRUST

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1323849

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The Accounting Policies have changed to reflect the policies that were audited by Martin Wakefield Limited as part of the 2019 Financial Statement audit.

Please provide any feedback on the draft Statement of Intent to the Trust Board. The Board will consider any feedback received by 30 April 2020 and deliver to the Council the final 2020/21 Statement of Intent by 30 June 2020.

Yours faithfully

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Peter Burt
Chair Aorangi Stadium Trust

#1323849

Aorangi Stadium Trust

Draft Statement Of Intent

2020/21

#1322317

#1322317

Aorangi Stadium Trust Statement of Intent 2020/21

1 Preamble

Aorangi Stadium Trust is a Council Controlled Organisation as defined by Section 6 of the Local Government Act 2002.

This Statement of Intent sets out the overall intentions and objectives for Aorangi Stadium Trust for the period 1 July 2020 to 30 June 2021 and the two succeeding financial years.

Aorangi Stadium Trust contracts its administration from the Timaru District Council and as such does not have staff employed. The Stadium is leased to Timaru District Council, who operate the facility.

2 Objectives Of The Trust

The purpose of the Trust is to continue development, maintenance and operation of the Aorangi Stadium and adjoining areas on Aorangi Park, Timaru for the use of the public.

General objectives are:

- a. To promote the development and ongoing maintenance of the Aorangi Sports Stadium on the Morgans Road Recreation Reserve and for that purpose to enter into satisfactory arrangements with the owner of the land, the Timaru District Council.
- b. To support and promote facilities for indoor and outdoor sport or any other recreational pursuit.
- c. To acquire any real or personal property for the purpose of the Trust to extend the buildings and to develop land for the general purposes of the Trust.
- d. To promote and encourage community activities and to assist sports bodies, community organisations and organisations devoted to the welfare of youth in the district of South Canterbury.

#1322317

3 Nature And Scope Of Activities To Be Undertaken

Aorangi Stadium Trust owns the Stadium and Events centre located at Aorangi Park, Timaru. The facility, known as the Southern Trust Events Centre, is leased to the Timaru District Council, who manages and operates the facility. Many of the objectives of the Trust have now been delegated to Timaru District Council.

The Trust is responsible for the major maintenance and building renewals.

4 Governance

Aorangi Stadium Trust oversees the building maintenance to ensure the facility is well maintained. Day to day operation of the building is undertaken by Timaru District Council.

5 Ratio of Consolidated Shareholders' Funds To Total Assets

- a. This ratio shows the proportion of total assets financed by equity.
- b. The Trust will ensure that the ratio of Equity to Total Assets remains above 90.00%.
- c. For the purposes of this ratio Equity is as per the financial statements for the Trust
- d. Total assets are defined as the sum of all current and fixed assets of the group.

5 Statement Of Accounting Policies

Aorangi Stadium Trust is a registered charity.

Details of the current accounting policies and their application are contained in Appendix A.

6 Performance Targets

- a. Significant maintenance projects are completed on time and on budget.
- b. Regular liaison occurs with the tenant (Timaru District Council) on at least a six monthly basis to ensure the facility is operating to the satisfaction of both parties.

#1322317

7 Financial Forecasts

The financial forecasts are based on estimated revenue flows and estimated capital structures.

	2020/21	2021/22	2022/23
Income	96,000	98,000	98,000
Operating Expenses	47,000	52,000	47,999
Depreciation	166,340	166,340	166,340
Operating Surplus/(Deficit)	<u>(117,340)</u>	<u>(120,340)</u>	<u>(116,339)</u>
Movement in Maintenance Reserve	(26,200)	(32,000)	42,000
Surplus/(Deficit)	<u>(143,540)</u>	<u>(152,340)</u>	<u>(74,339)</u>
Equity	<u>912,287</u>	<u>791,947</u>	<u>675,608</u>
Current Assets	383,436	414,436	371,437
Non-Current Assets	<u>533,851</u>	<u>382,511</u>	<u>309,171</u>
Total Assets	<u>917,287</u>	<u>796,947</u>	<u>680,608</u>
Current Liabilities	5,000	5,000	5,000
Non-Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Net Assets	<u>912,287</u>	<u>791,947</u>	<u>675,608</u>

8 Reporting To Shareholders

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

a. Draft Statement of Intent

By the 1st of March each year, the Trustees shall (for so long as the Trust remains a Council Controlled Organisation), deliver to the Council a draft Statement of Intent for the following financial year which fulfils the requirements of Section 64 of the Local Government Act 2002.

#1322317

b. Completed Statement of Intent

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

c. Half Yearly Report

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

- i. A Statement of Financial Performance disclosing actual revenue and expenditure including a comparison of actual against budget, and comparative figures
- ii. A Statement of Financial Position
- iii. A commentary on the results for the first six months, together with a report on the outlook for the second six months.

d. Annual Report

- i. Within three months after the end of each financial year, the Trustees shall deliver to the Council, and make available to the public, an annual report and audited financial statements of that financial year, containing the following information as a minimum: -
 - A Trustees' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives;
 - A Statement of Financial Performance disclosing actual revenue and expenditure including a comparison of actual against budget, and comparative figures;
 - A Statement of Financial Position;
 - A Statement of Cashflows;
 - An Auditor's report on the above statements and the measurement of performance in relation to objectives.

9 Distribution Policy

The Trust is a non-profit organisation and does not generate income or dividends for the Timaru District Council.

#1322317

10 Procedures For Acquisition Of Other Interests

The Trust will only purchase an interest in another business or invest in the shares of another company or organisation with prior approval of the Timaru District Council.

11 Activities For Which Compensation Is Sought From Any Local Authority

It is anticipated that the Trust will continue seek compensation from Timaru District Council relating to funding long term maintenance items for the stadium and reimbursement of insurance costs in terms of the lease agreement.

12 Estimate Of Commercial Value Of The Shareholders Investment

The Trustees estimate that the balance of funds in the annual accounts will represent the value of Aorangi Stadium Trust. The Trustees will advise Timaru District Council if they believe the value to differ materially from this state.

#1322317

Appendix A

Statement Of Accounting Policies

Basis of Preparation

Aorangi Stadium Trust has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that it does not have public accountability and has total annual expenses of equal or less than \$2,000,000. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

Good and Services Tax (GST)*

All amounts are recorded exclusive of GST, except for Debtors and Creditors which are stated inclusive of GST.

Income Tax

Aorangi Stadium Trust has charitable status therefore no income tax is payable.

Bank Accounts and Cash

Bank accounts and cash in the Statement of Cash Flows comprise cash balances and bank balances (including short term deposits) with original maturities of 90 days or less.

Changes In Accounting Policies

There have been no changes in accounting policies during the financial year (last year – nil)

#1322317

7.3 Aoraki Development - Quarterly Report - 1 October 2019 to 31 December 2019**Author:** Jo Doyle, Governance Advisor**Authoriser:** Donna Cross, Group Manager Commercial and Strategy**Recommendation**

That the Aoraki Development & Promotions Limited quarterly report be received and noted.

Purpose of Report

- 1 To present to the Aoraki Development & Promotions Limited (AD) quarterly report for the period 1 October to 31 December 2019.

Assessment of Significance

- 2 This matter is not deemed significant under the Council's Significance and Engagement Policy.

Discussion

- 3 AD's quarterly report for the period 1 October to 31 October 2019 is attached. This is provided by AD to Timaru District Council (as shareholder) pursuant to its Statement of Intent.
- 4 The Chief Executive of AD will be in attendance to speak to the report.

Attachments

1. **Attachment to report - Aoraki Development report to Timaru District Council October - December 2019**  



Quarterly Report to Timaru District Council

for the period to 31st December 2019





Inclusive, Innovative and Thriving Timaru District
Establish & build strategic partnerships to enhance business capability



**ASSISTING BUSINESSES TO
 RETAIN & ATTRACT a SKILLED WORKFORCE**

- Youth workforce.**
 - Manage and Develop MyNextMove Youth Initiative
- Existing workforce.**
 - Develop the Young Professionals Group to ensure inclusion of all workers within the first 15 years of their career
 - Utilise existing Business Connection Groups to develop a “staff share” strategy covering seasonality etc...
 - Investigate the establishment an “in-work” mentoring programme for those considering development or their next move
- Returning to Work and Aged workforce.**
 - Expand “in-work” mentoring programme to include those returning to work
 - Develop an aged workforce and civic participation strategy in partnership with key organisations and business.
- “Needed Here” workforce.**
 - Ongoing development and maintenance of promotional resources
 - Research and collate a database of Why people come back and when?
 - Develop a closer working relationship with both the Migrant Centre and local diverse nationality groups

- AD will develop a well-informed local youth, school leaver workforce by achieving all measurements within the MSD MyNextMove Youth Initiative Contract.**
- AD will support businesses to retain and attract a skilled workforce with success measured through year on year improvement via**
 - feedback received via Annual Survey of local business and organisations evidencing value added by AD.
 - Activity and achievements reflected in AD quarterly reporting to Council

**ENCOURAGING INNOVATION AND FACILITATING THE
 GROWTH OF EXISTING BUSINESS**

- Capitalise on existing Business Connection Group (BCG’s) relationships to facilitate identified projects e.g. By-Product database and potential uses.
- Understand and promote existing innovations within local business
- Investigate the establishment of an Innovation Collective to facilitate local business connection to strategic partnerships and knowledge base
- Leveraging key strategic partnerships for the direct benefit of local business and industry (advocacy, introductions, partnerships etc).
- Ongoing facilitation between training providers and business/industry to ensure demand is met by supply.
- Advocate process and policy solutions to encourage and progress local development opportunities in consultation as appropriate with local iwi

- AD will encourage innovation and facilitate the growth of existing business, with success measured through year on year improvement via**
 - a minimum of 20 new connections facilitated for existing businesses per month.
 - feedback received via Annual Survey of local business and organisations evidencing value added by AD
 - Activity and achievements reflected in AD quarterly reporting to Council

**CREATING AN ENVIRONMENT TO ATTRACT AND
 ASSIST NEW BUSINESS**

- Foster existing institutional relationships to enable and progress new and developing business opportunities.
- Encouraging and enabling business opportunities through an innovative and supportive district wide network.
- Develop a Timaru Heartbeat Report encompassing key economic, social and community statistics in line with new central and local government wellbeing & living standards framework.
- Finalise a full suite of “Welcome to Timaru” resources for business and individuals
- Continue to investigate the potential for a local entrepreneurial Angel Investor group
- Ongoing development and maintenance of promotional resources

- AD will continue to develop an environment that attracts and assist new and developing business, with success measured through year on year improvement via**
 - a minimum of 10 new and developing business opportunities identified and engaged per quarter, with a minimum 10% conversion rate of new business established.
 - A minimum of 30 “District Influencers” identified and supplied with the new quarterly Timaru District Heartbeat Report.
 - Feedback received via Annual Survey of local business and organisations evidencing value added by AD.
 - Activity and achievements reflected in AD quarterly reporting to Council

STRATEGIC PARTNERSHIPS ESTABLISHED AND FOSTERED

Aoraki Development, at both Governance and Operational levels, has an established and growing network of key strategic partnerships at local, regional, national and central government levels.

For example, these incorporate:

- District councils across Canterbury and near region neighbours
- Regional authorities and entities – ECAN, Canterbury Mayoral forum
- Government & Opposition Ministers
- Key operational staff and influencers across MOE, MBIE, MSD, MPI, NZTE, Sector Workforce Engagement Project, Mayoral Taskforce for Jobs, Provincial Development Unit
- Nationwide network of Economic Development professionals and advisors
- Iwi & Runanga
- South Canterbury and Canterbury Chambers of Commerce
- Educational entities – secondary schools, ITP's ITO's, PTE's and universities of Auckland, Massey, Canterbury, Lincoln, & Otago.
- Timaru District Sister Cities
- Independent business and economic organisations for example Infometrics, Maxim Institute, AgResearch, NZOG, OMV, Aviation NZ, AirNZ, Kotahi.

OBJECTIVE	MEASUREMENT	ACHIEVED	COMMENTARY
<p>1. Assisting businesses to retain and attract a skilled workforce</p>	<p>AD will develop a well-informed local youth, school leaver workforce by achieving all measurements within the MSD MyNextMove Youth Initiative Contract.</p> <p>AD will support businesses to retain and attract a skilled workforce with success measured through year on year improvement via:</p> <ul style="list-style-type: none"> - feedback received via Annual Survey of local business and organisations evidencing value added by AD. - Activity and achievements reflected in AD quarterly reporting to Council 	<p>YES</p> <p>Annual Survey to be completed April/May 2020</p>	<ul style="list-style-type: none"> • Now in its third year, this locally designed and implemented MyNextMove initiative continues to evolve and record substantive successes as we facilitate business/school's engagement with our local youth to "Expose, Educate and Excite" them on their important transition from secondary school into the workforce and/or further education. • With MnM gaining national attention, from 1st March 2020 the Government is rolling out a new Education to Employment Brokerage Service which we are thrilled about is based on MyNextMove. This service is to be established in 20 locations across 11 regions. • Timaru is one of the locations and we recently received confirmation ex MSD that our annual funding from them will significantly increase for the next two years enabling us to enhance our important services in this space even more which is great news for the districts next generation. • As one of many career engagement events planned for 2020, MnM will also host the South Island's first Girlboss event on 27 March involving 70+ year 11-13 female students and approx. 25+ local businesswomen. <i>Refer https://mynextmove.nz/events/18</i> • Our workforce attraction campaign titled "WeLoveTimaru" campaign continues via national billboards, social media, curtain siding on transport operator trucks/trailers etc... We will undertake a full review of this successful campaign shortly in light of the recent decision that AD will also assume tourism and visitor operations. • The ongoing development of both our existing and new workforce is and will become even more important in the years to come as the future of work evolves. We are actively engaged in taking a prominent role in developing the Regional Skills Leadership Group for Canterbury which is integral in the current RoVE reforms. This group will have extensive and active networks across business, education and community and being a strong industry voice will help shape the future of industry needed training. Canterbury is at the forefront of developing terms of reference for RSLG's nationally alongside MBIE.

			<ul style="list-style-type: none"> • We have recently employed an additional Special Projects resource with a key focus being the scoping of our Aged Workforce project - identifying opportunities and challenges associated with this important aspect of our local workforce. This is in full alignment with the Council’s priority focus on our ageing population and will include a focus on wider civic engagement (clubs, societies etc...) opportunities along with servicing infrastructure needs. • We are working with our manufacturing sector to develop an industry led course specific to much needed technician and operator roles. • A key part of staff retention, outside of their work environment, is ensuring the vibrancy and connectiveness of our community and we continue our associated work with the Timaru CBD group, local sporting organisations, Young Professionals Group by way of examples. • We continue to promote the use of the variety of workforce attraction resources both digital, website based and hard copy all readily available to all districts employers as a tool to utilise alongside the variety of employment opportunities they have.

<p>2. Encouraging innovation and facilitating the growth of existing business</p>	<p>AD will encourage innovation and facilitate the growth of existing business, with success measured through year on year improvement via:</p> <ul style="list-style-type: none"> - a minimum of 20 new connections facilitated for existing businesses per month. - feedback received via Annual Survey of local business and organisations evidencing value added by AD - Activity and achievements reflected in AD quarterly reporting to Council 	<p>YES</p> <p>Annual Survey to be completed April/May 2020</p>	<ul style="list-style-type: none"> • Collaboration amongst our local businesses and industries continues to be a key focus in this area of work for AD. This is primarily undertaken by our facilitation of Industry Sector Business Connection Groups which are resulting in sharing of best practice across workforce, H&S, training, systems and procedures and in some recent cases innovation. These BCG's generally meet on a six-weekly cycle. • BCG's" <ul style="list-style-type: none"> ○ <u>TRANSPORT & LOGISTICS</u> - Facilitating 20+ local Transport & Logistics companies to develop, implement and support a new locally provided Transport & Logistics Course. The third intake of students currently underway having started 20 Jan. Te Ara Mahi funding via Provincial Growth Fund (PGF) approved at end of 2019 and we are currently completing appropriate contractual matters with the Provincial Development Unit (PDU) to access this funding on behalf of the T&L Group. Course promotion continues utilising successful students who are now in local employment. ○ <u>TOURISM & HOSPITALITY</u> –We continue to promote the availability of our Events Planning Calculator which is part of the Economic Data and Resources we subscribe to on behalf of TDC and the wider district. This tool assists event planners with viability but also post event analysis of the effectiveness, reach and economic impact of their event. We are also looking to enhance this group to most likely form a sector representative group to help inform the implementation of a District Visitor Strategy which is now AD's responsibility. ○ <u>FOOD PROCESSIING & MANUFACTURING</u> – another NZ first our AD facilitated Sustainable is Attainable by-product and waste project continues to gain momentum with 3 x Callaghan Innovation summer funded students having completed their deeper on-site research. Now back at Uni with aligned research assessing all data with next update on priorities, quick-wins and timelines between the academics and BCG group members scheduled for later March/early April. We continue to also explore various funding streams to develop Virtual Reality resources for this sector for use locally & nationally.
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			<ul style="list-style-type: none"> ○ <u>TRADES</u> – a key industry sector locally who are the backbone to our growing FP&M and wider Primary Sector Industries. Planning to be reignited an expansive interactive 2020 Trades sector day for future and currently employed workforce. This likely to be run in conjunction with Got a Trade Got it Made. Supporting Resources for this sector due for a review and update also. ● We continue to provide advice and referral services to start up and existing SME’s utilising our extensive local and national networks. ● Aligned to both existing and new business opportunities we have identified a real need to be better informed with developments in both energy and waste – especially when aligned to circular economy principles. To this end our new Special Projects resource has commenced a “deeper than desktop” investigation and information gathering into the likes of waste to energy, bio waste processing etc... Our aim being to ensure as a district and wider region we are better informed and ultimately best placed to progress opportunities in this space should they be assessed to be of benefit to us. ● Through strategic partnerships held we recently enabled a frustrating Immigration NZ issue to be favourably resolved for a local recruitment agency and the companies they represent. ● Working closely with Timaru District Council Development Manager in identifying and progressing development opportunities within the Timaru CBD area. ● We are progressing a joint initiative with SC Chamber to develop and promote local social enterprise initiatives including social procurement etc...

<p>3. Creating an environment to attract and assist new business</p>	<p>AD will continue to develop an environment that attracts and assist new and developing business, with success measured through year on year improvement via:</p> <ul style="list-style-type: none"> - a minimum of 10 new and developing business opportunities identified and engaged per quarter, with a minimum 10% conversion rate of new business established. - A minimum of 30 "District Influencers" identified and supplied with the new quarterly Timaru District Heartbeat Report. - Feedback received via Annual Survey of local business and organisations evidencing value added by AD. - Activity and achievements reflected in AD quarterly reporting to Council 	<p>YES</p>	<ul style="list-style-type: none"> • A variety of type and size new business opportunities currently being progressed across retail, manufacturing, tourism, primary, aviation and service industry sectors. Commercial sensitivities and confidentiality restrict our ability to openly expand further on these and can only do so as and when mandated by the parties we are engaged with. • Having partnered with NZTE in progressing a significant opportunity over the past 3 years we are very hopeful of a positive development shortly and look forward to communicating this when the associated party permits us. • Rapidly accelerating technologies are democratising access to Space with NZ already having a small but equally rapidly growing footprint in this sector. We are exploring any aligned opportunities for the district in light of the fact that our near neighbours Christchurch are already prominent in this sector with 50+ aligned businesses operating there / noting 5,000 FTE's are nationally employed in this sector. • We are also actively involved in reviewing the Canterbury regions Future Food & Fibre Strategy which will be in full alignment with refresh of the Canterbury regional Economic Development Strategy to a "Plan for Canterbury 2020-22 currently being undertaken by the Canterbury Mayoral Forum. Given our districts geographical closeness and established collaborative environment, we consider the opportunity for our district to be at the forefront of innovation and change in this sector. • We continue to facilitate appropriate local specialist introductions as needed and appropriate across construction, logistics, finance & accounting, infrastructure and regulatory services. Priority being to provide a cohesive and responsive team approach to ensure all opportunities are taken. • Developed and fostered relationships with key central government agencies to extensively promote the districts key points of difference to new national and international businesses. • In respect to Washdyke industrial land we believe there is an opportunity for Council to consider enabling pro-active development of at least part of their and third party owned land to make it "shovel ready" for potential new industrial
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		<p>business. This could be TDC/TDHL led or a public/private partnership development. We will progress this with appropriate TDC staff.</p> <ul style="list-style-type: none"> • Introductions of new and existing business owners to industrial landowners in Washdyke and Redruth continue. • We are progressing an updated business attraction proposition and resources in coming months off which a targeted promotion strategy will be developed and implemented. • Ongoing involvement in the Timaru CBD Group who are proactively focused on enhancing the Timaru CBD by attracting people and business • Ongoing promotion of the substantial benefits of doing business in the Timaru District – via web, social & TV media, printed material and developing networks.
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General Comments/Recent happenings:

1. NZOG Southern Community Panel member - exploring aligned opportunities in the event either NZOG or for that matter Beach Energy decide to commence exploratory drilling of their east coast prospects. Neighbouring OMV are currently completing exploratory drilling and subsequent like drilling by NZOG/Beach commencement very dependent on the outcome of this. Next panel meeting 17th March with update on above then.
2. Refugees – we continue our work assisting as appropriate local organisations as we ready ourselves for our first receipt of refugees in April. Our involvement primarily focussed on assisting facilitate employment opportunities with local business, but our mandate is to help where we can across other wider community needs.
3. Visitor and Tourism Operations – we welcome the council’s decision to move this responsibility to AD and are currently working with council on finalising a transition plan and its subsequent timely implementation. We envisage and prompt and seamless transition of this responsibility.
4. 2020.21 Statement of Intent & Budget – draft was due and submitted by Feb 28th. Pending visibility on Tourism & Visitor Operations we will amend this document to reflect our proposed priorities in this area prior to formal adoption by council by end June 2020.

AORAKI DEVELOPMENT
Profit & Loss Statement

1 October 2019 - 31 December 2019

	YTD ACTUAL	YTD REFORECAST	FULL YEAR BUDGET
INCOME			
Economic Development Grant TDC	\$ 265,000	\$ 265,002	\$ 530,000
MyNextMove Contract ex MSD	\$ 49,845	\$ 34,998	
Other Income	\$ 1,762	\$ 1,998	\$ 4,000
TOTAL INCOME	\$ 316,607	\$ 301,998	\$ 534,000
EXPENDITURE			
Expenses	\$ 115,727	\$ 120,998	\$ 230,700
Human Resources	\$ 148,401	\$ 158,844	\$ 302,000
MyNextMove	\$ 36,244	\$ 35,000	
TOTAL EXPENSES	\$ 300,372	\$ 314,842	\$ 532,700
OPERATING PROFIT/(LOSS)	\$ 16,235	-\$ 12,844	\$ 1,300

Above actual YTD position reflective of

- approx. \$14K unutilised MnM funding carried over from prior year being used in current year
- timing o/a FBT payment having been budgeted but not due until Feb 2020

7.4 Aoraki Development - Draft Statement of Intent 2020/21 to 2022/23

Author: Donna Cross, Group Manager Commercial and Strategy

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That draft statement of intent for Aoraki Development be received, subject to Council review and feedback at the Council meeting on 7 April 2020.

Purpose of Report

- 1 To provide the Committee with a copy of Aoraki Development's draft statement of intent for 2020/21 to 2022/23. It is intended that this will be included on the Council agenda for 7 April 2020 for Council to agree on the feedback to be provided to Aoraki Development.

Assessment of Significance

- 2 The assessment of significance under Council's significance and engagement policy is low

Background

- 3 Aoraki Development & Promotions Limited (Aoraki Development) is a Council Controlled Organisation (CCO), owned by Timaru District Council. Aoraki Development is the economic development agency of Timaru District Council, with the activities undertaken being extended to include the delivery of tourism and visitor promotions.
- 4 The Local Government Act 2002 (the Act) requires a CCO to have a statement of intent. The statement of intent must comply with the requirements of the Act (for Aoraki Development, Schedule 8, Parts 2 and 4).
- 5 A CCO needs to provide its draft statement of intent to its shareholder(s) by 1 March. Council, as soon as practicable after receiving the statement of intent, must respond/provide feedback to the CCO (it must either agree to statement of intent, or take all practicable steps to require it to be modified). The CCO must consider shareholder comments by 1 May, and deliver its final statement of intent by 30 June. Shareholders may extend deadlines by up to 1 month.
- 6 In the statement of intent, a CCO is able to publicly state its activities/intentions for the year and objectives to which they contribute. The process for the development of the statement of intent provides an opportunity for Council, as shareholder, to influence the direction of the CCO, and the statement of intent provides a basis for accountability of directors to Council (as shareholder).
- 7 Aoraki Development has provided its draft statement of intent which is **attached**. With a financial year ending 30 June, for Aoraki Development, the statement of intent relates to the year commencing 1 July 2020, and two succeeding years.

Discussion

- 8 At this stage the draft statement of intent relates predominantly to the existing Economic Development focus. It will be able to be further developed/amended to include tourism and visitor operation delivery (e.g. with tourism & visitor aligned reporting KPI's, budget and so

on) as the transition of these functions from Timaru District Council to Aoraki Development is further advanced. However note Aoraki Development has at this stage included an additional Tourism & Visitor Objective/Pillar and some aligned high level focus areas.

- 9 Aoraki Development has requested an increase in the Operational Grant from Timaru District Council with the rationale for this included in the statement of intent (section 7, page 10).
- 10 Please note that in the extended budget (page 11):
 - a. Aoraki Development has left the Visitor Grant as “to be confirmed”
 - b. The confirmed third party funding, for each of the following, are 2 year contracts specific to those projects: MSD Contract for MyNextMove Youth Transition Initiative \$145K p.a; Provincial Development Grant to the South Canterbury Transport & Logistics Panel of up to \$300K p.a.

Relevant Legislation, Council Policy and Plans

- 11 Local Government Act 2002

Attachments

1. **Aoraki Development - Draft Statement of Intent 2020/21** [↓](#) 



STATEMENT OF INTENT

2020/2021 2021/22 2022/23

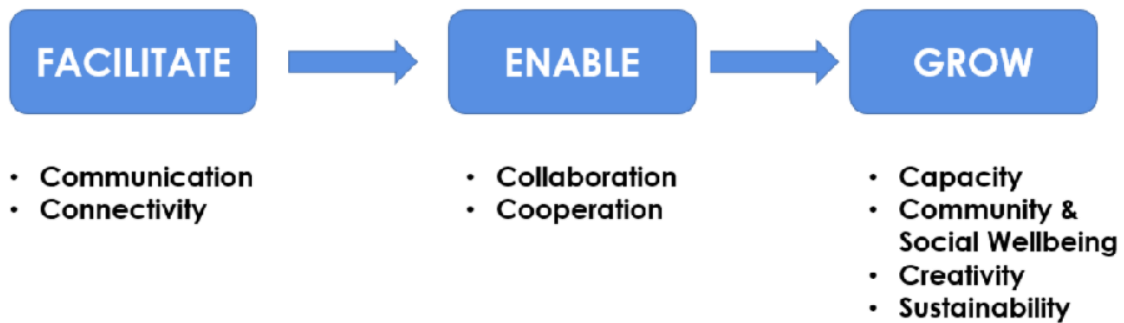
OUR VISION STATEMENT:

Every person and whānau is actively engaged in, contributing to and benefitting from a thriving Timaru District Economy

OUR VALUES



WHAT WE DO:



KEY OBJECTIVES

Assist business attract and retain a skilled workforce

Encouraging innovation and facilitating the growth of existing business

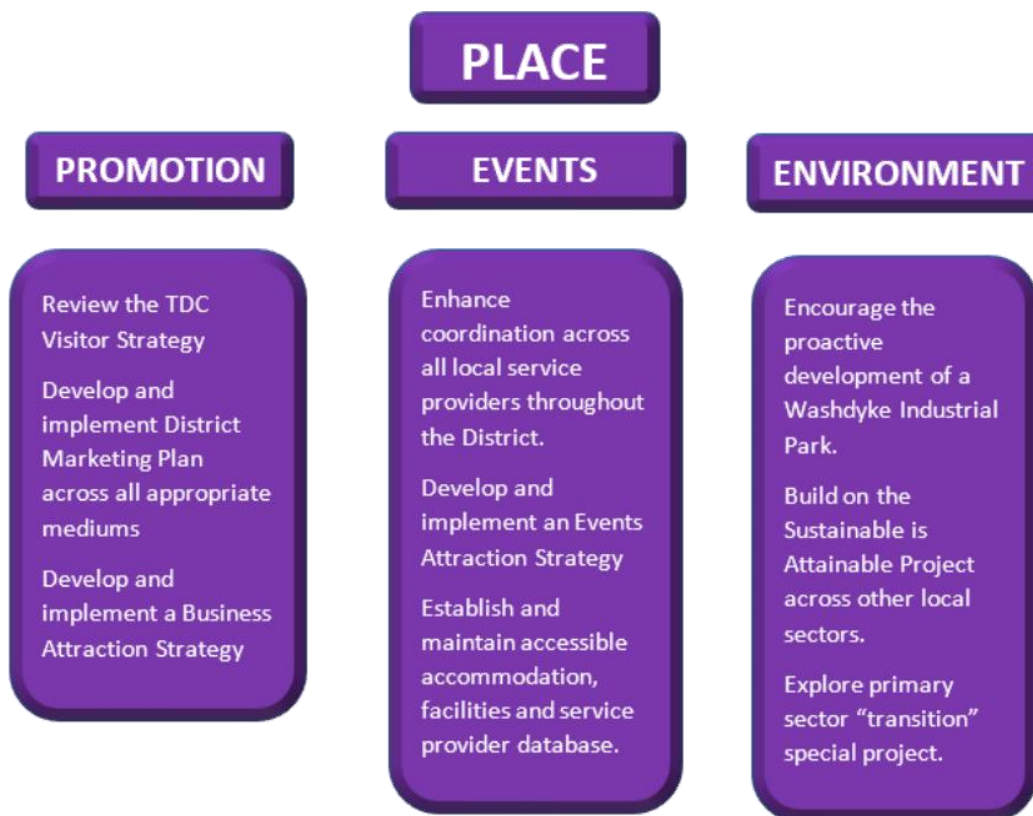
Creating an environment to attract and assist new and developing business

Deliver Tourism and Visitor attraction services for the District

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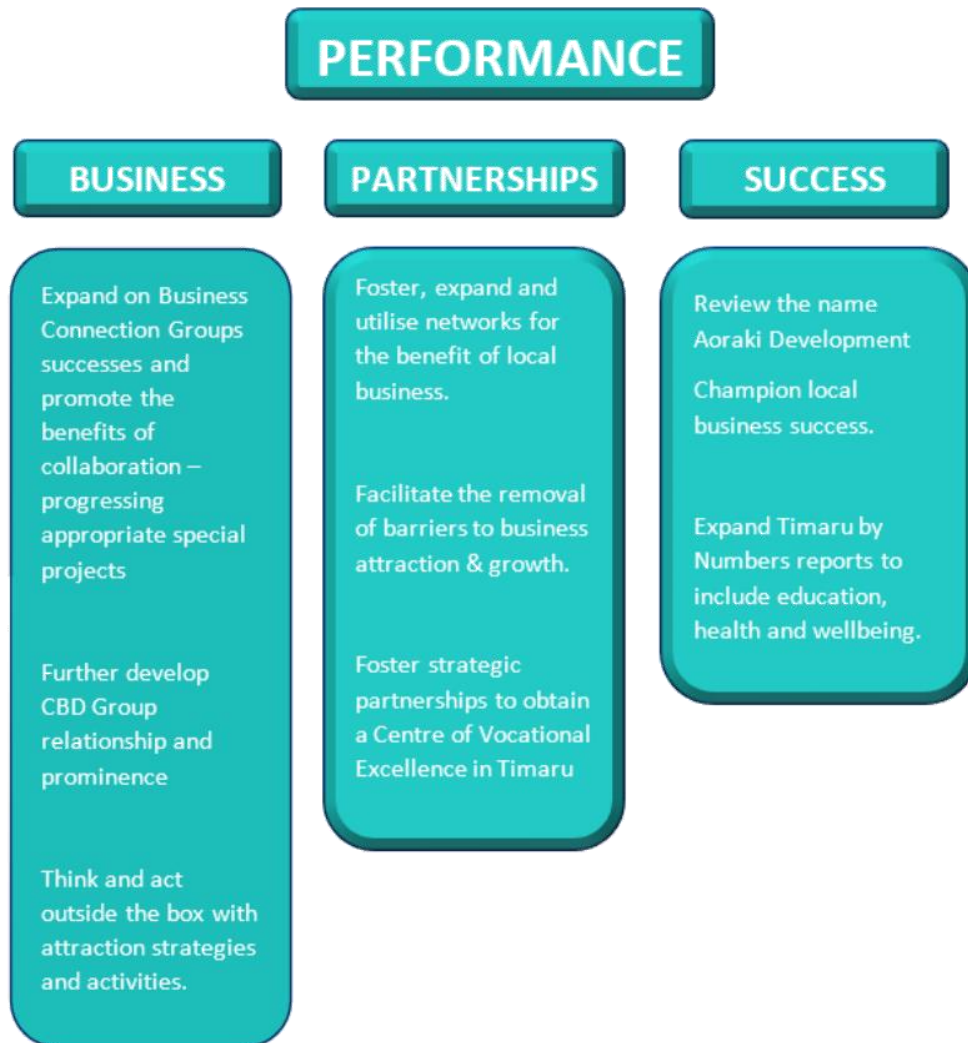


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KPI's

AD will support businesses to retain and attract a skilled workforce with success measured through year on year improvement via:

- feedback received via Annual Survey of local business and organisations evidencing value added by AD
- activity and achievements reflected in AD quarterly reporting to Council

AD will encourage innovation and facilitate the growth of existing business, with success measured through year on year improvement via:

- a minimum of 20 new connections facilitated for existing businesses per month.
- feedback received via Annual Survey of local business and organisations evidencing value added by AD
- activity and achievements reflected in AD quarterly reporting to Council

AD will continue to develop an environment that attracts and assist new and developing business, with success measured through year on year improvement via:

- a minimum of 10 new and developing business opportunities identified and engaged per quarter, with a minimum 10% conversion rate of new business established.
- a minimum of 30 "District Influencers" identified and supplied with the new quarterly Timaru District Heartbeat Report.
- feedback received via Annual Survey of local business and organisations evidencing value added by AD
- activity and achievements reflected in AD quarterly reporting to Council

AD will deliver Tourism and Visitor services to the district and

Following the recent decision by Council to hand this service delivery responsibility to AD, at date of submitting this draft document we still await clarity on what this involves. As such appropriately aligned KPI's will be developed, agreed and included in a future updated version of this Statement of Intent to be supplied to Council prior to the need by Council to formally adopt by 30 June 2020.



In developing and enhancing Aoraki Development's (AD) strategies consultation and reference has been made to Timaru District Councils (TDC) long term plan and four-pronged values and the Government's Economic Growth Agenda.

Timaru District Council's Values (adopted by AD)

- **Lifestyle** -Fantastic, sustainable lifestyle second to none
- **Economy** - Thriving and innovative economy where opportunities abound
- **Identity** - Strong and enviable reputation and identity
- **Leadership** - Inspiring, people-focused leadership

Governments Economic Growth Agenda

1. It is businesses that drive economic growth and build a more successful economy with more jobs for Kiwis.
2. Growing competitive businesses creates jobs and increases exports to the world. Nothing creates sustainable, high-paying jobs and boosts our standard of living better than business confidence and growth.
3. There are six key inputs that businesses need to succeed and grow. By focusing on these inputs, we will ensure businesses have the opportunity to lead economic growth.
4. The Government's key areas in the Business Growth Agenda are:
 - Infrastructure
 - Export markets
 - Capital markets
 - Innovation
 - Skilled and safe workplaces
 - Natural resources

Aoraki Development & Promotions Ltd trading as Aoraki Development (AD) seeks to govern the organisation in a way that achieves the objectives stated and communicates with the Council in a timely and effective manner. Given the nature of the activities and the accepted role of similar organisations throughout the country, the performance is not measured in strictly commercial terms such as profit, share value or rates of return.

1. PERFORMANCE AND OTHER MEASUREMENTS

Performance shall be assessed against the KPI's / Indicators of Success for each objective via the Supply of a quarterly (and annual) report to the Timaru District Council including financial position.

2. GOVERNANCE STATEMENT:

Aoraki Development and Promotions Limited was incorporated and adopted a constitution on 23rd June 2010.

Aoraki Development and Promotions Limited Board Charter was adopted on 7th November 2016

Structure, Function and Obligations of the Board

- a. The Role of the Board:
 - Ensuring AD meets its objectives as defined in this Statement of Intent.
 - Ensuring AD complies with all its lawful obligations.
 - Ensuring the Council is kept well informed on all relevant issues and that there are no "surprises" on matters likely to cause community or political concern.
 - Making any decisions as to policy that is not the preserve of the Chief Executive and day-to-day administration.
 - Employing the Chief Executive (including entering in to a performance management agreement, reviewing performance and setting remuneration).
 - Ensuring sound financial management of AD.
- b. Composition of the Board:
 - The Council, after consultation with the Board, will be responsible for appointing Directors to the Board.

Guidance and Resources Provided to Board Members

- a. Resources available to Board members to carry out their duties:
 - Sound financial management and systems that provide reports to the Board as follows:

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- Statement of financial performance for the preceding month and year to date.
 - Chief Executive's monthly and quarterly reports addressing issues related to AD's performance against objectives (financial and non-financial).
- b. The Board will ensure that relevant training opportunities are made available.
- c. Code of Conduct:
- All Board members will be required to comply with the New Zealand Institute of Directors' "Code of Proper Practice for Directors".
 - All Board members will apply their best endeavours to ensure AD achieves the economic, social and environmental objectives defined in Section 2 of this document.
 - All Board members will apply their best endeavours to ensure AD complies with the requirements of its constitution and this Statement of Intent.

Significant Policies in Place for Accountability

- a. The Board shall ensure AD complies with the reporting requirements outlined in Section 3 and 7 of this document.
- b. Risk Management Policies:
- The Board shall ensure that appropriate insurance is maintained on all insurable risks of AD, and in particular public liability insurance.
 - The Board shall ensure that AD has systems in place to achieve compliance with the Health and Safety at Work Act 2015 and subsequent amendments.
- c. Remuneration:
- The Council will set total remuneration for the Board.
- d. Reserves Policy (SOI)
- The Reserves Policy ensures the board has funds set aside for risk mitigation.
 - The Primary Objectives underlying the Reserves Policies for are:
 - To ensure that AD is operated in a prudent manner
 - To recognise that many streams of work and expenditure items are committed to and incurred for longer periods than the annual funding approved by the Timaru District Council (TDC) with multiyear projects.
 - To ensure that money is available, as required, to meet the needs of AD and its key stakeholders.
 - To recognise that AD generates income over and above the funding from the TDC and also spends the majority of that income on related economic development activities for the benefit of the district with a breakeven or close to breakeven annual budget
 - Reserves to be held are set at 3-4 months' trading / cash flow to be on hand
- e. Ratio of Accumulated Funds to Total Assets
- This ratio shows the proportion of total assets financed by equity
 - The Board will ensure that the ratio of Equity to Total Assets remains above 60%
 - For the purpose of this ratio, equity is as per the financial statements of AD
 - Total assets are defined as the total of current and non-current assets

3. ACCOUNTING POLICIES

Summary of Significant Accounting Policies

- a. Reporting Entity
- Aoraki Development and Promotions Limited ('AD') is a company incorporated and domiciled in New Zealand
 - AD is a CCO (as defined under section 6 of the Local Government Act 2002) based in Timaru and is a subsidiary 100% owned by the Timaru District Council. The primary objective of AD is to facilitate and promote the Timaru District as THE place to live and do business.
 - The financial statements of the AD are for the year end 30 June. The financial statements are authorised for issue by the directors.
- b. Statement of Compliance



Economic Development Agency for the Timaru District

- The financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).
 - The financial statements are prepared in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) – PBE SF-A(PS).
 - All transactions are reported using the accrual basis of accounting.
 - The financial statements are presented in New Zealand dollars (\$) and all values are rounded to the nearest dollar. The functional currency of AD is New Zealand dollars.
- c. Revenue
- Revenue is measured at the fair value of the consideration received.
 - Contributions received from the Timaru District Council are AD's primary source of funding.
 - Contributions are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the contribution are not met. No such obligation is attached to the council contributions received.
- d. Interest revenue is recognised in the Statement of Financial Performance as it accrues, using the effective interest method.
- e. Income tax is accounted for using the taxes payable method. The income tax expense charged to the Statement of Financial Performance is the estimated tax payable in the current year, adjusted for any differences between the estimated and actual tax payable in prior years.
- f. Goods and Services Tax (GST): The financial statements have been prepared with income and expenditure items exclusive of GST. In the Statement of Financial Position, Accounts Receivable and Accounts Payable are both inclusive of GST. All other assets are shown exclusive of GST.
- g. Cash and Cash Equivalents includes cash on hand, deposits held at call with banks, other short – term highly liquid investment with original maturities of three months or less, and bank overdrafts
- h. Accounts Receivable are valued at their estimated net realisable value. Bad debts are written off during the period in which they are identified.
- i. Creditors and other payables are measured at the fair value of the consideration paid.
- j. Fixed Assets are recorded at cost less accumulated depreciation. AD has three classes of Fixed Assets, Computer Equipment, Furniture and Fittings & Office Equipment.
- k. Depreciation is calculated to allocate the cost or valuation of assets over their estimated useful lives, at the following rates:
- | | | |
|-----------------------------|----|--------|
| Computer Equipment | DV | 50% |
| Fittings & Office Equipment | DV | 20-67% |
| Furniture and Fittings | DV | 10-25% |
- l. Leases: AD leases certain office equipment, office space and a motor vehicle.

4. DIVIDEND POLICY

AD is a non-profit organisation that does not generate income or dividend for the Timaru District Council.

5. INFORMATION TO BE PROVIDED

The following information will be made available to the Council by AD:

- a. By **1 March** each year a DRAFT BUDGET for the following financial year together with a request for any changes requested to the Council's financial contribution to AD's activities.
- b. By **1 March** each year a draft STATEMENT OF INTENT, then consider any Council comments on it and deliver a final Statement of Intent by **30 June**.
- c. QUARTERLY REPORTS (September, December, March & June) covering an abbreviated Statement of Financial Performance and Statement of Financial Position, performance indicators, commentary on activities, and other such information as the Directors consider necessary to enable an informed assessment of AD's performance during the period in question. Due dates to be advised annually to AD by Council.
- d. Within three months after the end of the financial year (i.e. **by 30 September**), AD shall deliver to the Council an ANNUAL REPORT which fulfils the requirements of Section 67 of the Local Government Act 2002, and audited financial statements in respect of the financial year, containing the following information as a minimum:



- A Directors' Report including a summary of the financial results and a comparison of performance in relation to the objectives.
- A Statement of Financial Performance disclosing revenue and expenditure and comparative figures from previous annual reports.
- A Statement of Financial Position at the end of the year.
- An Auditor's Report on the above statements and the measure of performance in relation to objectives.
- The Chairman's Annual Report shall be made available for inspection at Council offices.
- Any other matters that the Council and AD agree shall be disclosed as appropriate.

6. PROCEDURE TO BE FOLLOWED WITH PURCHASE OF SHARES IN OTHER COMPANY OR ORGANISATION

The procedure to be followed before subscription for, or purchase of, or other acquisition of shares in any Company or organisation, shall be by resolution of the Directors, excepting that any significant diversification or addition to existing activities will be referred to the Council for approval.

7. COMPENSATION FROM LOCAL AUTHORITIES

Having utilised our Reserves over the past 4 years (on average \$70,000 per annum) Aoraki Development has not requested any increase over this period in our Development Operational Grant from Council, with this funding remaining at \$530,000 for the entire most recent 4 year period.

By 30 June 2020, we anticipate our Reserve Funds being at or near the minimum as allowed for in our Reserves Policy and therefore respectfully request the Development Grant increase for the ensuing year as proposed. Additional funding which also incorporates an increase in Board fees.

At date of submitting this draft document, the Visitor Grant is yet to be confirmed by Council.

Noting that Operational Grant and Project Funding for 2021/22 year and beyond are subject to annual application. Proposed funding levels are aligned to AD maintaining the high-quality economic development service and the skills needed within the organisation to deliver the variety of services and projects.

2019/20 Approved		2020/21	2021/22	2022/23
\$ 530,000	DEVELOPMENT OPERATIONAL GRANT VISITOR OPERATIONAL GRANT (est.)	\$ 650,000 t.b.c	\$ 676,000 t.b.c	\$ 703,000 t.b.c
\$ 58,500 \$ (58,500)	PROJECT FUNDING** provided ex AD Funds			
\$ 530,000	TOTAL FUNDS	\$ 650,000	\$ 676,000	\$ 703,000

8. BOARD'S ESTIMATE AD VALUE

The Directors estimate that the balance of funds in the Annual Report will represent the value of AD. The Directors will advise the shareholders on an annual basis if they believe the value to differ materially from this state.

Approved by AD on 28th February 2020

Approved by the Council on

.....
for Aoraki Development - Mark Rogers Chairman

.....
for Timaru District Council



FINANCIAL FORECASTS			
	2020/21	2021/22	2022/23
INCOME STATEMENT			
Regional Development Grant TDC	\$ 650,000	\$ 676,000	\$ 703,000
Regional Visitor Grant TDC	to be confirmed	to be confirmed	to be confirmed
MyNextMove MSD Contract Youth Initiative	\$ 145,000	\$ 145,000	
Provincial Development Unit Grant - Capability & Capacity	\$ 50,000	\$ 50,000	\$ 50,000
Provincial Development Unit Grant - SC Transport & Logistics Panel	\$ 300,000	\$ 300,000	\$ -
Other income			
Total Income	\$ 1,145,000	\$ 1,171,000	\$ 753,000
Human Resources	\$ 364,354	\$ 377,000	\$ 390,000
Expenses	\$ 334,961	\$ 348,000	\$ 360,000
Regional Visitor Expense	to be confirmed	to be confirmed	to be confirmed
MyNextMove MSD Contract Youth Initiative	\$ 145,000	\$ 145,000	
Provincial Development Unit Grant - SC Transport & Logistics Panel	\$ 300,000	\$ 300,000	\$ -
Total Expenses	\$ 1,144,315	\$ 1,170,000	\$ 750,000
Operating Profit (Loss)	\$ 685	\$ 1,000	\$ 3,000
BALANCE SHEET			
EQUITY	\$ 240,000	\$ 241,000	\$ 243,000
Current Assets	\$ 280,000	\$ 290,000	\$ 300,000
Non Current Assets	\$ 64,000	\$ 54,000	\$ 44,000
TOTAL ASSETS	\$ 344,000	\$ 344,000	\$ 344,000
Current Liabilities	\$ 104,000	\$ 103,000	\$ 101,000
TOTAL LIABILITIES	\$ 104,000	\$ 103,000	\$ 101,000
NET ASSETS	\$ 240,000	\$ 241,000	\$ 243,000

7.5 Timaru District Holdings Limited - Quarterly Report for period ending 31 December 2019**Author:** David Codyre, Chief Financial Officer**Authoriser:** Donna Cross, Group Manager Commercial and Strategy**Recommendation**

That the Committee receive and note the report.

Purpose of Report

- 1 To provide the Committee with an update on the performance of Timaru District Holdings Limited (TDHL).



Assessment of Significance

- 2 The assessment of significance is assessed as low.

Discussion

- 3 TDHL is a Council Controlled Organisation under the Local Government Act 2002.
- 4 TDHL provides quarterly reports to Timaru District Council, with the report for the period ending 31 December 2019 attached. This equates to TDHL's half yearly report.

Attachments

1. Letter - Timaru District Holdings Limited - Quarterly Report - October - December 2019 [↓](#) 
2. TDHL Quarterly Report Financials [↓](#) 

TIMARU DISTRICT HOLDINGS LTD

17 February 2020

The Chief Executive
Timaru District
Council 2 King
George Place
Timaru

Dear Bede

Timaru District Holdings Limited – quarterly report for the period October to December 2019

Timaru District Holdings Limited (TDHL) is pleased to present this report for the period 1 October to 31 December 2019.

Financial Situation

The Timaru District Holdings Limited financial statements for the quarter ending 31 December 2019 are attached for information.

TDHL is forecast to return a net surplus excluding property revaluation and share of Associate surpluses of \$5,400,000, \$170,000 more favourable than budget. Increased administrative and maintenance costs have forecast the Port property and Showgrounds operations being slightly less favourable than budget.

Holding company operations are forecast to be more favourable than budget by \$150,000 which can be attributed to the PrimePort dividend.

Financing Costs are forecast to be lower than budget thanks to lower interest rates.

Dividends

During the quarter TDHL paid cash dividends of \$500,000 million to Council. This takes the total cash dividend paid for the year ended 30 June 2020 to \$1,500,000. TDHL is forecast to pay another \$1,350,000 in cash dividends this financial year.

Debt repayment

TDHL repaid another \$1,000,000 of debt during the quarter. The total debt repayment this financial year is \$2,000,000. This is in line with company policy to repay debt as cash reserves allow.

Governance

Timaru District Holdings Limited

TDHL has received from Timaru District Council a copy of the MartinJenkins Report in relation to the review of TDHL. We note the recommendations contained in that report were approved in principle by Council in December 2019. We look forward to working with Timaru District Council in relation to the implementation of relevant recommendations.

#1316534

Currently succession planning is underway for directorships on Timaru District Holdings Limited and associate companies. In consultation with Timaru District Council's executive, director recruitment for relevant directorships is being progressed with the Institute of Directors, with consideration to also ensuring a pipeline of suitable candidates for future appointments. In relation to appointments to the Board of Timaru District Holdings Limited, the appointment process will be managed by Council's Director Appointment Subcommittee, with that Subcommittee to recommend appointments to Council, and dovetailing in to the recommendations from the MartinJenkins report.

PrimePort Timaru Limited

Year to date (31 December): PrimePort continues to report regularly to TDHL on performance which remains strong. The commissioning of the Timaru Oil Services Limited (TOSL) fuel operation, which will result in more product (fuel) through the port, is now expected July 2020 (which is later than expected).

Alpine Energy Limited

The TDHL Board continues to work with the other Alpine Energy shareholders regarding Alpine matters, including the impact of the default price-quality path (DDP) announcement by the Commerce Commission.

With the Commerce Commission's decision now confirmed, Alpine will see a reduction in what it can generate as maximum allowable revenue. Alpine has been modelling the effect of the decision and what it means for the business in the years ahead, including the anticipated impact on the dividend, debt repayment and the like. Alpine is in dialogue with the shareholders on this.

This is being taken into account by TDHL in its Statement of Intent and Budget for 2020/21 which will be presented to Timaru District Council by 1 March 2020.

Property

The property portfolio continued to provide stable returns with ongoing rent reviews and renewals undertaken in a timely manner. An Agreement for Sale and Purchase for the Showgrounds site was entered. The purchaser is currently progressing its pre-conditions which will enable the agreement to become unconditional and settle in the later half of 2020. Opportunities and relationships with port related industries and prospective new opportunities continue to be sought.

Yours sincerely



Ian Fitzgerald
Chairperson

#1316534

**TIMARU DISTRICT HOLDINGS LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD TO 31 December 2019**

	Dec-19		YTD	YTD	YTD	Full Year	Full Year	Full Year
	Actual	Budget	Actual	Budget	FY18 -19 Actual	Budget	Forecast	FY18 -19 Actual
Port Property Operations								
<i>Revenue</i>								
Leased property - Rents received	129,779	181,667	1,241,570	1,090,000	1,180,357	2,180,000	2,180,000	2,182,254
Leased property - expenses reimbursed	36,447	28,000	238,296	168,000	141,615	336,000	336,000	361,049
Total Port Properties Revenue	166,226	209,667	1,479,866	1,258,000	1,321,972	2,516,000	2,516,000	2,543,303
<i>Expenses</i>								
Leased property expenses - rates/water	74,757	28,167	186,380	169,000	150,905	338,000	338,000	337,653
Leased property expenses - Electricity	2,601	2,083	11,985	12,500	7,242	25,000	25,000	28,587
Leased property expenses - insurance	3,806	1,250	37,138	7,500	28,701	15,000	40,000	27,930
Leased property expenses - maintenance	18,250	11,667	162,128	70,000	94,915	140,000	180,000	145,346
Leased property expenses - TDC admin	0	3,333	0	20,000	25,117	40,000	40,000	50,000
Leased property expenses - mgmt/professional	1,490	3,900	34,296	23,400	27,435	46,800	46,800	49,628
Total Port Property operations expenses	100,904	50,400	431,926	302,400	332,315	604,800	669,800	639,145
Surplus/(Deficit) from Port Property Operations	65,322	159,267	1,047,940	955,600	989,657	1,911,200	1,846,200	1,904,158
Showgrounds								
<i>Revenue</i>								
Leased property - Rents received	0	0	0	0	0	0	0	0
Leased property - expenses reimbursed	0	0	0	0	0	0	0	0
Total Showgrounds Revenue	0	0	0	0	0	0	0	0
<i>Expenses</i>								
Leased property expenses - rates/water	19,893	6,667	39,784	40,000	38,700	80,000	80,000	77,519
Leased property expenses - Electricity	0	0	0	0	0	0	0	0
Leased property expenses - insurance	0	0	0	0	0	0	0	0
Leased property expenses - maintenance	7,033	1,000	7,033	6,000	713	12,000	12,000	14,199
Leased property expenses - interest	30,000	30,000	180,000	180,000	201,000	360,000	360,000	360,000
Leased property expenses - TDC admin	0	833	0	5,000	600	10,000	10,000	10,000
Leased property expenses - mgmt/professional	0	417	25,909	2,500	0	5,000	40,000	3,889
Total Showgrounds Property operations expenses	56,926	38,917	252,726	233,500	241,073	467,000	502,000	465,607
Surplus/(Deficit) from Showgrounds Property Operations	(56,926)	(38,917)	(252,726)	(233,500)	(241,073)	(467,000)	(502,000)	(465,607)
Holding Company Operations								
<i>Revenue</i>								
Interest	1,884	9,300	10,747	55,800	33,562	111,600	111,600	72,803
Dividends - Alpine	0	0	942,279	942,279	1,884,598	4,711,400	4,711,400	4,711,596
Dividends - PrimePort Timaru	0	0	850,000	700,000	650,000	700,000	850,000	650,000
Subvention (TDC Loan)	0	0	0	0	368,988	0	0	(80,334)
Total Holding Company Operations revenue	1,884	9,300	1,803,026	1,698,079	2,937,108	5,523,000	5,673,000	5,354,065
<i>Operating expenses</i>								
Directors Fees	6,293	9,500	47,615	57,000	53,477	114,000	114,000	106,410
Insurance	0	583	11,000	11,000	10,199	7,000	11,000	10,199
TDC Administration	0	7,917	0	47,500	22,488	95,000	95,000	94,271
Professional Fees - Deductible	11,023	3,333	16,517	20,000	94,681	40,000	40,000	128,090
Professional Fees - Non Deductible	0	0	0	0	0	0	0	0
Printing & Stationary	0	83	0	500	0	1,000	1,000	1,000
Tolls & Postage	0	33	0	200	0	400	400	400
Travel & Entertaining Costs	505	500	3,123	3,000	1,565	6,000	6,000	5,657
Bank Fees	20	17	277	100	240	200	600	345
Advertising	0	0	0	0	83	0	0	83
General Expenses	0	417	1,586	2,500	682	5,000	5,000	5,215
Bad Debts	0	0	0	0	0	0	0	0
Audit Fees	0	1,250	660	7,500	152	15,000	15,000	23,348
Total Holding Company Operating Expenses	17,840	23,633	80,777	149,300	183,557	283,600	288,000	375,019
Surplus from Holding Company Operations	(15,957)	(14,333)	1,722,249	1,548,779	2,753,551	5,239,400	5,385,000	4,979,046
Financing costs								
Interest - TDC	47,096	67,467	306,931	404,800	372,771	809,600	684,000	726,953
Interest - External	32,656	32,917	153,983	197,500	224,539	395,000	395,000	500,446
Loan establishment fees	0	0	0	0	0	0	0	0
Derivative Fair value adjustment	0	0	0	0	0	0	0	(185,022)
Total Financing Costs	79,752	100,383	460,914	602,300	597,310	1,204,600	1,079,000	1,042,377
OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION	(87,313)	5,633	2,056,549	1,668,579	2,904,825	5,479,000	5,650,200	5,375,220
Investment property revaluation	0	0	0	0	0	0	0	0
Write off of Hunter Downs investment	0	0	0	0	0	0	0	0
Tax Expense/(Benefit)	(37,800)	14,100	96,600	7,400	103,700	246,000	246,000	134,300
NET SURPLUS/(DEFICIT)	(49,513)	(8,467)	1,959,949	1,661,179	2,801,125	5,233,000	5,404,200	5,240,920

**TIMARU DISTRICT HOLDINGS LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE PERIOD TO 31 December 2019**

	2019-2020 YTD Actual
Equity at 1 July	111,188,392
Net Surplus/(Deficit)	1,959,949
Total recognised revenues and expenses for the period	<u>1,959,949</u>
Contributions from owners during the period	0
Redeemable Preference Shares	0
Dividends RPS	0
Dividends to Owners	(1,500,000)
EQUITY AT 31 DECEMBER	<u>111,648,341</u>

**TIMARU DISTRICT HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2019**

December 2018		December 2019
Actual		Actual
	EQUITY	
1,000,186	Share Capital	31,000,186
0	Redeemable Preference Shares	0
<u>100,840,378</u>	Retained Earnings	<u>80,648,155</u>
<u>101,840,564</u>	TOTAL EQUITY	<u>111,648,341</u>
	CURRENT ASSETS	
974,384	Cash at Bank	699,829
2,457,000	General Investment	1,500,000
735,940	Intercompany Receivable	0
180,257	Accounts Receivable	284,299
<u>(26,373)</u>	GST Refund/(Payable)	<u>(27,070)</u>
<u>4,321,208</u>	TOTAL CURRENT ASSETS	<u>2,499,295</u>
	NON CURRENT ASSETS	
26,654,750	Investment - PrimePort	28,598,750
68,421,156	Investment - Alpine	70,650,156
<u>(224,622)</u>	Future Tax Benefit	0
33,350,504	Investment Properties	37,016,000
<u>8,437,595</u>	Investment Properties - Showgrounds	<u>8,474,000</u>
<u>136,639,383</u>	TOTAL NON CURRENT ASSETS	<u>144,738,906</u>
140,960,591	TOTAL ASSETS	147,238,201
	CURRENT LIABILITIES	
175,311	Accounts Payable	275,295
739,722	Accrued Interest - TDC	664,896
0	Accrued Interest - External	0
<u>295,318</u>	Derivative Financial Instruments	<u>292,906</u>
<u>1,210,351</u>	TOTAL CURRENT LIABILITIES	<u>1,362,795</u>
	NON CURRENT LIABILITIES	
22,180,613	Timaru District Council	22,180,613
329,063	Derivative Financial Instruments	146,453
<u>15,400,000</u>	Bank Loan	<u>11,900,000</u>
<u>39,120,027</u>	TOTAL LIABILITIES	<u>35,589,861</u>
<u>101,840,564</u>	NET ASSETS	<u>111,648,340</u>

**TIMARU DISTRICT HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD TO 31 December 2019**

	2019-2020 YTD Actual
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash was provided from:	
Receipts from Customers	0
Subvention Receipt	0
Subvention Receipt Primeport	0
Rentals	1,195,567
Insurance proceeds	0
Dividends	3,676,837
Interest	10,747
	<u>4,883,151</u>
Cash was disbursed to:	
Interest TDC	306,931
Interest External	333,983
Payments to Suppliers	510,389
	<u>1,151,303</u>
NET CASH INFLOW/(OUTFLOW) OPERATING ACTIVITIES	3,731,848
CASH FLOW FROM INVESTING ACTIVITIES	
Cash was provided from:	
Proceeds Sale Fixed Assets	0
Proceeds Sale Investments	0
	<u>0</u>
Cash was disbursed to:	
Purchase of Fixed Assets	0
Purchase of Investments	0
	<u>0</u>
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	0
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash was provided from:	
Loans Raised	0
Redeemable Preference Share Issue	0
Share Subscriptions	0
	<u>0</u>
Cash was disbursed to:	
Dividends Paid	1,500,000
Redeemable Preference Shares Redeemed	0
Loans Repaid	2,000,000
	<u>3,500,000</u>
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(3,500,000)
NET INCREASE/(DECREASE) IN CASH HELD	231,848
OPENING CASH BALANCE 1 JULY	1,967,982
CLOSING CASH BALANCES 31 OCTOBER	<u>2,199,830</u>
Cash Balances are comprised of:	
Bank Accounts	699,829
Term Deposits	1,500,000
	<u>2,199,829</u>

7.6 Timaru District Holdings Limited - Draft Statement of Intent for 2020/21 - 2022/23**Author:** David Codyre, Chief Financial Officer**Authoriser:** Donna Cross, Group Manager Commercial and Strategy**Recommendation**

1. That draft statement of intent for Timaru District Holdings Limited be received, subject to Council review and feedback at the Council meeting on 7 April 2020.

Purpose of Report

- 1 To provide the Committee with a copy of Timaru District Holdings Limited draft statement of intent for 2020/21 to 2022/23. This will be included on the Council agenda for 7 April 2020 for Council to agree on the feedback to be provided to TDHL.

Assessment of Significance

- 2 The assessment of significance under Council's significance and engagement policy is low.

Background

- 3 Timaru District Holdings Limited (TDHL) is a Council Controlled Organisation (CCO), owned by Timaru District Council.
- 4 The Local Government Act 2002 (the Act) requires a CCO to have a statement of intent. The statement of intent must comply with the requirements of the Act.
- 5 A CCO needs to provide its draft statement of intent to its shareholder(s) by 1 March. Council, as soon as practicable after receiving the statement of intent, must respond/provide feedback to the CCO (it must either agree to statement of intent, or take all practicable steps to require it to be modified). The CCO must consider shareholder comments by 1 May, and deliver its final statement of intent by 30 June. Shareholders may extend deadlines by up to 1 month.
- 6 In the statement of intent, a CCO is able to publicly state its activities/intentions for the year and objectives to which they contribute. The process for the development of the statement of intent provides an opportunity for Council, as shareholder, to influence the direction of the CCO, and the statement of intent provides a basis for accountability of directors to Council (as shareholder).
- 7 TDHL has provided its draft statement of intent which is **attached**. With a financial year ending 30 June, for TDHL, the statement of intent relates to the year commencing 1 July 2020, and two succeeding years.
- 8 On 29 January 2020 Timaru District Council issued a letter of expectations to TDHL. This has been taken into account by TDHL in the development of its draft statement of intent.

Attachments

1. **Timaru District Holdings Limited Draft Statement of Intent 2020/21**  

Timaru District Holdings Limited

Statement of Intent

2020/21

(Draft)

#1293319

Timaru District Holdings Limited**Statement of Intent****2020/21****1 Preamble**

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

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

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

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

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

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

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

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

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

2 Objectives Of The Company

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

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

Mission Statement

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

General objectives are: -

- 2.1 To maximise the returns from, and the value of, the subsidiary and associate and joint venture trading companies to the Council, as the shareholder in TDHL.
- 2.2 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.
- 2.3 To monitor the activities of the companies, comprising the group, to ensure that the respective Statements of Intent are adhered to.
- 2.4 To keep the TDC informed of matters of substance affecting the group.
- 2.5 To ensure that regular reporting of results from the subsidiaries and associates to TDHL occurs.
- 2.6 To approve Statements of Intent, for each of TDHL's subsidiaries and associates through which the performance (including the financial performance) will be monitored, and to confer with each company on their long term strategic direction.
- 2.7 To undertake strategic asset purchases, partner with external parties, or assist future developments in the district.
- 2.8 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.

Specific Objectives for 2020/21 are:

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- 2.9 To engage with Alpine Energy Ltd and PrimePort Timaru Ltd and the other shareholders in these companies on the development of strategic options to drive commercial and sustainable outcomes for the future of these companies.
- 2.10 To achieve a return on investment of 7% or greater on the leasable port property portfolio held for investment purposes. Property held for non-financial reasons shall achieve good community outcomes over the medium term. Ensure that all lease renewals are completed in a timely manner.
- 2.11 To review the TDHL investment portfolio for strategic opportunities.
- 2.12 To continue debt reduction and shareholder distributions subject to no major investments being undertaken and available cashflow.
- 2.13 To work with Council in relation to the implementation of the recommendations from the 2019 TDHL review.

3 Nature And Scope Of Activities To Be Undertaken

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

Its investment portfolio includes:

Local companies providing significant economic and community benefits; specifically Alpine Energy Ltd – 47.5% shareholding, PrimePort Timaru Ltd – 50.0% shareholding..

Properties investments providing portfolio of investment properties including:

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

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

4 Governance

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

TDHL monitors the performance of associate companies Alpine Energy Ltd, and PrimePort Timaru Ltd through:

- monitoring each company's compliance with their Statement of Intent (as per 2.6 above);
- regular monthly reporting on performance and against budget;
- regular reports on the property portfolio; and

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- the AGM between each company and shareholders, as well as additional shareholder and Board to Board meetings on an as needed basis.

A Board competency matrix is being developed, and Board succession and development planning for the TDHL Board (in conjunction with Council) and its associate companies (where TDHL has a right to appoint directors) will be managed on an ongoing basis.

5 Ratio Of Consolidated Shareholders' Funds To Total Assets

- 5.1 This ratio shows the proportion of total assets financed by shareholders funds.
- 5.2 TDHL will ensure that the ratio of Shareholders Funds to Total Assets remains above 25.00%.
- 5.3 For the purposes of this ratio shareholders' funds are defined as the paid-up capital plus any tax paid profits earned and less any dividends distributed to shareholders. They include undistributed profits, which have been accumulated to equity.
- 5.4 Total assets are defined as the sum of all current, fixed and investment assets of the group.

6 Statement Of Accounting Policies

TDHL is registered under the Companies Act 1993. The Company's accounting policies comply with the legal requirements of the Companies Act 1993. The financial statements are prepared in accordance with the Financial Reporting Act 1993, and section 69 of the Local Government Act 2002. Details of the current accounting policies and their application are contained in Appendix A.

7 Performance Targets (Parent)

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

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

	2018/19 Actual	2019/20 Projected	2020/21 Budget	2021/22 Budget	2022/23 Budget
Net profit after tax to shareholders funds (ROE)	5%	5%	3%	1%	2%
Net tangible assets per share	\$ 3.45	\$ 3.54	\$ 3.57	\$ 3.59	\$ 3.61
Earnings per full paid share	\$ 0.18	\$ 0.19	\$ 0.09	\$ 0.05	\$ 0.06
Dividends per fully paid share	\$ 1.06	\$ 0.09	\$ 0.06	\$ 0.03	\$ 0.03
Shareholder funds to total assets	74%	76%	80%	81%	81%

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8 Financial Forecasts

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

	2018/19 Actual	2019/20 Projected	2020/21 Budget	2021/22 Budget	2022/23 Budget
Property Revenue	2,643,504	2,610,000	2,713,959	2,777,956	2,813,749
Other Revenue	9,083,163	5,571,661	2,315,337	769,492	704,799
Total Income	11,026,667	8,181,661	5,029,297	3,487,450	3,518,548
Expenses	2,522,146	2,405,669	2,250,347	1,035,815	1,818,120
Total Comprehensive Income excluding Revaluations and Share of Associate Surplus	9,104,521	5,776,192	2,778,950	1,651,636	1,730,428
TOTAL EQUITY	107,014,807	109,820,077	110,599,027	111,250,662	111,981,088
Current Assets					
Bank	1,967,982	2,735,243	3,792,950	3,442,766	3,171,412
Other Current Assets	2,075,066	2,049,287	155,529	158,329	160,129
TOTAL CURRENT ASSETS	4,043,048	4,784,529	3,948,479	3,601,115	3,331,541
TOTAL CURRENT LIABILITIES	1,367,081	1,303,306	1,293,305	1,293,306	1,293,306
Working Capital	2,675,967	3,481,223	2,655,173	2,307,809	2,038,235
TOTAL NON CURRENT ASSETS	140,565,906	140,565,906	134,269,505	134,269,906	134,269,906
TOTAL NON CURRENT LIABILITIES	36,227,066	34,227,053	26,327,053	25,327,053	24,327,053
NET ASSETS	107,014,807	109,820,076	110,599,026	111,250,662	111,981,088

Financial Projections

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

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

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

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9 Reporting To Shareholder

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

9.1 Draft Statement of Intent

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

9.2 Completed Statement of Intent

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

9.3 Quarterly Report – First and Third Quarters

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

- a) Statement of Comprehensive Revenue and Expense disclosing actual revenue and expenditure including a comparison of actual against budget, and comparative figures
- b) Statement of Changes in Equity
- c) Statement of Financial Position
- d) Cashflow Statement
- e) A commentary on the results for the quarter, together with a report on the outlook for the following quarter with reference to any significant factors that are likely to have an effect on TDHL's performance, including an estimated forecast of the financial results for the year based on that outlook.

9.4 Half Yearly Report

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

- a) A Statement of Comprehensive Income disclosing actual revenue and expenditure including a comparison of actual against budget, and comparative figures
- b) A Statement of Changes in Equity
- c) A Statement of Financial Position
- d) A Cashflow Statement
- e) A commentary on the results for the first six months, together with a report on the outlook for the second six months, with reference to any significant factors that are likely to have an effect on the company's performance, including an estimated forecast of the financial results for the year based on that outlook.
- f) Overview of business risks and risk management processes.

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9.5 Annual Report

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

- a) A Statement of Comprehensive Income disclosing actual revenue and expenditure including a comparison of actual against budget, and comparative figures
- b) A Statement of Changes in Equity
- c) A Statement of Financial Position
- d) A Statement of Cashflow.

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

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

In addition to the formal reporting noted above, it is anticipated that two workshops will be held annually with the Council.

9.6 Periodic workshops: Strategic or targeted workshops will be offered to Council as needed to improve Council's understanding of TDHL's business or to workshop matters of mutual interest or concern.

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

10 Dividend Policy

The company will distribute a dividend of no more than 100% of the tax paid profit.

It is the intention of TDHL to pay out interim dividends as cashflows allow.

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Dividends are to be disclosed along with the dividend payout policies, where applicable. Where there are material changes to the dividend payments notice of this and the reasons for it should be disclosed in its reporting to Council.

11 Procedures For Acquisition Of Other Interests

The company will only purchase an interest in another business or invest in the shares of another company or organisation on the basis set out in its constitution.

12 Activities For Which Compensation Is Sought From Any Local Authority

It is not anticipated that the Company will seek compensation from any local authority otherwise than in the context of normal commercial contractual relationships.

13 Estimate Of Commercial Value Of The Shareholders Investment

The commercial value of the shareholders' investment in Timaru District Holdings Limited is considered by the directors to be no less than the shareholders' funds of the company as shown in the Statement of Financial Position. This will be considered annually when the Statement of Intent is completed.

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

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

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

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Appendix A

Timaru District Holdings Limited - Statement Of Accounting Policies

Reporting entity

Timaru District Holdings is a Council Controlled Organisation as defined in section 6 of the Local Government Act 2002. The company is wholly owned by Timaru District Council. The company began operation on 29 October 1997.

The entity consists of Timaru District Holdings Limited, and associated entities, PrimePort Timaru Limited (50%) and Alpine Energy Limited (47.50%). All entities are incorporated in New Zealand. The financial statements of Timaru District Holdings Limited have been prepared in accordance with the requirements of the Companies Act 1993, the Local Government Act 2002 and New Zealand International Financial Reporting Standards.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards (IFRS). The company is a Tier 2 reporting entity. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Timaru District Holdings Limited is New Zealand dollars.

Measurement base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed.

Accounting policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied:

Changes in Accounting Policies

New and amended standards adopted by the Group

Timaru District Holdings Limited has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019 (1 July 2019):

- NZ IFRS 16 *Leases*

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of NZ IFRS 16. These are disclosed in note 1.

Associate companies

These are companies in which Timaru District Holdings Limited has a significant influence over commercial and financial policy decisions.

Timaru District Holdings Limited holds a 50% shareholding in PrimePort Timaru Limited and a 47.50% shareholding in Alpine Energy Limited, and participates in their commercial and financial policy decisions. The investments are included in the parent entity at cost less any impairment losses.

The interest in the associate companies has been reflected in the financial statements on an equity accounting basis, which shows the share of surplus/deficits in the statement of comprehensive income and the share of post-acquisition increases/decreases in net assets in the statement of financial position.

Goods and Services Tax

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.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

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- i. Sales of goods*
Revenue from sale of goods is recognised when ownership is transferred.
- ii. Sales of Services*
Revenue from the rendering of services is recognised in the profit or loss at the completion of transactions at balance date.
- iii. Rental and Sub-lease income*
Rental and sub-lease income is recognised on a straight line basis over the term of the lease.
- iv. Interest Income*
Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate
- v. Dividend Income*
Dividend income is recognised net of imputation credits when the right to receive payment is established.

No revenue is recognised if there are significant uncertainties regarding recovery of consideration due.

Expenses

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

Prior to 1 July 2019, operating lease payments were recognised in the profit or loss on a straight line basis over the term of the lease.

All borrowing costs, except for those relating to a qualifying asset, are recognised as an expense in the period they are incurred using the effective interest rate method.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current tax and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income respectively.

Cash and cash equivalents

Cash and cash equivalents means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the company invests as part of its day-to-day cash management.

Accounts receivable

Accounts receivable are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.

The company applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and days past due.

Investments

Investments, including those in associate companies, are stated at cost less any impairment losses. Any decreases are recognised in the profit or loss.

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Investment properties

Land and buildings held to earn rental income or for capital appreciation or both are deemed port related investment property. This includes land held for a currently undetermined use that is not owner-occupied property or for short term sale.

Investment property is valued at the end of each financial year. Valuation is at fair value as determined by a qualified independent valuer. They are recorded at valuation and are not subject to annual depreciation. Variation in value is recorded in the profit or loss.

Non Current assets intended for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction within the next financial year. Non-current assets held for sale are valued at the lower of carrying amount and fair value to sell less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit or loss. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Accounts Payable

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and the risks specific to the liability.

Financial instruments

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

i. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at

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FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

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ii. Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policies applied prior to 30 June 2019

Leases

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

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

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset. Financial leases are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum base payments. The amount recognised as an asset is depreciated over its useful life.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term.

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

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less any transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest rate. Except for borrowing costs that are capitalised on qualifying assets with a commencement date on or after 1 January 2009, all other borrowing costs are recognised as an expense in the period in which they are incurred. A qualifying asset is defined as a separate asset where the construction period exceeds twelve months and costs in excess of one million dollars.

Impairment

The carrying amount of the company's assets are reviewed each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. If the estimated recoverable amount of an asset not carried at revalued amount, is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss.

For revalued assets the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in profit or loss. Estimated recoverable amount of receivables is calculated as the present value of estimated cash flows discounted at their original effective interest rate. Receivables with short duration are not discounted. Other assets estimated recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

For assets not carried at revalued amount, the reversal of an impairment is recognised in the profit or loss.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in profit or loss, a reversal of the impairment loss is recognised in profit or loss.

Statement of cash flows

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Cash and cash equivalents means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the company invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the company. Dividends paid are included in financing activities. Loans raised and paid are netted off when they are part of the rollover of money market borrowings covered in the company's long-term finance facilities.

The GST component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Critical accounting estimates and assumptions

In preparing these financial statements, Timaru District Holdings Limited has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

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**TIMARU DISTRICT HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 JUNE 2019**

Note 1: Changes in Accounting Policies

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

i. NZ IFRS 16 Leases

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

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8 Consideration of Urgent Business Items

9 Consideration of Minor Nature Matters