



# TDHL

Timaru District Holdings Ltd  
*Enabling Prosperity*

# Annual Report 2024

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[www.tdhl.co.nz](http://www.tdhl.co.nz)



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Statutory information

Auditor's report

# Directors' declaration

In the opinion of the Directors of Timaru District Holdings Limited ('the Company') the financial statements and notes, on pages 11 to 29:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Company as at 30 June 2024 and the result of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgments and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the annual report including the financial statements of Timaru District Holdings Limited for the year ended 30 June 2024.



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Mark F. Rogers (Chairperson)

Date: 26 September 2024



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Rebecca L. Keoghan (Deputy Chairperson)

Date: 26 September 2024

# Directory

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<b>Incorporation number</b>	881487
<b>Principal activities</b>	Property – non-residential – renting or leasing
<b>Registered office</b>	2 King George Place Timaru 7910 New Zealand
<b>Directors</b>	Aaron W.K Bethune Peter J. Burt (ceased 6 December 2023) Rebecca L. Keoghan Sally B. Parker Mark F. Rogers Darren M. Evans (appointed 6 December 2023)
<b>Shareholders</b>	Timaru District Council  49,550,000 ordinary shares ————— 49,550,000 ordinary shares =====
<b>Auditor</b>	Audit New Zealand, Christchurch On behalf of the Auditor-General

# Highlights & Challenges

Net Surplus after tax

**\$6.3M**

down from \$20.7M

Net Cash from Operations

**\$1.4M**

down from \$2.3M

Dividends from Associates

**\$1.2M**

down from \$2.3M

Property Revenue

**\$3.3m**

up from \$2.9M

Investment Property Valuation

**\$67.4M**

up 7.5%

Share of Associate Surplus

**\$3.3M**

down from \$10.6M

Total Dividend to TDC

**\$1M**

consistent with 2022/23 & in accordance with Statement of Intent

Total Equity

**\$185.5M**

up from \$179.9M

# Chairman and General Manager Report

At TDHL, the significance of adhering to our strategy of growing a diverse investment portfolio has become increasingly apparent this year. The mid year loss of the Alpine dividend, due to the price path correction, coupled with the ongoing challenging trading conditions faced by both PrimePort and Alpine, has resulted in a notable decline in dividends and incorporated equity returns from our associates compared to previous years. However, this has been mitigated by a robust performance in the property portfolio, allowing us to fulfill our commitment to our shareholder by providing a sustainable, intergenerational return.

The events this year have reinforced the need to reinvest in the portfolio, pursue diversification options and continue to invest in relationships with our shareholder, joint venture partners and associates. It is through the strong relationships that we have built over the last 3 years that we are now better equipped to respond to the current challenges. A great example of this is the collaboration that is occurring with our fellow shareholders in Alpine through the joint director appointment process.

Looking ahead to 2024/25, we will continue to leverage our relationships for the betterment of the associates, actively engage with our shareholder to increase alignment to its 2024-34 Long Term Plan and continue to pursue and realise diversification opportunities that will ensure we can continue to provide a sustainable intergenerational return.

## Financial performance

Our underlying operations remain strong with property revenue increasing 12.6%, which combined with disciplined cost controls and despite lower associate dividends, have supported a net cash surplus from operations of \$1.4m, down from \$2.3m last year.

The effects of reduced associate equity can be seen in the total comprehensive income for the year being \$6.6m, down from \$31.4m last year.

Despite the positive property portfolio revaluation, now valued at \$67.4m, this clearly illustrates the influence of the non cash incorporation of associate equity into TDHL's result.

We have prioritised our financial support to our shareholder through the \$1m dividend payment and \$1.5m in interest payments throughout the year. This resulted in total cash payments to Timaru District Council of \$2.5m.

The total assets have increased by \$5.6m to \$215.5m, while total liabilities have remained relatively static at \$30m, thus lifting shareholders equity by \$5.6m to a total of \$185.5m, maintaining shareholders funds to total assets in line with last year at 86%.



TDHL has a 50% shareholding in PrimePort Timaru Limited with the other 50% shareholding held by Port of Tauranga Limited. PrimePort plays a critical role connecting our district's exporters and importers to the world.



TDHL has a 47.5% shareholding in Alpine Energy Limited. The principal activity of Alpine Energy is electricity distribution to households and businesses in the South Canterbury region via its electricity distribution network.



TDHL owns 48Ha of industrial and commercial land and buildings across the Timaru District. The priority areas being 30Ha within the TimaruPort zone and 16Ha in the Washdyke industrial area.



# Chairman and General Manager Report *cont*

Around the Board table this year we farewelled Peter Burt. We thank him for his service and contribution. In early 2024, we welcomed Darren Evans to the Board. We acknowledge the immediate and positive influence he is making.

In closing, we would like to extend our thanks and appreciation to the Mayor, Councillors, Chief Executive and Council Officers for their support throughout the year. As we move into 2024/25, we have already embarked on a programme of increased engagement and alignment with our shareholder and look forward to continuing this.



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Mark F. Rogers (Chairperson)

Date: 26 September 2024



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Frazer Munro (General Manager)

Date: 26 September 2024

# Statement of objectives and performance

For the year ended 30 June 2024 in New Zealand dollars

Strategic Priorities	Performance Target	Achievement	
<b>Intergenerational Investments</b> Ensuring our intergenerational investments (PrimePort and Alpine) are well governed, meet the needs of our community, and provide a sustainable return.	Annually undertake at least one workshop with each associate on Board skills matrix, succession planning, strategic outlook and financial performance.	Target met. Board skills and succession planning is undertaken by the Board in consultation with fellow shareholders and supported by the engagement with the respective Board Chairs. Strategic and financial performance is achieved through reviewing quarterly reporting from the associates.	
<b>Property Portfolio</b> Manage and grow a property portfolio in a profitable manner that complements our associate investments and our shareholder's strategic priorities.	Achieve a three year rolling average return on investment of 7% or greater for Port property held for investment purposes.	Target met. Return of 7.3% achieved.	
<b>New Investments &amp; Diversification</b> Pursue new and diverse investments that will grow the business.	Develop a Statement of Investment Policy and Objectives.	Target met. Policy developed, presented and discussed with Council in December 2023 and adopted by Board as final in March 2024.	
<b>Providing Shareholder Return</b> First and foremost, to provide the shareholder with a sustainable cash dividend and under specific circumstances support projects that align with the Shareholder's Strategic Priorities.	Pay a dividend to TDC of \$1m.	Target met. \$500k paid in December 2023 and \$500k paid in June 2024.	
	Hold at least one workshop with Council per annum.	Target met. Workshops held in December 2023, April 2024 and May 2024.	
	Achieve statutory compliance.	Target met. All statutory reporting time frames and compliance requirements met.	
	Review the Dividend Policy.	Target met. Completed in June 2024.	
<b>Relationships + Partnerships</b> Ensuring we invest time and effort into the relationships with our shareholder, joint venture partners, associates and future investment partners. Ensuring we are aligned to our shareholder's Long Term Plan.	That the TDHL Chair and/or GM presents the quarterly reports to Council	Target met. Chair and GM presented reports at 17 October, 12 December and 26 March Council meetings. The Board also welcomed the Mayor and CE for part of the April Board meeting.	
Financial Metrics			
EBITA (excluding revaluations)	\$3,749,767	\$3,961,000	Target met due to inclusion of shares of associate surplus within target.
Net Profit to S/H Funds	6.9%	3.4%	Targets not met. The significantly under budget incorporated associate equity is responsible for not meeting these targets, noting that these are non cash incorporations.
Net tangible assets/share	\$6.20	\$5.97	
Earnings per share	\$0.43	\$0.20	
Dividends per share	\$0.03	\$0.03	Target met. Total dividend of \$1m paid to Council.
Shareholder funds to total assets	87%	86%	Target not met due to reduced associates equity.

# Statement of comprehensive income

For the year ended 30 June 2024 in New Zealand dollars

	Note	2024 \$000	2023 \$000
Revenue	3	3,313	2,943
Share of associate surplus	10	3,295	10,564
Revaluation of investment properties	8	3,682	10,167
		<b>10,290</b>	<b>23,674</b>
Operating expenses	5	(2,647)	(1,502)
Gain on sale of property held for sale	9	-	31
<b>Operating profit before financing costs</b>		<b>7,643</b>	<b>22,203</b>
Finance income		114	184
Finance expenses		(2,003)	(1,607)
<b>Net financing costs</b>	4	<b>(1,889)</b>	<b>(1,423)</b>
<b>Profit before income tax</b>		<b>5,754</b>	<b>20,780</b>
Income tax benefit/(expensive)	6	583	(92)
<b>Profit for the year</b>		<b>6,337</b>	<b>20,688</b>
<b>Other comprehensive income</b>			
Share of associate surplus - other comprehensive income	10	343	10,683
<b>Other comprehensive income for the year, net of income tax</b>		<b>343</b>	<b>10,683</b>
<b>Total comprehensive income for the year</b>		<b>6,680</b>	<b>31,371</b>

# Statement of financial position

As at 30 June 2024 in New Zealand dollars

	Note	2024 \$000	2023 \$000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	7	986	1,663
Other financial assets		-	1,500
Trade and other receivables		185	634
Property held for sale	9	1,202	432
<b>Total current assets</b>		<b>2,373</b>	<b>4,229</b>
<i>Non-current assets</i>			
Right of use assets		8	16
Investment properties	8	67,398	62,684
Investments in associates	10	145,240	142,831
Deferred tax asset	6	471	131
<b>Total non-current assets</b>		<b>213,117</b>	<b>205,662</b>
<b>Total assets</b>		<b>215,490</b>	<b>209,891</b>

	Note	2024 \$000	2023 \$000
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	11	414	1,020
Employee benefits		29	22
Income tax payable	6	624	899
Lease liabilities		9	7
<b>Total current liabilities</b>		<b>1,076</b>	<b>1,948</b>
<i>Non-current liabilities</i>			
Interest bearing loans and borrowings	12	28,881	28,081
Lease liabilities		-	9
<b>Total non-current liabilities</b>		<b>28,881</b>	<b>28,090</b>
<b>Total liabilities</b>		<b>29,957</b>	<b>30,038</b>
<b>Equity</b>			
Share capital	15	31,000	31,000
Retained earnings		128,674	123,337
Asset revaluation reserve		25,859	25,516
<b>Total equity</b>		<b>185,533</b>	<b>179,853</b>
<b>Total liabilities and equity</b>		<b>215,490</b>	<b>209,891</b>

# Statement of changes in equity

For the year ended 30 June 2024 in New Zealand dollars

	Note	Share capital \$000	Retained earnings \$000	Asset revaluation reserve \$000	Total \$000
<b>Balance at 1 July 2023</b>	15	31,000	123,337	25,516	179,853
<b>Total comprehensive income for the year</b>					
Profit for the year		-	6,337	343	6,680
<b>Total comprehensive income for the year</b>		-	6,337	343	6,680
<b>Transactions with owners of the Company</b>					
Dividends paid during the year		-	(1,000)	-	(1,000)
<b>Total transactions with owners</b>		-	(1,000)	-	(1,000)
<b>Balance at 30 June 2024</b>		<b>31,000</b>	<b>128,674</b>	<b>25,859</b>	<b>185,533</b>

<b>Balance at 1 July 2022</b>	15	31,000	103,649	14,833	149,482
<b>Total comprehensive income for the year</b>					
Profit for the year		-	20,688	10,683	31,371
<b>Total comprehensive income for the year</b>		-	20,688	10,683	31,371
<b>Transactions with owners of the Company</b>					
Dividends paid during the year		-	(1,000)	-	(1,000)
<b>Total transactions with owners</b>		-	(1,000)	-	(1,000)
<b>Balance at 30 June 2023</b>		<b>31,000</b>	<b>123,337</b>	<b>25,516</b>	<b>179,853</b>

The accompanying accounting policies, notes and audit report should be read in conjunction with the financial statements.

## Statement of cash flows

For the year ended 30 June 2024 in New Zealand dollars

	Note	2024 \$000	2023 \$000
<b>Cash flows from operating activities</b>			
Cash received from customers		3,782	3,407
Cash paid to suppliers and employees		(2,321)	(2,131)
Interest received		114	184
Interest paid		(1,923)	(1,435)
Dividends received		1,700	2,278
<b>Net cash from operating activities</b>		<b>1,352</b>	<b>2,303</b>
<b>Cash flows from investing activities</b>			
Proceeds from other financial assets		1,500	4,000
Proceeds from sale of property held for sale		-	1,023
Acquisition of investment property		(3,319)	(6,343)
Acquisition of other financial assets		-	(3,000)
<b>Net cash (to)/from investing activities</b>		<b>(1,819)</b>	<b>(4,320)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		800	3,900
Dividends paid		(1,000)	(1,000)
Lease payments		(10)	(5)
<b>Net cash from/(to) financing activities</b>		<b>(210)</b>	<b>2,895</b>
<b>Net (decrease)/ increase</b>		<b>(677)</b>	<b>878</b>
<b>Opening cash and cash equivalents 1 July</b>		<b>1,663</b>	<b>785</b>
<b>Closing cash and cash equivalents 30 June</b>	<b>7</b>	<b>986</b>	<b>1,663</b>

# Notes to the financial statements

## 1 Reporting entity

Timaru District Holdings Limited ("the Company") is a Council Controlled Trading Organisation as defined in 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 under the Companies Act 1993.

The Company's principal activity is property nonresidential renting or leasing.

The financial statements presented are for Timaru District Holdings Limited as at and for the year ended 30 June 2024.

## 2 Basis of preparation

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 the 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.

For the purposes of complying with NZ GAAP, the Company is eligible to apply Tier2 Forprofit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS RDR") on the basis that it does not have public accountability and is not a large forprofit public sector entity. The Company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

All accounting policies set out below have been consistently applied to all periods presented in these financial statements. Where applicable, certain comparatives have been restated to comply with the accounting presentation adopted in the current year to ensure consistency with the current year classification.

### Changes in accounting policies

There have been no changes in accounting policies during the year. Accounting policies have been applied consistently to all years presented in these financial statements.

### Amendment to NZ IAS 1

The Company adopted Disclosure of Accounting Policies (Amendments to NZ IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. The amendments did not result in any changes to the accounting policies or accounting policy information disclosed in the financial statements.

### Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment property which are measured at fair value, and associates which are equity accounted. Fair values have been determined for measurement purposes based on the methods outlined in the notes specific to the asset.

Where applicable, further information about the assumptions made in determining fair value is also disclosed in the notes specific to that asset or liability.

These financial statements are presented in New Zealand dollars (\$) which is the Company's functional currency, rounded to the nearest thousand dollars (\$000). They have been prepared on a GST exclusive basis except for receivables and payables that are stated inclusive of GST.

### Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The principal areas of judgement in preparing these financial statements are set out below. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 8 Valuation of investment property.

### **Foreign currency**

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

### **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.

### **Impairment**

The carrying amounts of the Company's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite lived intangible assets are tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

### **Cash and cash equivalents policy**

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 today cash management.

### **Derivative financial instruments**

Derivatives held by associates are initially measured at fair value. Subsequent to initial recognition derivatives are measured at fair value and changes therein are generally recognised in profit or loss.



### 3 Revenue

	2024 \$000	2023 \$000
Property rentals	3,313	2,943
	<u>3,313</u>	<u>2,943</u>

Revenue is recognised when the performance obligation associated with the respective contract is satisfied and can be reliably measured.

Rental income from the investment property is recognised as revenue when due and paid by the Lessee and is spread evenly over the lease period. Rental income from investment property solely comprises of operating lease income from lease contracts in which the Company acts as a lessor (refer to note 20).

### 4 Net financing costs

	2024 \$000	2023 \$000
Interest income	114	184
Finance income	114	184
Interest expense	(2,003)	(1,607)
Finance expense	(2,003)	(1,607)
Net financing costs	<u>(1,889)</u>	<u>(1,423)</u>

#### *Finance income and expenses policy*

Finance income comprises interest income on funds invested using the effective interest method.

Finance expense comprise interest expense on interest bearing loans and borrowings. The interest expense component of interest bearing loans and borrowings is recognised as an expense using the effective interest rate method.

### 5 Operating expenses

	2024 \$000	2023 \$000
Directors' fees	209	208
Audit fees – Audit fees relating to the previous financial year	11	17
Audit fees – Annual accounts audit	35	27
Holding Company operating costs	1,025	803
Bad debts written off	1	-
Impairment/(reversal of impairment)	911	(13)
Depreciation – Lease assets	8	5
Employee benefits	447	455
	<u>2,647</u>	<u>1,502</u>

6 Income tax

	2024 \$000	2023 \$000
<i>Tax recognised in profit or loss</i>		
Current tax expense		
Current period	(244)	(132)
Total current tax expense	(244)	(132)
Deferred tax expense		
Origination and reversal of temporary differences	(339)	224
Total deferred tax (benefit)/expense	(339)	224
Total income tax (benefit)/expense	(583)	92
<i>Reconciliation of effective tax rate</i>		
Profit before tax	5,754	20,780
Income tax using the Company's domestic tax rate of 28%	1,610	5,818
Permanent differences	(1,717)	(5,088)
Imputation credits received on dividends	(476)	(638)
Income tax (benefit)/expense	(583)	92
<i>Deferred tax</i>		
Investment property	203	122
Property held for sale	259	4
Employee benefits	8	6
Lease liability	3	4
Right of use assets	(2)	(5)
Net deferred tax asset	471	131

The current tax liability of \$624,000 (2023: 899,000) represents the amount of income taxes payable in respect of current and prior periods.

**Income tax policy**

Tax expense comprises current and deferred tax and is calculated using rates enacted or substantively enacted at balance date. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case the tax is recognised as an adjustment against the item to which it relates.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of goodwill. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## 7 Cash and cash equivalents

	2024 \$000	2023 \$000
Current assets		
Bank accounts	986	1,663
<b>Total cash and cash equivalents in the statement of cash flows</b>	<b>986</b>	<b>1,663</b>

## 8 Investment properties

	2024 \$000	2023 \$000
Opening balance	62,684	45,488
Change in fair value	3,682	10,167
Acquisition of investment property	2,713	7,029
Reclassifying showgrounds lot 7 to property held for sale	(1,681)	-
<b>Closing balance</b>	<b>67,398</b>	<b>62,684</b>

### Amounts recognised in profit or loss for investment properties

	2024 \$000	2023 \$000
Rental income from operating leases	3,313	2,943
Direct operating expenses from property that generated rental income	(631)	(563)
Direct operating expenses from property that did not generate rental income	(41)	(54)
Fair value gain recognised in other income	3,682	10,167
	<b>6,323</b>	<b>12,493</b>

**Measuring investment property at fair value**

Investment properties are land and buildings where the building is built to maximise the return on land and buildings as an “interim use”, are held for long term rental yield and are not occupied by the company. Investment property also includes property that is being constructed or developed for future use as investment property.

Properties leased to third parties under operating leases are generally classified as investment property unless:

- The occupants provide services that are integral to the operation of the company’s business;
- The property is being held for future delivery of services.

Land where there are infrastructure services in place or there is a firm commitment to provide such infrastructure is classified as investment property. Buildings that are held for a currently undetermined future use, or that are vacant but held to be leased out under one or more operating leases, are classified as investment properties.

The classification of properties is done at the lowest possible level. Thus, where part of a property is occupied by a party other than the company, consideration is given to whether that portion of the building could be classified as an investment property. Classification as an investment property will be indicated if the section of the building could be separately sold or leased under a finance lease.

If the section of the property occupied by a party other than the company is unable to be sold or leased separately from the rest of the building, the building is assessed as a whole and will usually only be classified as investment property if the company occupies an insignificant portion of the total building.

Investment property is carried at fair value, based on valuation methodologies using direct sales comparison or a direct capitalisation of rental income using market comparison of capitalisation rates. These values are determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the Statement of Comprehensive Income.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

If it is determined that the fair value of an investment property under construction is not reliably determinable but the company has an expectation that the fair value of the property will be reliably determinable when construction is complete, the investment property under construction will be measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Transfers are made to investment property when there is a change in use. This may be evidenced by ending of owner occupation, commencement of an operating lease to another party or commencement of construction or development for future use as investment property.

The Company leases out its investment properties. The Company classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2024 \$000	2023 \$000
One year	1,882	2,254
Two years	1,570	1,878
Three years	1,562	1,618
Four years	1,440	1,239
Five years	1,093	943
More than five years	12,919	13,343
	20,466	21,275

## 9 Property held for sale

Property 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. Property held for sale is valued at the lower of carrying amount and fair value to sell less costs to sell.

Any impairment losses for writedowns of noncurrent 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.

Property held for sale is not depreciated or amortised while they are classified as held for sale.

### Sale of Showground

	2024 \$000	2023 \$000
Sale of property held for sale	-	663
Opening carrying value of Showgrounds	-	(620)
Reversal of impairment	-	(12)
Gain recognised as income	-	31

At 30 June 2023 Timaru District Holdings Limited had committed to selling Showgrounds lots 8 and 9 with an expected settlement date of October 2023. This contract has been renegotiated to extend the settlement date into FY2026 and to include Showgrounds lot 7 in the sale.

Timaru District Holdings commitments as at 30 June 2024 are to sell Showgrounds lots 7, 8 and 9. Showgrounds lot 7 has been reclassified from investment property to property held for sale to reflect the change in conditions. Upon reclassification the value of lot 7 was remeasured to its fair value less cost to sell and an impairment of \$910,870 has been recognised in the statement of comprehensive income.

**10 Investments in associate companies**

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 profit for the year and the share of post acquisition increases/decreases in net assets in the statement of financial position.

For the purpose of equity accounting, all property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses with the exception of port land and other land which is recognised at fair value. Port land is revalued every year, other land is revalued cyclically every 3 years. Other land was last revalued in 2023.

An impairment assessment has been completed for the Company's investment in associate entities (Alpine Energy Limited and PrimePort Timaru Limited) as at 30 June 2024. No impairment loss has been recognised.

**PrimePort Timaru Ltd**

Principal activity: Port operator

Ownership: 50.0% (2023: 50.0%)

Balance date: 30 June

Results of Associate

	2024 \$000	2023 \$000
Share of Profit before tax	2,267	3,636
Taxation	(1,287)	(964)
Share of Profit After Tax	980	2,672
Share of Other Comprehensive Income	343	10,065
Share of Total comprehensive income	1,323	12,737
Interest in Associate		
	2024 \$000	2023 \$000
Balance at Beginning of Year	51,108	39,471
Recognised total comprehensive income	1,323	12,737
Dividends	(758)	(1,100)
Balance at End of Year	51,673	51,108
Share of Recognised total comprehensive income	1,323	12,737
Share of profit after tax	980	2,672
Share of other comprehensive income	343	10,065
Dividends Paid	(758)	(1,100)
Total movement in investment	565	11,637

Summarised financial information of PrimePort Timaru Limited presented on a gross basis

	2024 \$000	2023 \$000
Current Assets	5,742	4,211
Non Current Assets	160,368	152,583
Current Liabilities	2,679	30,511
Non Current Liabilities	60,089	24,070
Revenues	30,344	28,977
Profit or loss from continuing operations	2,500	5,049
Other Comprehensive Income	144	20,130
Total Comprehensive Income	2,644	25,474

## 10 Investments in associate companies (continued)

### Alpine Energy Ltd

Principal activity: Electricity Distribution

Ownership: 47.50% (2023: 47.50%)

Balance date: 31 March

The financial statements of Alpine Energy are prepared for the year ended 31 March 2024. During the year, Alpine Energy discovered administrative errors in its previous nine years' Information Disclosure Schedules which it submitted to the Commerce Commission (the Commission). Details of the error and the amended Disclosure Schedules are available on Alpine Energy's website.

The amended information is under review by the Commerce Commission to determine the appropriate course of action. There is a range of possible actions that the Commerce Commission may take against Alpine Energy, depending on the outcome of its review which is expected to be finalised during the next financial year.

Until such time, the outcome of the review remains uncertain. The impairment assessment therefore does not take account of this matter because the possible effects cannot be determined with any certainty.

For the purpose of equity accounting all property plant and equipment is stated at cost less accumulated depreciation and impairment losses with the exception of land which is recognised at fair value. Land is revalued every 3 years and was last revalued in 2023.

### Results of Associate

	2024 \$000	2023 \$000
Share of Profit before tax	4,452	10,194
Taxation	(2,137)	(2,302)
Share of Profit After Tax	2,315	7,892
Share of Other Comprehensive Income	-	618
Share of Total comprehensive income	2,315	8,510

Interest in Associate

	2024 \$000	2023 \$000
Balance at Beginning of Year	91,723	84,391
Recognised total comprehensive income	2,315	8,510
Dividends	(471)	(1,178)
Balance at End of Year	93,567	91,723
Share of Recognised total comprehensive income	2,315	8,510
Dividends Paid	(471)	(1,178)
Total movement in investment	1,844	7,332

Summarised financial information of Alpine Energy Limited presented on a gross basis

	2024 \$000	2023 \$000
Current Assets	24,206	21,806
Non Current Assets	339,166	324,126
Current Liabilities	14,340	17,387
Non Current Liabilities	152,052	135,446
Revenues	86,108	80,346
Profit or loss from continuing operations	5,254	14,703
Other Comprehensive Income	(381)	2,692
Total Comprehensive Income	4,873	17,395

Consolidated Investment in Associates

	2024 \$000	2023 \$000
Balance at beginning of year	142,831	123,862
Recognised total comprehensive income	3,638	21,247
Dividends	(1,229)	(2,278)
Balance at End of Year	145,240	142,831



## 11 Trade and other payables

	2024 \$000	2023 \$000
Trade creditors and accruals	236	844
Interest payable	159	164
Sundry payables	13	12
GST payables	6	-
	414	1,020

### *Trade and other payables policy*

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate. These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

## 12 Interest bearing loans and borrowings

	Note	2024 \$000	2023 \$000
<b>Non-current</b>		7,200	6,400
Bank loans	14	21,681	21,681
Loans from Timaru District Council		28,881	28,081

The interest rates for the loans from Timaru District Council range from 6.97% to 7.09% (2023: 4.03% to 7.04%). These loans have no fixed repayment terms and are repayable within 366 days (2023: 366 days) after notice by the Council seeking repayment of the outstanding amount. The interest rate applied is linked to the bank bill rate for the period plus basis points agreed with the Council.

The interest rates for the bank loan facilities range from 6.92% to 7.45% (2023: 3.46% to 6.95%). The \$7,200,000 borrowing is on a fixed interest rate of 6.95% until 29 July 2024. The interest rate applied to the wholesale money market borrowing is reviewed every month by reference to the bank bill bid rate for that period. The average rate on the wholesale money market borrowing during the year is 6.43%.

Maturity dates of the interest rate instruments within the long term facility are:

	2024 \$000	2023 \$000
One to two years	7,200	6,400

### *Security*

Timaru District Holdings Limited commercial bills are secured by a first ranking general security agreement over all property of the company. Loan from Timaru District Council to the Company is secured by Debenture over the company's assets.

### *Interest bearing loans and liabilities policy*

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowing using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

### Financial instruments classification

Financial instruments are recognised in the Statement of Financial Position when the Company becomes party to a financial contract. They include cash and cash equivalents, short term investments, trade and other receivables, trade and other payables, interest bearing loans and borrowings, lease liabilities, shares in associate companies, related party receivables, and related party payables.

Financial assets (except for trade receivables without a significant financing component) and liabilities are initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets and liabilities are classified into the following categories:

#### *Financial assets held at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amounts outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss.

Financial assets held at amortised cost comprise: cash and cash equivalents, short term investments, trade and other receivables, and related party receivables.

#### *Financial assets held at fair value through profit and loss*

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss.

Financial assets at FVTPL comprise derivative financial instruments.

#### *Financial assets held at fair value through other comprehensive income*

A financial asset is measured at fair value through other comprehensive income (FVOCI) if it meets both the following conditions, and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amounts outstanding.

#### *Financial liabilities held at amortised cost*

Financial liabilities not designated as at FVTPL on initial recognition are classified as at amortised cost. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss.

Financial liabilities held at amortised cost comprise: trade and other payables, interest bearing loans and borrowings, related party payables, and lease liabilities.

#### Impairment - financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

ECLs are a probabilityweighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The carrying value of financial assets and liabilities are as follows:

	2024 \$000	2023 \$000
<b>Financial assets as per balance sheet</b>		
<i>Measured at amortised cost:</i>		
Cash and cash equivalents	986	1,663
Other financial assets – short term deposits Receivables	-	1,500
<b>Total financial assets</b>	98	634
	<b>1,084</b>	<b>3,797</b>

GST receivable and prepayments do not meet the definition of a financial asset and have been excluded from the above table.

	2024 \$000	2023 \$000
<b>Financial liabilities as per balance sheet</b>		
<i>Measured at amortised cost:</i>		
Payables and accruals	398	1,020
Other financial assets – short term deposits Receivables	28,881	28,081
<b>Total financial assets</b>	<b>29,279</b>	<b>29,101</b>

GST payable, fringe benefit taxes and employee entitlements do not meet the definition of a financial liability and have been excluded from the above table.

14 Related parties

Key management personnel

Key management personnel comprise the Directors and the General manager and property manager .

Key management personnel compensation comprised of:

	2024 \$000	2023 \$000
Short term employee benefits	438	447
Post employment benefits	9	8
	447	455

Dividends paid

During the year a dividend of \$1,000,000 (2023: \$1,000,000) was paid to Timaru District Council.

Transactions involving related entities

The entities, the nature of the relationship and the types of transactions which the Company entered into during the period are detailed below:

Related entity	Nature of relationship	Types of transactions
Timaru District Council	Parent	Sales, purchases, loan payable, balance payable
Alpine Energy Limited	Associate	Sales, balance receivable
PrimePort Timaru Limited	Associate	Sales, balance receivable

The following transactions between related parties occurred during the year:

Related party	2024					
	Sale of goods and services	Purchase of goods and services	Dividend received	Balances receivables	Balances payable	Loan payable
	\$000	\$000	\$000	\$000	\$000	\$000
Timaru District Council	56	1,924	-	-	121	21,681
Alpine Energy Limited	2	-	471	-	-	-
PrimePort Timaru Limited	106	40	758	-	-	-
	164	1,964	1,229	-	121	21,681

No related party debts have been written off or forgiven during the year. Refer to note 12 for Timaru District Council loan policy.

Related party	2023					
	Sale of goods and services	Purchase of goods and services	Dividend received	Balances receivables	Balances payable	Loan payable
	\$000	\$000	\$000	\$000	\$000	\$000
Timaru District Council	40	2,722	-	-	125	21,681
Alpine Energy Limited	2	-	1,178	-	-	-
PrimePort Timaru Limited	96	-	1,100	3	-	-
	138	2,722	2,278	3	125	21,681

## 15 Share capital and reserves

	Number of shares		2024	2023
	2024	2023	\$000	\$000
<i>Shares</i>				
Balance 1 July	49,550,000	49,550,000	31,000	31,000
Balance at 30 June	49,550,000	49,550,000	31,000	31,000

At 30 June 2024, share capital comprised 49,550,000 shares (2023: 49,550,000). 18,550,000 shares (2023: 18,550,000) issued at a price of

\$1.35 each have been paid to \$185.50 (2023: \$185.50). This uncalled capital is security for the Letter of Credit facility of \$19,000,000 with ANZ Bank for the credit facilities. All issued shares rank equally.

### *Share capital policy*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## 16 Contingencies

No contingent assets or contingent liabilities exist at balance date for Timaru District Holdings Limited (2023: nil). No contingent assets or contingent liabilities exist at balance date for PrimePort Timaru Limited (2023: nil).

Alpine Energy Limited group has contingent liabilities of \$730,000 as at 31 March 2024 in the form of performance and import guarantees to cover ongoing project work (2023: \$730,000).

The financial statements of Alpine Energy are prepared for the year ended 31 March 2024. During the year, Alpine Energy discovered administrative errors in its previous nine years' Information Disclosure Schedules which it submitted to the Commerce Commission (the Commission). Details of the error and the amended Information Disclosure Schedule are available on Alpine Energy's website. The amended information is under review by the Commerce Commission to determine the appropriate course of action. There is a range of possible actions that the Commerce Commission may take against Alpine Energy, depending on the outcome of its review which is expected to be finalised during the next financial year. Until such time, the outcome of the review remains uncertain. The impairment assessment therefore does not take account of this matter because the possible effects cannot be determined with any certainty.

## 17 Capital commitments

As at 30 June 2024 the Company has no outstanding capital commitments (2023: \$1,610,000).

As at 31 March 2024 Alpine Energy Limited had contracted capital commitments of \$8,819,000. (2023: \$8,755,000).

As at 30 June 2024 PrimePort had no capital commitments (2023:\$1,838,000).

## 18 Subsequent events

On 14 August 2024 Timaru District Holdings Limited entered into an agreement for a variation of the existing sale and purchase agreement relating to the Showgrounds property. The variation agrees to the inclusion of Showgrounds lot 7 and amended settlement of lots 8 and 9. Subject to satisfying conditions present in the agreement, settlement is expected to occur on or before 31 October 2025. Lots 79 are classified by Timaru District Holdings Limited as property held for sale as detailed in note 10 of the financial statements.

As disclosed in note 16 above, Alpine Energy have made relevant disclosures to the Commerce Commission in regard to errors identified in their Information Disclosure Schedules. No further information has been made available post balance date with the Commerce Commission review expected to be completed within the next financial year.

## Statutory information

### Directors

Timaru District Holdings  
Limited

Mark F. Rogers (Chairperson)  
Rebecca L. Keoghlan (Deputy Chairperson)  
Sally B. Parker  
Aaron W. K. Bethune  
Darren M. Evans (appointed 6 December 2023)  
Peter J. Burt (ceased 6 December 2023)

### Entries made in the interests register

The following entries were recorded in the interests registers of the Company:

#### Mark F. Rogers

Chairperson

Men at Work Limited Independent – Chairman  
PrimePort Timaru Limited – Director  
Kingsdown Salisbury Hall Society Incorporated – Treasurer  
MVHB Professional Services Limited – Shareholder and Director  
Te Runanga o Arowhenua Limited – Chairman  
The Rogers Family Trust – Trustee  
Westroads Limited – Chairman  
Cumberland Property Group Limited – Chairman  
Cumberland Rural Properties Limited – Chairman  
Takapo AMW Limited – Chairman  
Fulton Hogan Limited – Shareholder  
Institute of Directors Canterbury Branch – Committee Member  
(ceased April 2024)

#### Rebecca L Keoghlan

Deputy Chairperson

Keoghlan Farm Limited – Director  
Gravity Dance Studio – Director  
Fire and Emergency NZ – Chairperson and Director  
Alpine Energy Ltd – Director  
Glen Elgin Family Trust – Trustee  
Glenfiddich Family Trust – Trustee

#### Sally B. Parker

Aorangi Stadium Trust – Trustee (Trust disestablished April 2024)  
Timaru District Council – Councillor  
Timaru Town and Country Club – Member (ceased February 2024)  
Te Whatu Ora – Employee  
NZNO New Zealand Nursing Organisation – Member

#### Aaron W. K. Bethune

Bethune Consulting Limited – Director  
Bethune Family Trust – Trustee  
Business Manager at Ruakura Energy / Ruakura Business Manager Tainui Group  
Holdings  
Spirit of Adventure Trust – Trustee (resigned October 2023)

#### Darren M. Evans

Calder Stewart Group – Chief Executive Officer  
Otautahi Community Housing Trust – Trustee  
Font Hill Property Limited – Beneficial shareholder

#### Peter Burt (Ceased)

Timaru District Council – Councillor  
Environment Canterbury – Zone Manager – South Canterbury  
Aspect Trust – Chairman  
Burt Family Trust – Trustee  
Timaru District Heritage Fund Trust Board of Trustees Inc – Trustee

## Statutory Information continued

### Interest in transactions

- All transactions with Directors were entered into during the normal course of business and at normal terms and conditions.

### Use of Company information

- During the year there were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would otherwise have been available to them.

### Shareholding by directors

There are no shareholdings held by directors.

### Remuneration and other benefits to directors

Timaru District Council independently chose to undertake a review of Directors fees in August 2021. The fees were last set in 2014.

	Timaru District Holdings Limited	2024	2022
Director FY2024	Mark F. Rogers (Chairperson)	\$60,000	\$60,000
Director FY2024	Rebecca L. Keoghan (Deputy Chairperson)	\$43,750	\$43,750
Director FY2024	Sally B. Parker	\$35,000	\$35,000
Director FY2024	Aaron W. K. Bethune	\$35,000	\$35,000
Director FY2024	Darren M. Evans	\$18,846	\$-
Ceased 8 December 2021	Peter J. Burt	\$16,558	\$35,000
<b>Total</b>		<b>\$209,154</b>	<b>\$208,750</b>

### Indemnity and Insurance: Directors and Employees

Timaru District Holdings Limited

- The Company has entered into an agreement to indemnify all Directors, Company Secretary, and Executive Officer, against loss resulting from the actions which arise out of the performance of their normal duties as director or advisor.

### Dividends

Net dividends of 3 cents per fully paid share were paid during the year.

### Short term employee benefits

The Company paid short term employee benefits of between:

\$110,000 - \$120,000 1 employee

240,001 - \$250,000 1 employee

### Donations

During the year Timaru District Holdings Limited made no donations. (2023: \$175).

### Auditors' Remuneration

During the year the following amounts were payable to the auditors of the company:

Company	Audit Work	Other Services
Timaru District Holdings Limited	\$34,775	\$0

## Independent Auditor's Report

### To the readers of Timaru District Holdings Limited's financial statements and statement of objectives and performance for the year ended 30 June 2024

The Auditor-General is the auditor of Timaru District Holdings Limited (the Company). The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of objectives and performance of the Company on his behalf.

### Opinion

We have audited:

- the financial statements of the Company on pages 11 to 29, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of objectives and performance of the Company on page 10.

In our opinion:

- the financial statements of the Company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of objectives and performance of the Company presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2024.

Our audit was completed on 26 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of objectives and performance, we comment on other information, and we explain our independence.



### **Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter – uncertainty over the value of investments in associates**

Without modifying our opinion, we draw attention to note 10 on pages 23 to 24, which outlines an uncertainty over the value of the Company's investments in associates. Alpine Energy Limited (one of the Company's associates) identified an error in the information it provided to the Commerce Commission for regulating prices. The Commerce Commission is considering the appropriate course of action, the outcome of which is currently unknown. As a result, this matter has not been taken into account in the impairment assessment for the Company's investments in associates.

### **Responsibilities of the Board of Directors for the financial statements and the statement of objectives and performance**

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of objectives and performance for the Company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and statement of objectives and performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of objectives and performance, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

## Auditors Report

### Responsibilities of the auditor for the audit of the financial statements and the statement of objectives and performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of objectives and performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of shareholders, taken on the basis of these financial statements and the statement of objectives and performance.

For the performance targets reported in the statement of objectives and performance, our procedures were limited to checking that the information agreed to the Company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of objectives and performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of objectives and performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported statement of objectives and performance within the Company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of objectives and performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of objectives and performance, including the disclosures, and whether the financial statements and the statement of objectives and performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 9, 30 and 31 but does not include the financial statements and the statement of objectives and performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of objectives and performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of objectives and performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of objectives and performance, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Company.



John Mackey  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

