



# AGENDA

## Extraordinary Council Meeting Tuesday, 2 June 2020

**Date** Tuesday, 2 June 2020

**Time** 2.00pm

**Location** Council Chamber  
District Council Building  
King George Place  
Timaru

**File Reference** 1341776

## **Timaru District Council**

**Notice is hereby given that a meeting of the Extraordinary Council will be held in the Council Chamber, District Council Building, King George Place, Timaru, on Tuesday 2 June 2020, at 2.00pm.**

### **Council Members**

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

Quorum – no less than 5 members

### **Local Authorities (Members' Interests) Act 1968**

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

Bede Carran

**Chief Executive**

**Order Of Business**

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- 1 Apologies**
- 2 Declaration of Conflict of Interest**

### 3 Reports

#### 3.1 Council Controlled Organisations: Draft Statements of Intent

**Author:** Donna Cross, Group Manager Commercial and Strategy  
Bede Carran, Chief Executive

**Authoriser:** Bede Carran, Chief Executive

##### Recommendation

That Council:

1. Considers the draft Statement of Intent for Aorangi Stadium Trust and determines the feedback to be provided to the Trust;
2. Considers the draft Statement of Intent for Aoraki Development & Promotions Limited (AD) and determines the feedback to be provided to the AD Board;
3. Considers the draft Statement of Intent for Timaru District Holdings Limited (TDHL) and determines the feedback to be provided to the TDHL Board.

##### Purpose of Report

- 1 The purpose of this report is to facilitate a Council discussion on the draft Statements of Intent for its Council Controlled Organisations (CCOs) and for Council to determine the feedback to be provided to those CCOs.

##### Assessment of Significance

- 2 Council's Significance and Engagement Policy is not considered to give rise to a requirement for consultation on the SOIs.

##### Background

- 3 Aorangi Stadium Trust, AD and TDHL are all CCOs of Timaru District Council.
- 4 It is a requirement under the Local Government Act 2002 for a CCO to have a Statement of Intent (SOI). For CCOs and their shareholders, the SOI is effectively rolling 3 year SOI, reviewed annually.
- 5 A copy of the draft SOIs for each of Aorangi Stadium Trust, AD and TDHL is attached. Note the SOI for AD has been updated since the initial draft was tabled to include Visitor Promotions as a new activity following the transfer of that activity from Council.
- 6 Council has an opportunity to provide feedback on the SOIs prior to the SOIs being finalised and adopted by the relevant CCO.

##### Discussion

- 7 There have been amendments to the Local Government Act 2002. These have caused the Council, and the CCOs, to review the SOIs in terms of alignment to latest best practice.
- 8 Outlined below are some comments in relation to the draft SOIs of Council's 3 CCOs that Council might wish to provide feedback on to the relevant CCOs. Many of these comments

relate to matters the CCOs or their management teams have already self-identified and are considering in terms of further improving their initial draft SOIs.

9 **Draft SOI for Aorangi Stadium Trust (copy attached):**

9.1 To recap, when submitting the draft SOI, the Trust advised:

- a. The Trust is forecasting a deficit of \$143,540 for the 2020/21 year. Its income is forecast to be \$96,000 consisting of grants, reimbursements and interest. The Trust is forecast to incur operating expenditure of \$47,000 of which \$40,000 are insurance costs and the remainder attributable to audit fees, maintenance and general administrative charges. The other significant expenditure items are depreciation of \$166,340 and a movement in the maintenance fund of \$26,200.
- b. The General Objectives of the Trust have not changed.
- c. The Half Yearly Report and Annual Report requirements have changed to reflect the Reporting Standards the Trust is required to prepare.
- d. The Accounting Policies have changed to reflect the policies that were audited by Martin Wakefield Limited as part of the 2019 Financial Statement audit.

9.2 The draft SOI has been reviewed on behalf of Council. Comments arising from that review are as follows:

9.3 **Role of the Trust:** A SOI must set out:

- a. the nature and scope of activities to be undertaken by a CCO (clause 7(2)(c) of Schedule 8 of the LGA); and
- b. the non-financial performance targets and other measures by which the performance of the CCO may be judged in relation to its objectives (clause 7(2)(d) of Schedule 8 of the LGA).

Council might wish to consider asking for these two sections in the Trust's draft SOI to be expanded. The current form is understandable given the Trust has leased the Stadium and Event Centre to Council, i.e. Council (as Tenant) is now responsible for many of the matters that would otherwise be the Trust's responsibility. However there are still some residual obligations on the Trust. The parties might want to consider, for example, whether any of the following ought to be listed as the activities or performance targets of the Trust:

- a. **Maintenance:** Ensuring that the asset management plan remains current.
- b. **Insurance:** Ensuring the Stadium and Event Centre has comprehensive insurance in place.
- c. **Lease:** Ensuring Council complies with its obligation as Tenant under the Lease; and that the Trust complies with its obligations as Landlord.
- d. **Health and safety:** Comply with the Trust's obligations as owner of the Stadium and Event Centre under the Health and Safety at Work Act.
- e. **Income and assets:** Paragraph 11 anticipates that the Trust will seek compensation from Council relating to funding long-term maintenance items. Does the Trust intend to carry out other fundraising initiatives to cover reductions in the maintenance reserve or to cover any future developments?

Also, for each performance target, a description of how will the Trust determine whether the target is met could be included.

9.4 **Governance:** A SOI needs to set out a statement of the Board's approach to governance of the CCO. The focus of section 4 (Governance) of the SOI, which currently deals with stewardship of the Trust assets, should be expanded to deal with the Trust Board's approach to governance of the Trust (this is already being considered by the Officers advising the Trust Board). For example the Trust might consider stating in the SOI:

- a. How frequently the Trustees will meet.
- b. That the Trustees will govern the Trust in accordance with its Trust Deed, the law and best practice.
- c. That the Trustees will assist the Trust to meet its objectives and any other requirements in its SOI.

9.5 **Reporting to Council:** Council might like to consider requiring the Trust to communicate with Council on a 'no surprises' basis on any major issues.

## 10 **Updated draft SOI for AD (attached):**

[Note discussion on the AD SOI is deferred until the Commercial & Strategy Committee on 9 June at which AD representatives will be in attendance. Officer feedback (subject to Council feedback) has already been under discussion between the respective management teams of AD and Timaru District Council]

We've reviewed the draft SOI and our comments are as follows:

10.1 The SOI overall represents a clear and considered SOI.

10.2 **Tourism/Visitor Attraction Services:** These have now been included as part of AD's objectives and activities to reflect recent changes.

10.3 **Operating environment:** A description of the economic, social and environmental conditions that AD is operating in might provide useful context for readers. COVID-19 is touched on. This could be further expanded, for example how will AD's activities and the achievement of the KPIs be affected by COVID-19 (e.g. "quarter on quarter improvement in tourism expenditure")?

### 10.4 **Additional performance targets:**

Council might like to consider whether there should also be financial targets e.g. that expenditure is managed within a percentage target of the forecast expenditure (noting AD does not operate to make a profit), regarding AD's obligation to be a good employer.

### 10.5 **Funding / Forecast financial statements:**

- a. The draft SOI includes a Development Operational Grant from Council of \$640,000 from Council and a Visitor Operational Grant from Council of \$350,000 to cover the Tourism and Visitor activity transferred to AD.
- b. The increased Development Operational Grant has been extensively discussed at Council previously and included in Council's draft annual plan.
- c. The request for the Visitor Operational Grant to a large extent simply represents a reallocation of budget from Timaru District Council to AD. It is broadly in line

with the intended budget for the current year. An adjustment would need to be in Council's Annual Plan budget for 2020/21 to include this full cost.

- d. AD is projecting to increase the Development Operational Grant by \$53,000 over three years, and the Visitor Operational Grant by \$28,000 over three years. This is stated to be subject to annual application to Council, and linked to maintaining a high level economic development service and the skills needed within AD. AD has advised that these estimated funding increases largely relate to expanded operations given economic development has and is aligning to Central and Local Government Wellbeing Pillars which are wider community and people centric compared to traditional economic development activities.
- e. In terms of the financial forecasts, AD anticipates operating with a small operating surplus. They rely on funding to operate which isn't an unusual situation for the type of organisation it is.

**11 Draft SOI for TDHL (copy attached):** The draft SOI has been reviewed on behalf of Council. Comments arising from that review are as follows:

**11.1 Nature and scope of activities to be undertaken:** Consistent with previous explanations by TDHL, the activities could usefully be divided into 2 separate subsections:

- a. **Activities to be undertaken regarding TDHL's investment in Alpine Energy and PrimePort:** e.g. Acting as a diligent, constructive and inquiring Shareholder; commenting on their Statement of Intent/Statement of Corporate Intent; putting in place a framework to review the performance of its subsidiary companies against external benchmarks and assessing the value of the investment in the individual company in relation to its inherent business risk and community benefits.
- b. **Activities regarding TDHL's property investments:** e.g. Ensuring leases are put in place and the tenants are complying with their leases, ensuring appropriate insurances are in place, having asset management plans in place and complying with TDHL's obligations under the Health and Safety at Work Act as owner of the properties.

**11.2 Non-financial performance targets:** A SOI needs to set out the non-financial performance targets and other measures by which the performance of the CCO may be judged in relation to its objectives.

For each activity and performance target, TDHL might be asked to consider whether the SOI ought to specify a planned timeframe, and to expressly provide details on what reporting is Council will receive on progress with those activities.

**11.3 Operating Environment:** A description of the economic, fiscal, social and environmental conditions that TDHL and its subsidiaries are operating in might provide useful context to the SOI (especially Covid-19).

**11.4 Letter of Expectations:** A letter of expectations has been sent from the Mayor to TDHL. The SOI is being presented to address the expectations.

### Options and Preferred Option

12 As a preferred option, Council ought to provide feedback to the CCOs to address the matters raised above, to assist with making further improvements to the SOIs. Council might also

have additional or different feedback it wishes to provide, or might decide that no substantive feedback is required to be provided.

### Relevant Legislation, Council Policy and Plans

13 Local Government Act 2002.

### Financial and Funding Implications

14 AD has requested grant funding from Council for its Tourism and Visitor activities. This is broadly in line with the intended budget for 2019/20 but above the original LTP forecast. Subject to Council finalising its budget for 2020/21, this can largely be treated as a reallocation of budget from Council to AD. In terms of the draft budget for 2020/21, this would need to be adjusted to meet the full cost, however this would not be considered a material adjustment.

### Attachments

1. **Aorangi Stadium Trust - Statement of Intent 2020 2021** [↓](#) 
2. **Aoraki Development - 2020/21 Statement Of Intent** [↓](#) 
3. **Timaru District Holdings Limited Draft Statement of Intent 2020/21** [↓](#) 

## 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.

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**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.

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**7 Financial Forecasts**

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

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Income</b>	96,000	98,000	98,000
Operating Expenses	47,000	52,000	47,999
Depreciation	166,340	166,340	166,340
<b>Operating Surplus/(Deficit)</b>	<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>
<b>Equity</b>	<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 1<sup>st</sup> 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.

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**b. Completed Statement of Intent**

By the 30<sup>th</sup> 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.

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**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.

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## 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)

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# STATEMENT OF INTENT

2020/2021      2021/22      2022/23

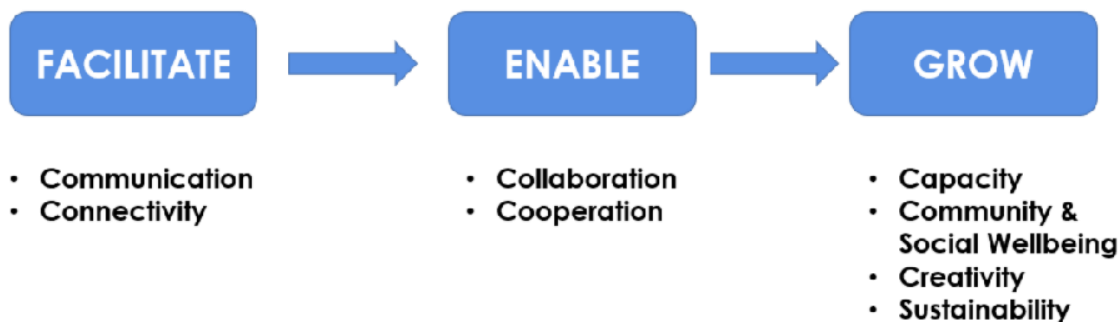
## OUR VISION STATEMENT:

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

## OUR VALUES



## WHAT WE DO:





The recent COVID 19 event is a once in 100-year event which also presents us with a once in 100-year opportunity to reimagine and revitalise our Timaru District by being coordinated, bold and inclusive.

As the Economic Development agency for the Timaru District, now also with responsibility for Tourism and Visitor Attraction, Aoraki Development will take a lead role in facilitating the economic recovery of our district over the next 12 months and beyond.

## KEY OBJECTIVES

**Encouraging innovation and facilitating the growth of existing business**

**Assist business to re-deploy, retain, and attract a skilled workforce**

**Deliver Tourism and Visitor attraction services for the District**

**Create an environment to attract and assist new and developing business**



**Nature of Scope and Activities to be undertaken by Aoraki Development**



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**PERFORMANCE**

**BUSINESS**

Expand on Business Connection Groups successes, promoting the benefits of collaboration – progressing appropriate special projects

Further develop CBD Group relationship and prominence

Think and act “outside the box” with attraction strategies and activities

**PARTNERSHIPS**

Foster, expand and utilise networks for the benefit of local business

Facilitate the removal of barriers to business attraction & growth

Foster strategic partnerships to obtain a Centre of Vocational Excellence in Timaru

**SUCCESS**

Review the name Aoraki Development

Champion local business success

Expand Timaru by Numbers reports to include education, health and wellbeing



**KPI's**

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 **assist business to re-deploy, retain, and attract a skilled workforce**, with success measured through year on year improvement via:

- quarter on quarter improvement in the district's unemployment rate
- 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 attraction services for the District**, with success measured through year on year improvement via:

- quarter on quarter improvement in the district's tourism expenditure
- 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 **create an environment to attract 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

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**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 can 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

**The Board of Aoraki Development and 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 (the constitution was adopted on 9 May 2012).

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 into 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:
    - Statement of financial performance for the preceding month and year to date.

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- 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 Practice for Directors".
  - All Board members will apply their best endeavours to ensure AD achieves its objectives defined within this Statement of Intent.
  - All Board members will 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 5 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 financial statements of 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. The due dates are prescribed by s66 of the LGA 2002.
- 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.

The Visitor Grant is included at a level advised by Council following transition of this operation to Aoraki Development April 2020.

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	<b>DEVELOPMENT OPERATIONAL GRANT</b>	\$ 640,000	\$ 666,000	\$ 693,000
	<b>VISITOR OPERATIONAL GRANT (est.)</b>	\$ 350,000	\$ 364,000	\$ 378,000
\$ 58,500	<b>PROJECT FUNDING**</b>			
\$ (58,500)	<b>provided ex AD Funds</b>			
<b>\$ 530,000</b>	<b>TOTAL FUNDS</b>	<b>\$ 990,000</b>	<b>\$ 1,030,000</b>	<b>\$ 1,071,000</b>

#### 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 4<sup>th</sup> May 2020

Approved by the Council on

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

.....  
for Timaru District Council

2 Sefton Street East | PO Box 560 | Timaru 7940 | New Zealand  
p: 64 3 687 2682 | e: [enquiry@orakidevelopment.co.nz](mailto:enquiry@orakidevelopment.co.nz)  
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FINANCIAL FORECASTS			
	2020/21	2021/22	2022/23
<b>INCOME STATEMENT</b>			
Regional Development Grant TDC	\$ 640,000	\$ 666,000	\$ 693,000
Regional Visitor Grant TDC	\$ 350,000	\$ 364,000	\$ 378,000
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			
<b>Total Income</b>	<b>\$ 1,485,000</b>	<b>\$ 1,525,000</b>	<b>\$ 1,121,000</b>
Human Resources	\$ 364,354	\$ 377,000	\$ 390,000
Expenses	\$ 324,961	\$ 338,000	\$ 350,000
Regional Visitor Expense	\$ 350,000	\$ 364,000	\$ 378,000
MyNextMove MSD Contract Youth Initiative	\$ 145,000	\$ 145,000	
Provincial Development Unit Grant - SC Transport & Logistics Panel	\$ 300,000	\$ 300,000	\$ -
<b>Total Expenses</b>	<b>\$ 1,484,315</b>	<b>\$ 1,524,000</b>	<b>\$ 1,118,000</b>
<b>Operating Profit (Loss)</b>	<b>\$ 685</b>	<b>\$ 1,000</b>	<b>\$ 3,000</b>
<b>BALANCE SHEET</b>			
<b>EQUITY</b>	<b>\$ 240,000</b>	<b>\$ 241,000</b>	<b>\$ 243,000</b>
Current Assets	\$ 280,000	\$ 290,000	\$ 300,000
Non Current Assets	\$ 64,000	\$ 54,000	\$ 44,000
<b>TOTAL ASSETS</b>	<b>\$ 344,000</b>	<b>\$ 344,000</b>	<b>\$ 344,000</b>
Current Liabilities	\$ 104,000	\$ 103,000	\$ 101,000
<b>TOTAL LIABILITIES</b>	<b>\$ 104,000</b>	<b>\$ 103,000</b>	<b>\$ 101,000</b>
<b>NET ASSETS</b>	<b>\$ 240,000</b>	<b>\$ 241,000</b>	<b>\$ 243,000</b>

**Timaru District Holdings Limited**

**Statement of Intent**

**2020/21**

**(Draft)**

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**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
<b>Total Income</b>	<b>11,026,667</b>	<b>8,181,661</b>	<b>5,029,297</b>	<b>3,487,450</b>	<b>3,518,548</b>
Expenses	2,522,146	2,405,669	2,250,347	1,035,815	1,818,120
<b>Total Comprehensive Income excluding Revaluations and Share of Associate Surplus</b>	<b>9,104,521</b>	<b>5,776,192</b>	<b>2,778,950</b>	<b>1,651,636</b>	<b>1,730,428</b>
<b>TOTAL EQUITY</b>	<b>107,014,807</b>	<b>109,820,077</b>	<b>110,599,027</b>	<b>111,250,662</b>	<b>111,981,088</b>
<b>Current Assets</b>					
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
<b>TOTAL CURRENT ASSETS</b>	<b>4,043,048</b>	<b>4,784,529</b>	<b>3,948,479</b>	<b>3,601,115</b>	<b>3,331,541</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,367,081</b>	<b>1,303,306</b>	<b>1,293,305</b>	<b>1,293,306</b>	<b>1,293,306</b>
Working Capital	2,675,967	3,481,223	2,655,173	2,307,809	2,038,235
<b>TOTAL NON CURRENT ASSETS</b>	<b>140,565,906</b>	<b>140,565,906</b>	<b>134,269,505</b>	<b>134,269,906</b>	<b>134,269,906</b>
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>36,227,066</b>	<b>34,227,053</b>	<b>26,327,053</b>	<b>25,327,053</b>	<b>24,327,053</b>
<b>NET ASSETS</b>	<b>107,014,807</b>	<b>109,820,076</b>	<b>110,599,026</b>	<b>111,250,662</b>	<b>111,981,088</b>

### 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 1<sup>st</sup> 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 30<sup>th</sup> 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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**3.2 Carbon Liability - to be tabled**

**Author:** Donna Cross, Group Manager Commercial and Strategy

**Authoriser:** Donna Cross, Group Manager Commercial and Strategy

**Recommendation**

n/a

**Attachments**

Nil