

Hello Nigel,

Please find attached the draft TDHL 2025/26 Statement of Intent (Sol).

As you are aware, in accordance with s64 of the Local Government Act 2002, TDHL must submit a draft Sol to Council by 1 March each year. The final Sol must then be submitted by 30 June.

To facilitate feedback, we look forward to discussing the attached draft with Councillors at the workshop of Tuesday 18 Feb. TDHL Chair Mark Rogers, Deputy Chair Darren Evans and myself will be attending.

The strategic direction of TDHL remains consistent with previous years', that is to manage and grow an investment portfolio that provides a sustainable intergenerational return and is aligned to the values of the Shareholder. The foundations to achieve this have been progressed in recent years with the rationalization of historic discretionary investments, development of the Investment Policy Statement and accessing LGFA funding. Now that these are in place, TDHL is ready to accelerate its diversification journey. Therefore the 2025/26 Sol is largely consistent with last years Sol with the following updates:

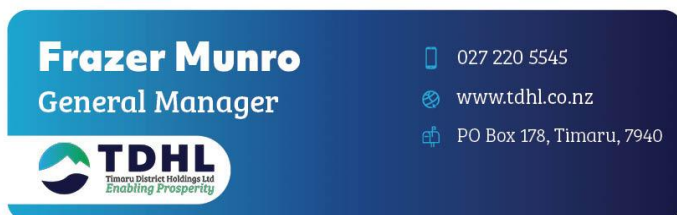
- Updated Annual Goals (page 6) to reflect the diversification focus
- Simplified financial performance targets (page 6) that better reflect the performance of the company

Key items we would like to discuss with Councillors are:

1. Confirmation of strategic direction and diversification pathway
2. Impact of Alpine performance on TDHL financials
3. Dividend forecasts

We look forward to seeing you next week.

Regards





TDHL

Timaru District Holdings Ltd
Enabling Prosperity

Statement of Intent 2025/2026

www.tdhl.co.nz

Statement of Intent

1. Introduction

Timaru District Holdings Limited (TDHL) is a council-controlled trading organisation as defined by Section 6 of the Local Government Act 2002 (the Act). Accordingly, this Statement of Intent is prepared in accordance with section 64(1) of the Act.

This Statement of Intent sets out TDHL's strategic framework and the resulting activity and financial performance measures by which the performance of TDHL can be judged in accordance with the statutory requirements of Part 2 and 3 of Schedule 8 of the Act. It applies to the period 1 July 2025 to 30 June 2026 and the following two financial years.

TDHL was incorporated on 29 October 1997 as a 100% owned subsidiary of the Timaru District Council. Its purpose is to manage and grow an investment portfolio that provides a sustainable intergenerational return and is aligned with the values of the Shareholder.

The initial cornerstone assets were the shareholding in PrimePort Timaru Limited and Alpine Energy Limited which TDHL purchased off Timaru District Council. These remain key investments for TDHL forming intergenerational assets held in the interest of ensuring the community is provided with value add infrastructure.

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 along with facilities that support and enable the growth of our local economy through its connection to world markets.

TDHL also owns an industrial and commercial property portfolio which it actively manages. The purpose of this portfolio is to provide a commercial return, support the capacity of the Port and enable additional industrial and commercial development opportunities.

2. Purpose of TDHL

In addition to the requirements of s59 of the Act, the core purpose of TDHL is set out below. This reflects an approach focused on generating a financial return for our shareholder.

Core Purpose
To manage and grow an investment portfolio that provides a sustainable intergenerational return and is aligned to the values of the Shareholder

3. TDHL Vision

This is an aspirational goal that reflects the future state TDHL seeks to attain.

Vision
To be a successful and diversified regional investment company

4. TDHL Values

The values below set out the principles by which TDHL will go about achieving its purpose and vision.

We are Collaborative

TDHL will work closely alongside its stakeholders, supporting their success and enhancing their reputation.

We are Agile

TDHL will be nimble and move quickly to respond to the needs of its stakeholders and capitalise on new opportunities.

We are Intergenerational

TDHL will take a sustainable and long-term view to the commercial and financial management of its investments.

We have Integrity

TDHL will act with clear intent, honesty in all it does to maintain the trust and respect it holds with its stakeholders.

We have Commercial Discipline

TDHL will foster an innovative and proactive corporate culture that creates opportunities while delivering on operational and regulatory obligations.



5. Strategic Priorities

The Strategic Priorities are our areas of key focus. By successfully concentrating on these priorities, we will remain focused on our Core Purpose. They are structured to reflect the nature of our operations (intergenerational investment, property, new investments and diversification) and the core purpose of TDHL (providing a return to the Shareholder), all of which is underpinned by our approach (investing in relationships and partnerships). This approach reflects the importance we place on preserving our most valuable asset – our relationship with Council. This is supported by a ‘No Surprises Approach’ whereby TDHL is committed to keeping the Council informed of material matters at all times.



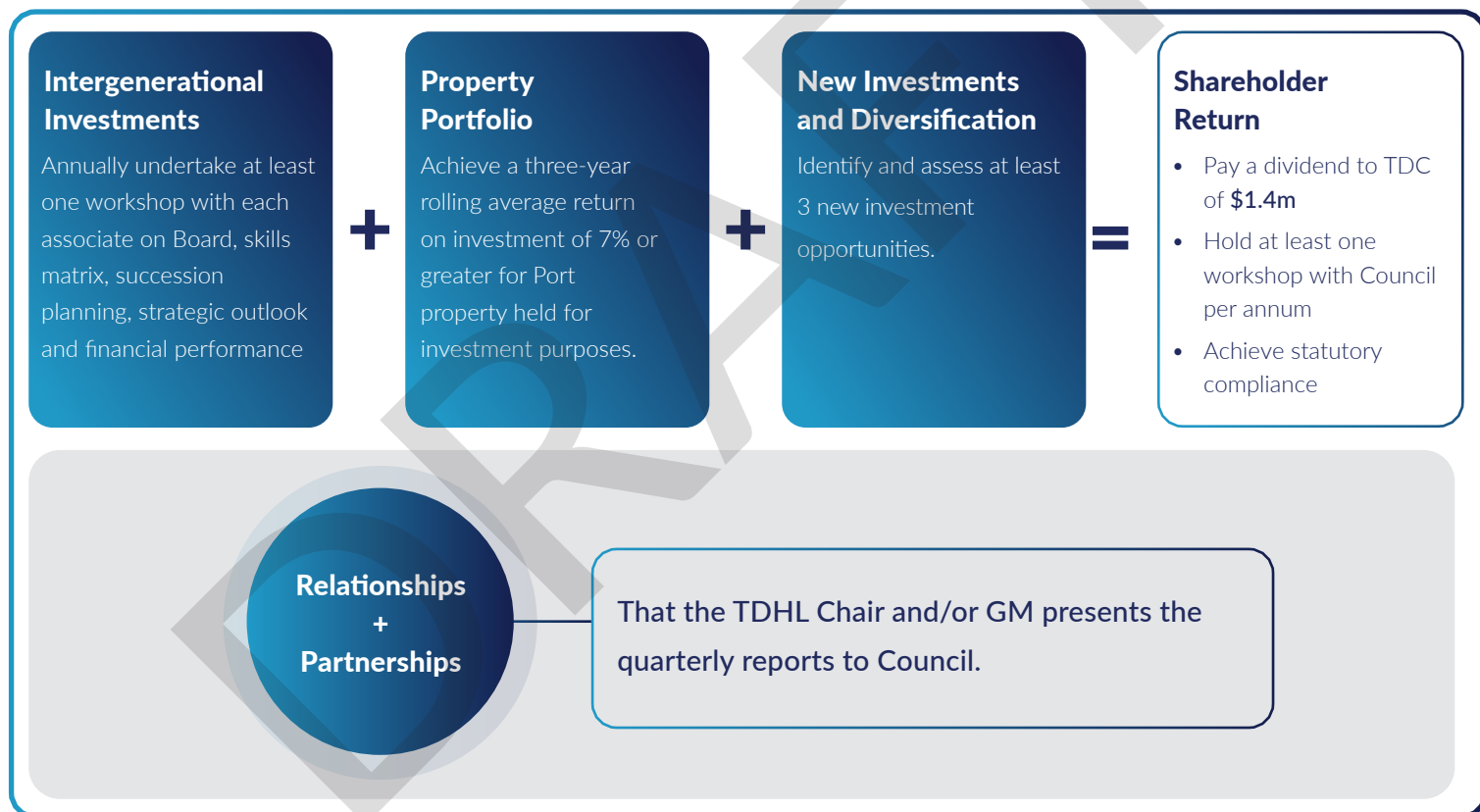
6. Objectives and Outcomes

The Outcomes are the long-term results of focusing on each Strategic Priority and provide more granular detail to support the strategic priorities.



7. Annual Goals for 2025/26

The Specific Performance Targets are set annually and are designed to support the Strategic Outcomes based on the more granular Annual Outcomes.



For the 2025/26 year, TDHL expects to have an earnings before tax of \$1.25m (excluding valuations and share of associate surpluses but including dividend received from associates) and to pay an ordinary dividend of \$1.4m. The dividend is forecast to increase incrementally in subsequent years.

Performance Targets

	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
EBITA (excluding revaluations)	2,070,124	2,584,401	2,516,124	2,559,993
Net Profit to S/H Funds	3.3%	3.3%	4.1%	4.0%
Dividend	\$1.2m	\$1.4m	\$1.6m	\$1.8m
Shareholder funds to total assets	>60%	>60%	>60%	>60%

EBITA (Earnings Before Interest Tax and Amortisation) as detailed above includes dividends received from associates but excludes revaluation of investment properties and share of associated surplus.

8. Reporting to a Shareholder

The following information will be available to Council:

Information	Quarterly	Half Yearly	Annually	
	Within 2 months of the end of quarter	Within 2 months of the first six months	(Unaudited) Within 2 months of the end of financial year	(Audited) Within 3 months of the end of financial year
Statement of Revenue and Expense disclosing actual revenue and expenditure including a comparison of actual against budget	✓	✓	✓	✓
Statement of Changes in Equity	✓	✓	✓	✓
Statement of Financial Position	✓	✓	✓	✓
Cashflow Statement	✓	✓	✓	✓
Commentary 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 affect performance, including an estimated forecast of the financial results for the year based on that outlook.	✓	✓	✓	✓
Notice of dividends Notice of and the reasons for any material changes to the dividend payments.	✓	✓	✓	✓
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 dividends.				✓
Auditor's report On the above statements and the measurement of performance in relation to objectives.				✓
Statement of Intent (Draft)				1 March
Statement of Intent (Final)				30 June

9. Nature and Scope of Activities to be Undertaken

TDHL's business is that of an investor for the benefit of our Shareholder by providing a commercial return. In all activities that TDHL undertakes, it shall apply the values set out above and achieve statutory compliance. The specific nature and scope of TDHL's activities include:

a. Intergenerational Investments. As shareholders in Alpine Energy Ltd – (47.5%) and PrimePort Timaru Ltd – (50.0%) we will:

- Act as an informed, diligent, constructive, and inquiring Shareholder
- Proactively engage on their Board skills, matrix, succession planning, strategic outlook, financial performance and their Statement of Intent

b. Property Investments including:

Properties primarily located in the vicinity of PrimePort Timaru that are targeted for leasing to port-related operations to achieve an overall set rate of return

- Activities to be undertaken include:
 - Ensuring appropriate leases are in place and lessees are compliant with the terms of those leases
 - Having appropriate insurance in place
 - Having appropriate asset management plans in place that comply with TDHL's obligations as a Lessor under the Health and Safety at Work Act

c. New Investments and Diversification:

TDHL will undertake activities that enables the consideration and pursuit of new investments and diversification opportunities that are consistent with its purpose. The priorities for 2025/26 include:

- The proactive development and promotion of the Lyndon Street industrial park
- Proactively seek and pursue new investment opportunities, both land development and equity investments

10. Governance

TDHL proactively seeks to promote the highest standards of governance internally, with its Shareholder, our joint venture partners and to its associates.

The TDHL Board meets on a monthly schedule and receives regular management reporting on all company activities. 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
- Regular monthly reporting on performance and against budget
- Regular reports on the property portfolio
- The AGM between each company and shareholders, as well as additional shareholder and Board to Board meetings on an as needed basis

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. This includes the maintenance of an up-to-date skills matrix for the TDHL Board and an annual external Board performance review.

11. Ratio of Consolidated Shareholders' Funds to Total Assets

This ratio shows the proportion of total assets financed by shareholders funds. TDHL will ensure that the ratio of Shareholders Funds to Total Assets remains above 60%.

For the purposes of this ratio, shareholders' funds are defined as the paid-up capital plus any taxpaid profits earned and less any dividends distributed to shareholders. They include undistributed profits, which have been accumulated into equity.

Total assets are defined as the sum of all current, fixed and investment assets of the group.

12. 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, Section 69 of the Local Government Act 2002, the New Zealand International Financial Reporting Standards and generally accepted accounting practice.

Details of the current accounting policies and their application are available in the most recent Annual Report which can be found on the TDHL website.

13. Periodic Workshops

Strategic or targeted workshops will be offered to Council as needed, to improve Council's understanding of TDHL's business, to workshop matters of mutual interest or concern, and to discuss TDHL's performance and direction. Workshops are intended to be held once a year in addition to the AGM.

14. Dividend Policy

The amount of dividend to pay each year recognises a trade-off between the shareholder's need for a stable and predictable dividend and the long term need to retain a liquidity buffer for bad years and to contribute to diversifying the portfolio through new investments over time.

The dividend policy recognises that dividends should be:

- Stable
- Sustainable
- Fair across generations

The TDHL board will set a dividend each year taking account of the preferences of the shareholder as well as its obligations under the Companies Act.

15. Procedures for Acquisition of Other Interests

The company shall not:

- Form any subsidiary company;
- Acquire shares, any debt securities, or any participatory shares in any other company; or
- Acquire any assets of any company or organisation outside the ordinary course of business as described in this Statement of Intent; or
- Dispose of any shares in a subsidiary company;

Without the prior approval of the Shareholder.

16. 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.

17. Estimate of Commercial Value of the Shareholder's Investment

The commercial value of the shareholder's investment in Timaru District Holdings Limited is considered by the directors to be no less than the shareholder's 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 \$128.5 and \$151.8 million as at 30 June 2024 whereas the cost and recorded value of these shares is \$93.6 million. The shares held in PrimePort Timaru Limited are recorded at fair value \$51.7 million as at 30 June 2024. No independent valuation has been completed at this time. The investment properties portfolio is revalued annually, at 30 June 2024 the portfolio had a valuation of \$67.4 million.

18. Capital Expenditure and Asset Management Intentions

TDHL will update Timaru District Council on its capital expenditure and asset management intentions as part of its periodic reporting and workshops.

19. Other

Land: Activities on TDHL's land will have appropriate consents and leases in place, and TDHL will use all reasonable endeavours to ensure lessees comply with their leases and consent conditions.

