Dunedin City Treasury Limited

Annual Report
2025

Contents

Directors' report
For the year ended 30 June 2025

This report presents Dunedin City Treasury Limited's (the Company's) results for the year ended 30 June 2025.

Principal activities of the Company

The Company's principal activities are to:

- Source debt and on-lend to DCC and its CCO's, and ensure funds are available to meet obligations.
- Minimise funding costs, and maximise return of surplus funds, within agreed acceptable levels of risk.
- Manage financial markets risk and ensure compliance with DCC's Treasury Risk Management Policy.
- Manage financial relationships with third parties.
- Separately, manage the Waipori Fund on behalf of DCC.

Results for the year ended 30 June 2025

	$'000
Profit (loss) before tax	(606)
Income tax expense/(credit)	119
Net profit (loss) for the year	(487)

Review of operations

Despite a fluctuating interest rate environment with falling rates, the Company performed well throughout the financial year.

The Company issued five tranches of term debt over the 2024/25 financial year. Three were arranged through the Local Government Funding Agency (LGFA) with the remainder arranged via bank debt capital markets counterparties. The Company's Promissory Note programme continues to consistently meet short term funding requirements.

The Company arranged new floating rate and fixed rate medium term notes for terms of 3 and 9 years totalling $110 million. From January 2025 the Company arranged a further $150 million for terms of 7-8 years, significantly extending its maturity profile. In July 2025, the Company arranged another new tranche of term funding of $75 million for a term of 3 years.

With the significant extension of the Company's maturity profile, the Company decreased its reliance on Promissory Note funding, reducing the amounts of Promissory Notes on issue from $262.5 million as at 30 June 2024, to $195.5 million as at 30 June 2025. The extension of the maturity profile was in line with the Treasury Risk Management Policy target of having at least 20% of debt with maturities of greater than 5 years aimed at mitigating refinancing risk.

The Company's Promissory Note programme continues to be a very cost effective source of funding with the average rate achieved being just +0.08% above the floating benchmark interest rate, increasing from +0.06% in 2024. The average bid coverage ratio was 2.1 times the Promissory Notes tendered, illustrating continued strong investor appetite for the Company's paper even though at a higher margin to the floating benchmark interest rate.

Directors' report
For the year ended 30 June 2025

The cost of funds for the Company and therefore the Dunedin City Council (DCC) Group, has decreased significantly over the 2024/25 financial year, reducing from around 4.50% as at 30 June 2024 to 3.87% as at 30 June 2025. The Company's base cost of funds, excluding the average Issue Margin paid on securities issued, is 3.23% (3.87% less average Issue Margins of 0.64%). This compares favourably to the current Reserve Bank Official Cash Rate (OCR) of 3.25% and the recent peak in the OCR of 5.50%. The Company's average term of debt funding is more than 3 years and average term of interest rate hedging is close to 5 years.

The Company's activity is governed by the DCC Treasury Risk Management Policy, which sets out how financial market risks are managed across the Group. The Company maintained compliance with the Policy during the 2025 financial year and continues to manage funds in the best interests of its borrowers.

The company manages funding risk by ensuring its debt facilities are spread out over time. At 30 June less than $450 million of its total outstanding facilities were scheduled to mature within any forward one-year period. This strategy aligns with the Treasury Risk Management Policy, where funding risk is measured as including floating rate notes, medium term notes, and committed bank facilities - which cover outstanding Promissory Notes on issue. As at 30 June 2025, the maximum amount of facilities maturing in any forward one-year period was $305 million.

Standard & Poor's lowered the credit rating of both the Company and the DCC in March 2025 from AA to AA-. The credit rating of both entities remains on Negative Outlook. Standard & Poor's lowered the credit rating of 18 New Zealand Councils and 3 council controlled organisations. The downgrade was largely due to Standard & Poor's lowering their institutional framework assessment for New Zealand councils to be very predictable and well balanced from extremely predictable and supportive.

The Board considers that the Company continues to provide significant benefit to the DCHL Group, DCC and Dunedin ratepayers through its provision of cost-effective funding for the DCC Group.

State of affairs

The Directors believe that the state of affairs of the Company is satisfactory.

Outlook

The Company is soundly based and conservatively managed. The Board believes that the Company will be able to continue to provide a sound treasury function to the Dunedin City Council Group in the coming years.

Dividends

In line with the Company's dividend policy, the Directors recommend that no dividend be paid.

Financial statements

The audited financial statements for the year ended 30 June 2025 are attached to this report.

Auditors

The Auditor-General has contracted the audit to Audit New Zealand. The total remuneration payable by the Company to the Auditor for the year was $86,888 (2024: $51,765).

Directors' report
For the year ended 30 June 2025

Directors' interests in contracts

No material contracts involving Directors' interests were entered into during the year ended 30 June 2025 or existed at the end of this twelve month period.

Directors' insurance

As allowed by the Company's Constitution, Dunedin City Treasury Limited has arranged policies of Directors' Liability Insurance which, together with a Deed of Indemnity, ensure that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

Directors' benefits

No Director of Dunedin City Treasury Limited has, since the end of the previous financial year, received or become entitled to receive a benefit.

There were no loans from the Company to Directors.

There were no notices from Directors of the Company requesting use of Company information received in their capacity as Directors which would not otherwise have been available to them.

Directors' remuneration

Director	*Position*	*Remuneration*
T Loan	Chair	Nil
S Johnstone	Non- executive director	Nil
C Milne	Non- executive director	Nil
G Anderson	Non- executive director	Nil

Directors of the Company are also directors of its parent company, Dunedin City Holdings Limited (DCHL), and are remunerated by DCHL.

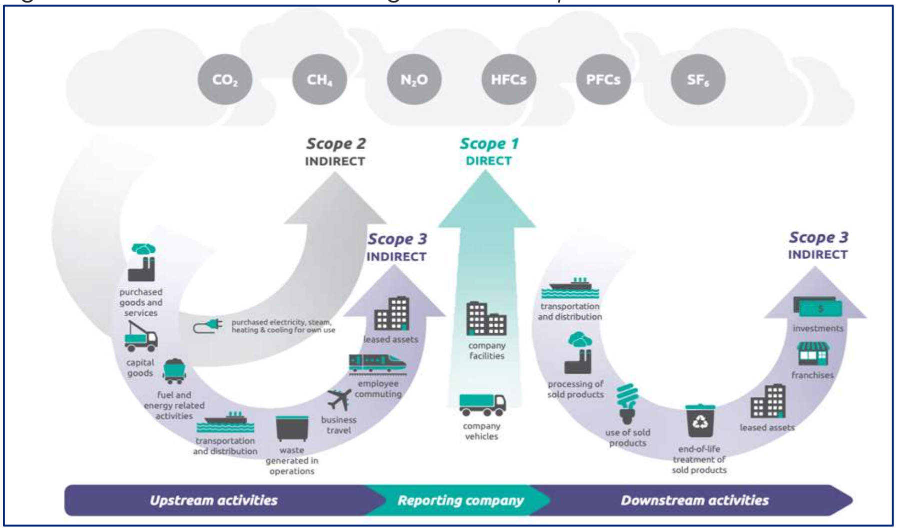
Greenhouse gas emissions summary
For the year ended 30 June 2025

During the year we have assessed and measured our Greenhouse Gas (GHG) emissions.

We completed this process in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

At this stage we have focussed on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

Figure 1 Source: GHG Protocol - Figure 1.1 of Scope 3 Standard



Scope 1 emissions are direct emissions that are operationally controlled by DCTL, including:
- Stationary combustion emissions related to LPG heating at DCTL's office.
- Fugitive emissions from refrigerant use within HVAC air conditioning systems at DCTL's office.

Scope 2 emissions are indirect GHG emissions from imported energy, including:
- Purchased electricity that is consumed at DCTL's office.

The Scope 3 emissions: to provide alignment across the Dunedin City Holdings Limited (DCHL) group of companies, a consistent set of Scope 3 emission categories have been applied, which are waste, travel and freight.

Our **Scope 3 emissions** include the following:
- Waste generated at DCTL's office.
- Business travel (including home to work).

At this stage we have not captured emissions relating to our suppliers and contractors.
We will review which Scope 3 emissions are relevant and appropriate on an ongoing basis, as we continue to measure and report our carbon footprint.

Results

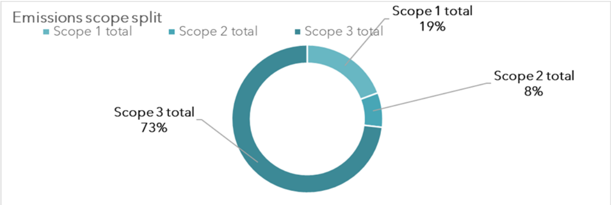
Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

DCTL's measured GHG emissions for the year end 30 June 2025 are 2.33 tCO2-e.

Table 1 Emissions by Scope

Scope	tCO2-e	% of total
Scope 1	0.45	19%
Scope 2	0.18	8%
Scope 3	1.71	73%
Total	**2.33**	**100%**

Figure 2 Emissions by Scope



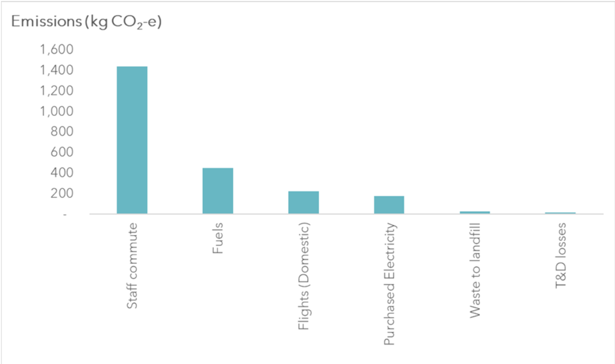
Emissions by Activity

Our top emissions sources are summarised below.

Table 2 Emissions by activity

Category emission source	tCO2-e
Fuels	0.45
Staff Commute	1.44
Flights (domestic)	0.22
Waste	0.03
Purchased electricity	0.18
Electricity transmission losses	0.01
Total	**2.33**

Figure 3 Emissions by activity kg CO2-e



The following table shows our emissions for the FY23, FY24 and FY25 years.

Table 3 Emissions by scope, by year

Scope	FY23 tCO2-e	FY24 tCO2-e	FY25 tCO2-e
Scope 1	0.95	0.45	0.45
Scope 2	0.16	0.15	0.18
Scope 3	1.79	1.74	1.71
Total	**2.90**	**2.34**	**2.33**

DCTL adopted a FY23 base year for its emissions reporting. This base year was chosen because FY23 was the first year in which staff commuting was measured and reported, which is a significant Scope 3 emissions source that DCTL can track.

Since FY23 the most significant decrease in emissions has been for Scope 1. This reduction is due to the decrease in LPG usage within the building (DCTL accounts for a portion of the overall building energy use).

For our other large emission sources, our use of flights has reduced since FY23 resulting in reduced emissions, and our use of electricity has stayed relatively consistent each year.

Next Steps

During the coming financial year the Company will continue its efforts to reduce carbon emissions and waste.

In line with the DCHL Carbon Roadmap, the Company has committed to reducing emissions and working with DCC and DCHL to identify and scope further opportunities to contribute to Dunedin's citywide goal to be net zero carbon by 2030. Net zero carbon means that any greenhouse gases (excluding biogenic methane) emitted into the atmosphere in Ōtepoti Dunedin are in balance with the amount of carbon absorbed out of the atmosphere by trees, also known as sequestration.

Directors' declarations of interest
For the year ended 30 June 2025

Director	Responsibilities	Declarations of Interests
Timothy D R Loan 03.10.22 - Present	Chair	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director & Shareholder, Abbot Insurance Brokers Southern Limited Director, Finance Now Limited (including subsidiary companies: TW Financial Services Operations Limited, The Warehouse Financial Services Ltd and SBS Money Limited Director and Shareholder, LWB Holdings Limited Director, Presbyterian Support Southland Holding Company Limited Director, Presbyterian Support Southland Retirement Villages Limited Chair, H&J Smith Holdings Limited (including subsidiary companies: H&J Smith Limited, H&J Smith Parking Building Limited, Outdoor World Limited, Outdoor Adventures Limited (dormant), H&J's Hardware Limited (dormant), Southern Department Stores Limited (dormant), Shotover Hardware Limited, Symphony Retailing Limited, Cross Roads Properties Limited, H&J.'s Electrical Limited, H&J's Properties Limited, H&J Smith Corporate Limited, H&J Smith Finance Limited)
Susie J Johnstone 1.03.21 - present	Non-Executive Director	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director & Shareholder, Shand Thomson Chartered Accountants Director, & Shareholder, Johnstone Afforestation Director, SDH GP Limited Trustee, Dunedin Diocese Trust Board Trustee, Clutha Community Foundation Trustee of various client trusts through Shand Thomson & Abacus Nominee Companies
Chris Milne 01.07.23 - present	Non-Executive Director	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director and Shareholder, Murray & Company Limited Chair, CSO Foundation Trust
Greg Anderson 01.07.23 - present	Non-Executive Director	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director, Holmes GP Products Limited (including related entities: Switchback GP Limited, Whoosh GP Limited, Whoosh Hold GP Limited) Director and Shareholder, Northington Partners Limited (including subsidiary companies Northington Agricapital Limited, NPL Investments Limited and NPL No.1 Holdco Limited) Director and Shareholder, Cultivate Ventures GP Limited (including related entity NPL No. 2 LP Limited) Director and Shareholder, NZ Drinks Holdings Limited (including subsidiary NZ Drinks Limited) Director and Shareholder, Hedgebook Limited Director and Shareholder, Stirling Sports Limited Director and Shareholder, Reliable Foundations Holdings Limited (including subsidiary companies and related entities: Reliable Foundations NZ Limited, Reliable Foundations (South Island) Limited, RFL Earthworks NZ Limited, RFL Earthworks (South Island) Limited, Reliable Foundations GP Limited, NPL No.1 LP Limited) Director and Shareholder, Agri Realty Limited Director and Shareholder, Ra Tuatahi No. 1 Limited Trustee, St Margaret's College Foundation

Statement of responsibility
For the year ended 30 June 2025

The Board of Dunedin City Treasury Limited accept responsibility for the preparation of the annual financial statements and the judgements used in them;

The Board of Dunedin City Treasury Limited accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

In the opinion of the Board of Dunedin City Treasury Limited, the annual financial statements for the financial year ended 30 June 2025 fairly reflect the financial position and operations of Dunedin City Treasury Limited.

Chair	Director
25 September 2025	25 September 2025

Trend statement

Financial assets managed by the Company ($ millions)	2025	2024	2023	2022	2021	2020
Dunedin City Treasury Limited	1,395	1,292	1,105	911	802	733
Dunedin City Council Waipori Fund	112	103	98	95	100	94
Total financial assets managed	1,507	1,395	1,203	1,006	902	827

Statement of comprehensive income
For the year ended 30 June 2025

	Note	2025 $'000	2024 $'000
Financial income	1	59,923	55,510
Gain on fair value hedge		-	9
Total income		59,923	55,519
Less expenses:			
Financial expenses	2	59,686	54,827
Operating expenses	3	816	684
Loss on fair value hedge		27	-
Total expenditure		60,529	55,511
Profit/(loss) before tax		(606)	8
Income tax expense/(credit)	4	(119)	6
Net profit/(loss) after tax		(487)	2
Other comprehensive income:			
Loss on cash flow hedges taken to equity		(28,329)	(7,685)
Deferred taxation impact of net cash flow hedge losses		7,932	2,152
Total other comprehensive income, net of tax		(20,397)	(5,533)
Total comprehensive income for the year		(20,884)	(5,531)

The accompanying notes and accounting policies form an integral part of these financial statements.

Statement of changes in equity
For the year ended 30 June 2025

	Share Capital $'000	Hedge Reserve $'000	Retained Earnings $'000	Total Equity $'000
Equity as at 30 June 2024	100	20,904	349	21,353
Total comprehensive income	-	(20,397)	(487)	(20,884)
Equity as at 30 June 2025	100	507	(138)	469
Equity as at 1 July 2023	100	26,437	347	26,884
Total comprehensive income	-	(5,533)	2	(5,531)
Equity as at 30 June 2024	100	20,904	349	21,353

The accompanying notes and accounting policies form an integral part of these financial statements.

Statement of financial position
As at 30 June 2025

	Note	2025 $'000	2024 $'000
Current assets			
Cash and cash equivalents	10	11,815	15,650
Trade and other receivables	11	10,901	11,840
Derivative financial instruments	7	-	554
Prepayments		388	320
Total current assets		23,104	28,364
Non-current assets			
Related party advances	5	1,395,272	1,292,439
LGFA borrower notes	5	14,750	7,250
Derivative financial instruments	7	14,696	29,856
Total non-current assets		1,424,718	1,329,545
Total assets		1,447,822	1,357,908
Current liabilities			
Short term borrowings	6	3,519	3,836
Accruals	12	10,859	14,676
Derivative financial instruments	7	151	42
Total current liabilities		14,529	18,554
Non-current liabilities			
Term borrowings	6	1,413,502	1,288,354
Derivative financial instruments	7	19,323	21,596
Deferred taxation	4	-	8,051
Total non-current liabilities		1,432,825	1,318,001
Total liabilities		1,447,353	1,336,555
Equity			
Share capital	13	100	100
Retained earnings and reserves	14	369	21,253
Total equity		469	21,353
Total liabilities and equity		1,447,822	1,357,908

The accompanying notes and accounting policies form an integral part of these financial statements.

Statement of cash flows
For the year ended 30 June 2025

	Note	2025 $'000	2024 $'000
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		207	201
Interest received		60,657	52,676
		60,864	52,877
Cash was applied to:			
Payments to suppliers		885	601
Interest paid		63,505	51,996
		64,390	52,597
Net cash inflow/(outflow) from operating activities	21	(3,526)	280
Cash flow from investing activities			
Cash was provided from:			
Net investments realised		-	-
		-	-
Cash was applied to:			
Net purchase of investments		110,333	191,794
		110,333	191,794
Net cash inflow/(outflow) from investing activities		(110,333)	(191,794)
Cash flow from financing activities			
Cash was provided from:			
Proceeds from borrowings		110,024	197,977
		110,024	197,977
Cash was applied to:			
Repayment of borrowings		-	-
		-	-
Net cash inflow/(outflow) from financing activities	22	110,024	197,977
Net increase/(decrease) in cash		(3,835)	6,463
Opening cash and cash equivalents		15,650	9,187
Closing cash and cash equivalents	10	11,815	15,650

The accompanying notes and accounting policies form an integral part of these financial statements.

Notes to the financial statements
For the year ended 30 June 2025

Reporting entity

The financial statements presented here are for the reporting entity Dunedin City Treasury Limited (the Company).

The Company is a Council Controlled Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is a subsidiary of Dunedin City Holdings Ltd which is wholly owned by Dunedin City Council.

The primary objective of the Company is to manage the funding of the Dunedin City Council and its Council Controlled Organisations.

The registered address of the Company is 50 The Octagon, Dunedin.

The financial statements of the Company are for the year ended 30 June 2025.

The Company is a profit-oriented entity.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993. These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates.

Statement of compliance

The Company is a Tier 1 for-profit entity as defined by the External Reporting Board and has reported in accordance with Tier 1 For-profit Accounting standards. These annual financial statements are general purpose financial reports which have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to for-profit orientated entities.

The financial statements were authorised for issue by the Directors on 25 September 2025.

Basis of accounting

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purposes of complying with the NZ GAAP the entity is a for-profit entity.

The financial statements have been prepared on the historic cost basis, except for the revaluation of derivative financial instruments.

The cash flows arising from advances held to Dunedin City Council and other Dunedin City Holdings Limited Group entities are presented on a net basis, as either net investments realised or net purchase of investments in the cash flow statement.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. Commitments and contingencies are disclosed exclusive of GST.

Notes to the financial statements
For the year ended 30 June 2025

Changes in accounting policy

There have been no changes in accounting policy during the financial period. All accounting policies have been applied consistently to all periods in these financial statements.

Critical judgements and estimates in applying accounting policies

In the application of NZ IFRS the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These are based on historical experience and other various factors and are reviewed on an on-going basis.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year include: the carrying value of the deferred tax liability (note 4), and the valuation of derivative financial instruments (note 7).

The Directors believe that, as at the date of these financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes. However, they do make estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results.

Standards amended or issued during the year

Amendments to NZ IAS 1 – Disclosure of Accounting Policies are effective for annual reporting periods beginning on or after 1 January 2023. This amendment requires entities to disclose their material accounting policy information rather than their significant accounting policies. The amendment has been adopted by the Company.

The New Zealand Accounting Standards Board (NZASB) has issued amendments to FRS 44 New Zealand Additional Disclosures. These amendments require entities to disclose fees paid to their audit or review firm using specified service categories, including:
- Audit or reivew of the financial statements
- Audit or review related services
- Other assurance services and agreed-upon procedures
- Taxation services
- Other services

The amendments are effective for periods beginning on or after 1 January 2024. The Company has applied these amendments from 1 July 2024. Comparative information has been restated where applicable to align with the new disclosure requirements. The adoption of these amendments has resulted in enhanced transparency of audit-related fees but has not had a material impact on the financial statements.

Standards issued but not yet effective

NZ IFRS 18 - Presentation and Disclosure in Financial Statements issued in May 2024, is effective for the annual reporting periods beginning on or after 1 January 2027, and entities can early adopt this account standard. NZ IFRS 18 sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses. The Company is yet to assess NZ IFRS 18's full impact. The Company will first apply the standard to 30 June 2028 financial statements.

Other new accounting standards have been issued but are not yet compulsory have not been applied to this set of accounts. These standards are to be applied to future financial statements. The impact of the new standards has been assessed as minimal.

Notes to the financial statements
For the year ended 30 June 2025

1. Financial income

Accounting policy
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

	2025 $'000	2024 $'000
Interest on advances to related parties	58,107	54,212
Fees from related parties	216	197
Interest on other investments	1,600	1,101
Total financial income	59,923	55,510

2. Financial expenses

Accounting policy
All borrowing costs are recognised in the statement of comprehensive income using the effective interest rate method.

	2025 $'000	2024 $'000
Interest and fees - related parties	143	226
Interest and fees - term loans	59,543	54,601
Total financial expenses	59,686	54,827

3. Operating expenses

Accounting policy
Operating expenses are disclosed by nature below.
Operating expenses are recognised on an accrual basis in the period to which they relate.

	2025 $'000	2024 $'000
Audit or review of the finanical statements		
Audit or review of the financial statements	56	44
Audit or review of the financial statements - previous year	31	7
	87	52
Related party management fees	360	360
Other expenses	369	280
Total operating expenses	816	684

Notes to the financial statements
For the year ended 30 June 2025

4. Taxation

Accounting policy

Income tax expense includes components relating to both current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net surplus as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Income tax	2025 $'000	2024 $'000
Net profit / (loss) before tax	(606)	8
Tax thereon at 28%	(170)	3
Plus / (less) the tax effect of differences		
Deferred tax asset not recognised	51	-
Under / (over) tax provision in prior years	-	3
Tax effect of differences	51	3
Tax expense/(credit)	(119)	6
The taxation charge is represented by:		
Current tax	-	-
Prior period adjustment - current tax	-	-
Prior period adjustment - deferred tax	-	3
Deferred tax	(119)	3
Tax expense/(credit)	(119)	6

Accounting policy

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Notes to the financial statements
For the year ended 30 June 2025

Deferred tax liability	Derivatives $'000	Tax losses $'000	Total $'000
Balance as at 30 June 2024	8,097	(46)	8,051
Charge to profit/(loss)	(8)	(111)	(119)
Charge to other comprehensive income	(7,932)	-	(7,932)
Balance as at 30 June 2025	157	(157)	(0)

A deferred tax asset of $51 thousand has not been recognised in respect of tax losses totalling $182 thousand.

5. Related party advances and LGFA borrower notes

Accounting policy
Related party advances and LGFA borrower notes are recognised and derecognised on a trade date and are measured at cost.

	2025 $'000	2024 $'000
Current		
Advances to DCC	-	-
Total current	-	-
Non-current		
Advances to DCC	650,500	590,000
Advances to DCHL Group	744,772	702,439
LGFA borrower notes	14,750	7,250
Total non-current	1,410,022	1,299,689
Total related party advances and LGFA borrower notes	1,410,022	1,299,689

Maturity analysis	2025 $'000	2024 $'000
The following is a maturity analysis of the Company's advances and borrower notes.		
Maturity within one year	500	-
Effective interest rate	4.61%	-
Maturity one to five years	3,125	500
Effective interest rate	5.04%	5.72%
Maturity over five years	1,406,397	1,299,189
Effective interest rate	4.27%	4.53%
Total related party advances and LGFA borrower notes	1,410,022	1,299,689
Effective interest rate	4.28%	4.63%

The advances are evergreen and the carrying amount's approximate their fair value. There are no indications of impairment relating to any of the advances.

Notes to the financial statements
For the year ended 30 June 2025

6. Financial Liabilities

Borrowings

Accounting policy

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

	2025 $'000	2024 $'000
Current		
Related parties	3,519	3,836
Total current borrowing	3,519	3,836
Non-current		
Promissory notes issued	193,841	258,501
Medium term notes issued	1,219,661	1,029,853
Total term borrowing	1,413,502	1,288,354
Total borrowings	1,417,020	1,292,190

As at 30 June 2025, the Company had a $1,600 million multi option instrument issuance facility which is secured against certain assets and undertakings of the Dunedin City Council Group. Debt is raised by issuing medium term notes, floating rate notes or by the issue of promissory notes. In addition, the Company also borrows funds from the New Zealand Local Government Funding Agency.

Three independent banks have provided committed facilities to the amount of $240 million (2024: $220 million).

The amount of unamortised premium or (discount) on medium term notes on issue at 30 June 2025 is nil (2024: nil).

The tender of promissory notes under the multi-option facility generally raises debt for a term of three months before being re-tendered. In addition to this, the issue of floating rate notes under the multi-option facility also raises floating rate debt. This type of borrowing is executed at the floating rate at the date of borrowing drawdown or at the start of the floating rate reset and exposes the group to cash flow interest rate risk. Interest rate derivatives are taken out to manage that risk. Floating rate debt is also created by converting fixed rate bond issuance from fixed to floating using interest rate swaps. The credit risk from each derivative is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Borrower notes are subordinated convertible debt instruments that the Company subscribes for an amount equal to 5% (2024 2.5%) of the total long-term borrowings from LGFA. LGFA will redeem borrower notes when the Company's related borrowings are repaid or no longer owed to LGFA. At 30 June 2025 the Company had subscribed to $14.75m of borrower notes. (2024: $7.25m).

Notes to the financial statements
For the year ended 30 June 2025

Term borrowings

	Interest Rate	2025 $'000	2024 $'000
Promissory notes		193,841	258,501
Medium term notes 16/10/24	Coupon rate 3.79%	-	35,000
Floating rate notes 01/04/25	30bp over BKBM	-	50,000
Medium term notes 17/7/25	Coupon rate 3.61%	50,000	50,000
Floating rate notes 15/10/25	47bp over BKBM	75,000	75,000
Medium term notes 15/4/26	Coupon rate 3.98%	65,000	65,000
Medium term notes 15/3/26	Coupon rate 2.90%	50,000	50,000
Medium term notes 15/11/26	Coupon rate 2.09%	55,000	55,000
Medium term notes 16/11/26	Coupon rate 0.676%	60,000	60,000
Medium term notes 18/04/28	Coupon rate 1.93%	110,000	110,000
Medium term notes 15/11/28	Coupon rate 5.55%	60,000	60,000
Medium term notes 27/11/28	Coupon rate 3.22%	100,000	100,000
Floating rate notes 09/02/30	65bp over BKBM	75,000	75,000
Floating rate notes 09/02/30	78.1bp over BKBM	25,000	25,000
Floating rate notes 15/05/31	75.8bp over BKBM	25,000	25,000
Floating rate notes 15/05/31	92bp over BKBM	100,000	100,000
Floating rate notes 09/02/30	82.1bp over BKBM	25,000	25,000
Floating rate notes 14/04/33	99bp over BKBM	20,000	20,000
Floating rate notes 15/02/27	56bp over BKBM	50,000	50,000
Floating rate notes 17/02/25	32bp over BKBM	20,000	20,000
Floating rate notes 08/07/2027	41bp over BKBM	50,000	-
Floating rate notes 01/04/2032	96bp over BKBM	85,000	-
Floating rate notes 14/04/2033	105bp over BKBM	30,000	-
Floating rate notes 14/04/2033	103.4bp over BKBM	35,000	-
Medium Term notes 10/10/2033	Coupon rate 4.996%	60,000	-
Fair value impact on medium term notes		(5,339)	(20,147)
		1,413,502	1,288,354

Contractual maturity analysis of term borrowings

The following is a maturity analysis of the Company's term borrowings:

	2025	2024
Less than one year	453,718	343,501
Effective interest rate	3.57%	5.57%
Later than one year but not more than five	605,342	674,853
Effective interest rate	3.18%	3.62%
Later than five years	354,442	270,000
Effective interest rate	4.55%	6.45%
	1,413,502	1,288,354

While these are the contractual maturities of the Company's term borrowings, the Company expects and has the ability to refinance term borrowings under the multi option instrument issuance facility. As per the face of the accounts, the Company has therefore determined that all term borrowings are non-current as per the provisions of NZ IAS 1.

Fair value of borrowings

Accounting policy

Debt instruments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

Directors estimate the fair value of the Company's borrowings at year end to be as follows:

	2025 $'000	2024 $'000
Total borrowings	1,407,836	1,279,506

7. Derivative financial instruments and hedge accounting

Accounting policy

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company uses interest rate swap contracts to hedge these exposures.

Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

The Company does not use derivative financial instruments for speculative purposes. However, any derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, would be accounted for as trading instruments with fair value gains/losses being taken directly to profit or loss.

Derivative financial instruments are recognised at fair value on the date the derivative is entered into and are subsequently re-measured to their fair value. The fair value on initial recognition is the transaction price. Subsequent fair values are based on independent prices quoted in active markets as provided to us from Thomson Reuters data.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The fair value of interest rate swaps is calculated based on pricing using Thomson Reuters data. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The gain or loss from re-measuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the profit or loss. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the profit or loss over the period to maturity.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity with any ineffective portion recognised immediately in profit or loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in other comprehensive income in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. Derivatives not designated into an effective hedge relationship are classified as current assets or liabilities.

Notes to the financial statements
For the year ended 30 June 2025

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the profit or loss.

Derivative financial instruments	2025 $'000	2024 $'000
Assets:		
Interest rate swaps- cash flow hedges - Bank	11,921	29,553
Interest rate swaps- fair value hedges - Bank	2,775	856
	14,696	30,409
Liabilities:		
Interest rate swaps- cash flow hedges - Bank	11,214	517
Interest rate swaps- fair value hedges - Bank	8,260	21,121
	19,473	21,638

The ineffective portion recognised in the statement of comprehensive income that arises from fair value hedges amounts to a loss of $27 thousand (2024: gain of $9 thousand). This represents the current year net movement in the value of the fair value hedge swaps of $14.8 million (gain) and fair value hedge adjustment to debt of $14.8 million (loss).

8. Interest rate swaps

	2025 $'000	2024 $'000
The notional principal outstanding with regard to the interest rate swaps is:		
Counterparties outside the group:		
Maturing in less than one year	80,000	290,000
Maturing in between one and five years	800,000	610,000
Maturing after five years	665,000	390,000
	1,545,000	1,290,000

Notes to the financial statements
For the year ended 30 June 2025

9. Categories of financial assets and liabilities

Accounting policy

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Under NZ IFRS 9, all the financial assets and liabilities are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income on the basis of the Company's business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

The Company enters into derivative financial instruments to manage its exposure to interest rate risks. There was no change of classification in relation to derivatives, these continue to be measured at fair value through profit or loss.

The Company's related party advances and LGFA borrower notes are measured at amortised cost in accordance with NZ IFRS 9.

The Company's other financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables, accruals, short term borrowings, and term borrowings are measured at amortised cost as they meet the conditions under NZ IFRS 9.

Under NZ IFRS 9, the impairment model requires the recognition of impairment provisions based on expected credit losses. It applies to financial assets classified at amortised cost. For trade and other receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the assessment undertaken, no transition adjustment was required.

The carrying amount of financial assets and liabilities in each of the NZ IFRS 9 categories is as follows:

	2025 $'000	2024 $'000
Financial assets measured at amortised cost:		
Cash and cash equivalents (note 10)	11,815	15,650
Trade and other receivables (note 11)	10,901	11,840
Related party advances and LGFA borrower notes (note 5)	1,410,022	1,299,689
Total financial assets measured at amortised cost	1,432,738	1,327,179
Financial assets at fair value through profit and loss:		
Derivative financial instruments assets (note 7)	14,696	30,409
Financial liabilities measured at amortised cost:		
Accruals (note 12)	10,859	14,676
Borrowings (note 6)	1,417,021	1,292,190
Total financial liabilities measured at amortised cost	1,427,880	1,306,866
Financial liabilities at fair value through profit and loss:		
Derivative financial instrument liabilities (note 7)	19,473	21,638

The carrying amount of investments approximates their fair value. There have been no indications of impairment of any investments during the year.

Related party advances are reported at amortised cost as at 30 June 2025 and 30 June 2024. The Company has reviewed the terms of its related party advances and concluded that, as at 30 June 2025, the advances are held to collect contractual cash flows, and those cash flows are solely payments of principal and interest, as defined by NZ IFRS 9 Financial Instruments.

At 30 June 2024, cash flows did not meet the definition of 'solely payments of principal and interest' under NZ IFRS 9, which required reporting at fair value. However, the directors elected to report related party advances at amortised cost for both periods, as this approach provides greater clarity for users of the financial statements:

- Recognising unrealised gains or losses on fair value would give rise to significant volatility year on year.
- Such gains or losses would never be realised since all advances are held to collect and there are no foreseeable circumstances in which they would be sold.

In order to comply with the requirements of NZ IFRS 9, the Company should have reported related party advances at fair value at 30 June 2024. When the contractual terms were changed during the 2025 financial year, the existing financial assets measured at fair value should have been derecognised and new instruments recognised and classified as held at amortised cost. Fair value movements until the date of derecognition and a gain or loss on derecognition would have been recognised, which would have resulted in an unrealised net fair value gain of $41.5 million in profit and loss for the year ended 30 June 2025 (2024: fair value gain of $18.5 million).

Fair Value Hierarchy Disclosures

Accounting policy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

Notes to the financial statements
For the year ended 30 June 2025

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Carrying Value	Fair Value	Valuation Technique: Quoted market price	Valuation Technique: Observable inputs	Valuation Technique: Non-observable inputs
	$000	$000	$000	$000	$000
30 June 2025					
Cash and cash equivalents	11,815	11,815	-	11,815	-
Trade and other receivables	10,901	10,901	-	-	10,901
Related party advances and LGFA borrower notes	1,410,022	1,410,022	-	1,410,022	-
Derivative financial assets	14,696	14,696	-	14,696	-
Accruals	10,859	10,859	-	-	10,859
Borrowings	1,417,021	1,407,836	-	1,407,836	-
Derivative financial liabilities	19,473	19,473	-	19,473	-
30 June 2024					
Cash and cash equivalents	15,650	15,650	-	15,650	-
Trade and other receivables	11,840	11,840	-	-	11,840
Related party advances and LGFA borrower notes	1,299,689	1,299,689	-	1,299,689	-
Derivative financial assets	30,409	30,409	-	30,409	-
Accruals	14,676	14,676	-	-	14,676
Borrowings	1,292,190	1,279,506	-	1,279,506	-
Derivative financial liabilities	21,638	21,638	-	21,638	-

10. Cash and cash equivalents

Accounting policy
Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

	2025	2024
	$'000	$'000
Cash at bank	11,815	15,650
	11,815	15,650

The carrying amount of these assets approximates their fair value.
The weighted average effective interest rate for cash at bank is 4.37% (2024: 5.50%).

Notes to the financial statements
For the year ended 30 June 2025

11. Trade and other receivables

Accounting policy

Trade and other receivables are financial instruments that are measured at amortised cost using the effective interest method.

	2025	2024
	$'000	$'000
Interest due from related parties - DCHL Group	3,340	3,671
Interest and fees due from related parties - DCC	6,027	5,607
Other current receivables	1,534	2,562
	10,901	11,840

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. There are no indicators of impairment.

No accounts receivable at balance date are past due.

12. Accruals

Accounting policy

Accruals are stated at cost.

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

	2025	2024
	$'000	$'000
Due to related parties	44	2,313
Accruals	10,815	12,363
	10,859	14,676

The Directors consider that the carrying amount of accruals approximates their fair value.

13. Equity - share capital

	2025	2024
	$'000	$'000
Issued capital - 100,000 ordinary shares	100	100

On incorporation, Dunedin City Treasury Limited issued 100,000 ordinary shares in favour of the Dunedin City Holdings Limited.

All shares have a par value of $1.

Notes to the financial statements
For the year ended 30 June 2025

14. Retained earnings and reserves

	2025 $'000	2024 $'000
Retained earnings at the beginning of the year	349	347
Net profit/(loss) after tax for the year	(487)	2
Balance at the end of the year	(138)	349
Hedge reserve at the beginning of the year	20,904	26,437
Gain/(loss) of cash flow hedges taken to equity	(28,329)	(7,685)
Deferred taxation impact of net cash flow hedge gains	7,932	2,152
Balance at the end of the year	507	20,904
Total retained earnings and reserves	369	21,253

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

15. Financial instrument risks

Accounting policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In the normal course of business the Company is exposed to a variety of financial risks. The Company is risk averse and seeks to minimise exposure from its treasury activities. Dunedin City Council has established a Treasury Risk Management Policy covering both investment and borrowing policies, that the Company is required to comply with. This policy does not allow any transactions to be entered into that are speculative in nature.

Risk	Exposure arising from	Monitoring	Management
Market/interest rate risk	Interest bearing liabilities at floating rates	Cash flow forecasting	Interest rate derivatives to achieve specific fixed rate maturity profile
Credit risk	Loss that could accrue from the non-settlement of financial transactions	Regular external credit limit reviews	Individual and maximum counterparty credit limits. Specific limit calculations for individual financial instruments recognising potential changes in fair value of the instrument
Liquidity risk	Unforeseen events that may curtail cash flows	Cash flow forecasting	Regular cash flow forecasting Ensuring sufficient size of underwriting facilities
		Management reporting on maturity profile	No more than $450 million to mature in any single year. Spreading of underwriting facilities, floating rate and fixed rate note issues

Notes to the financial statements
For the year ended 30 June 2025

Risk	Exposure arising from	Monitoring	Management
Liquidity risk (cont'd)		Management reporting on percentage of funding beyond specific term	A target of at least 20% of debt must mature greater than five years

Market Risk

The interest rates on the Company's related party advances & LGFA borrower notes are disclosed in note 5 and on the Company's borrowings in note 6.

Fair value interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits, at fixed interest rates and derivatives at fixed interest rates.

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cash flow interest rate risk. The Company manages the interest rate risk by using derivatives to convert floating interest to fixed interest.

Interest Rate Risk

Nature of the risk
Interest rate risk is the risk that fluctuations in interest rates impact the Company’s financial performance or the fair value of its holding of financial instruments.

Risk Management
The Company has exposure to interest rate risk. The Company maintains the Fixed Rate Maturity Profile outlined in the Dunedin City Council Treasury Risk Management Policy.

Exposure

Under the Dunedin City Council Treasury Risk Management Policy, the Company utilises a portfolio approach to manage interest rate risk for the group. Other group companies and the Council are precluded from entering into financial transactions with external counterparties, except City Forests (foreign exchange and carbon credits within their approved polices).

Notes to the financial statements
For the year ended 30 June 2025

Sensitivity Analysis
As at 30 June 2025, if interest rates moved by plus or minus 1% across the yield curve the impact on profit and loss would be nil and the movement in equity would also be nil. This is because the impact of any interest rate movements from third parties is reflected in the interest rates charges to members of the Dunedin City Council Group.

Credit Risk

Nature of the risk
Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

Risk management
The Company has processes in place to review the credit quality of borrowers prior to the granting of credit. The Company also has processes in place to review the credit quality of counterparty banks to ensure the Company only has exposure to counterparty banks which have an appropriate credit rating.

Exposure
The Company's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 10), related party advances & LGFA borrower notes (note 5) and trade receivables (note 11). The credit risk on liquid funds and derivative financial instruments is limited because counterparties are banks with strong credit ratings assigned by international credit rating agencies.

Exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is spread among the approved counterparties.

Contracts have been entered into with various counterparties that have approved and satisfactory credit ratings, and in accordance with dollar limits set in the Dunedin City Council Treasury Risk Management Policy.

Industry and product concentrations are determined by the activities within the Dunedin City Council Group.

There is no security held over cash equivalents, trade receivables and related party loans.

Maximum exposure to credit risk

The Company's maximum credit risk exposure for each class of financial instrument is as follows:

	2025 $'000	2024 $'000
Cash and cash equivalents	11,815	15,650
Trade and other receivables	10,901	11,840
Related party loans and LGFA borrower notes	1,410,022	1,299,689
Derivative financial assets	14,696	30,409
Total credit risk	1,447,434	1,357,588

Notes to the financial statements
For the year ended 30 June 2025

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings.

Current year 30 June 2025	AAA $'000	AA+ $'000	AA $'000	AA- $'000	No rating $'000
Counterparties with credit ratings					
Cash and cash equivalents AA-				11,815	
Trade & other receivables – related parties AA				6,027	
Trade & other receivables AA-				1,534	
LGFA borrower notes	14,750				
Derivative financial instruments – related parties AA				-	
Derivative financial instruments AA-				14,696	
Loans to related parties AA-				650,500	
Counterparties without credit ratings					
Trade and other receivables - related parties					3,340
Loans to related parties					744,772
Derivative financial instruments - related parties					-
Last year 30 June 2024					
Counterparties with credit ratings					
Cash and cash equivalents AA-				15,650	
Trade & other receivables – related parties AA			5,607		
Trade & other receivables AA-				2,562	
LGFA borrower notes		7,250			
Derivative financial instruments – related parties AA					
Derivative financial instruments AA-				30,409	
Loans to related parties AA			590,000		
Counterparties without credit ratings					
Trade and other receivables - related parties					3,671
Loans to related parties					702,439
Derivative financial instruments - related parties					-

There have been no defaults during the year from counterparties without credit rating (2024: nil).

Liquidity Risk

Nature of the risk
Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due.

Risk Management
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available. The Company has committed bank lines available that can be drawn of $240 million (2024: $220 million).

Notes to the financial statements
For the year ended 30 June 2025

Exposure
The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and includes interest receipts.

Where the amount payable is not fixed, the amount disclosed in the analysis below is determined by reference to the conditions existing at balance date. The swap settlement rate as at 30 June 2025 was 3.29% (2024: 5.63%).

Contractual maturity analysis of financial assets

	Carrying amount $000's	Contractual cash flows $000's	Less than 1 year $000's	1 to 2 years $000's	2 to 5 years $000's	More than 5 years $000's	No maturity $000's
2025 year							
Cash and cash equivalents	11,815	11,815	11,815	-	-	-	-
Trade and other receivables	10,901	10,901	10,901	-	-	-	-
Derivative financial assets	14,696	(8,973)	(290)	(548)	(5,723)	(2,412)	-
Related party advances and LGFA borrower notes	1,410,022	1,410,022	500	-	3,125	11,125	1,395,272
Total	1,447,434	1,423,765	22,926	(548)	(2,598)	8,713	1,395,272
2024 year							
Cash and cash equivalents	15,650	15,650	15,650	-	-	-	-
Trade and other receivables	11,840	11,840	11,840	-	-	-	-
Derivative financial assets	30,409	(31,146)	(10,486)	(6,346)	(8,277)	(6,037)	-
Related party advances and LGFA borrower notes	1,299,689	1,299,689	-	500	-	6,750	1,292,439
Total	1,357,588	1,296,033	17,004	(5,846)	(8,277)	713	1,292,439

Contractual maturity analysis of financial liabilities

	Carrying amount $000's	Contractual cash flows $000's	Less than 1 year $000's	1 to 2 years $000's	2 to 5 years $000's	More than 5 years $000's	No maturity $000's
2025 year							
Accruals	10,859	10,859	10,859	-	-	-	-
Derivative financial liabilities	19,473	11,940	6,016	4,889	3,603	(2,568)	-
Borrowings	1,417,021	1,605,711	500,254	198,888	518,792	387,777	-
Total	1,447,353	1,628,510	517,129	203,777	522,395	385,209	-
2024 year							
Accruals	14,676	14,676	14,676	-	-	-	-
Derivative financial liabilities	21,638	17,057	7,649	4,636	4,833	(60)	-
Borrowings	1,292,190	979,092	289,491	203,221	461,389	24,991	-
Total	1,328,504	1,010,825	311,815	207,857	466,222	24,931	-

The maturity profiles of the Company's interest bearing related party advances and LGFA borrower notes and borrowings are disclosed in notes 5 and 6 respectively.

Notes to the financial statements
For the year ended 30 June 2025

Currency market risk

The Company has no currency market risk. The Company does not invest or borrow in foreign currencies.

Capital management

The Company's capital is its equity, which comprises issued capital and retained surpluses. Equity is represented by net assets.

The Company's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

16. Imputation credit account

	2025 $'000	2024 $'000
Imputation credits available for use in subsequent periods	103	103

17. Contingent liabilities

	2025 $'000	2024 $'000
Performance bonds	636	761

The performance bonds issued are in favour of South Island Local Authorities, including the Dunedin City Council, for contract work by Delta Utility Services Limited. There is no indication that any of the above contingent liabilities will crystallise in the foreseeable future.

18. Contingent assets

The Company has no contingent assets (2024: nil).

19. Commitments

The Company has no capital expenditure commitments (2024: nil).

The Company has no non-cancellable operating leases (2024: nil).

The level of committed facilities undrawn at 30 June 2025 amounts to $240 million (2024: $220 million).

20. Related party transactions

Dunedin City Treasury Ltd is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

Dunedin City Treasury Limited undertakes transactions with Dunedin City Holdings Limited Group and Dunedin City Council. The Company provided services to the Group in respect of the following transactions:

Notes to the financial statements
For the year ended 30 June 2025

	2025 $'000	2024 $'000
Sales of services to the Group:		
Interest income - DCC	27,137	24,204
Interest income - DCHL	946	939
Interest income - Aurora Energy Ltd	23,775	23,023
Interest income - City Forests Ltd	2,114	1,645
Interest income - Delta Utility Services Ltd	391	523
Interest income - Dunedin Stadium Property Ltd	3,744	3,880
Financial services - DCC	216	197
	58,323	54,410
Purchases of services from the Group:		
Interest - DRL	3	1
Interest - DVML	110	193
Interest - DCHL	1	2
Interest - Aurora Energy Ltd	17	16
Interest - City Forests Ltd	27	40
Interest - Delta Utility Services Ltd	8	12
Interest - Dunedin Stadium Property Ltd	2	4
Interest - Dunedin Heritage Fund	62	85
Administration and office services - DCHL	360	360
	590	713
Advances provided to the Group:		
Opening balance	1,292,439	1,104,770
Plus additional advances	345,346	357,189
Less repayments	(242,513)	(169,520)
Balance at end of year (see entity breakdown below)	1,395,272	1,292,439
Deposits held on behalf of DVML:		
Opening balance	2,400	-
Plus additional advances	3,950	9,500
Less repayments	(4,150)	(7,100)
Balance at end of year	2,200	2,400
Deposits held on behalf of DRL:		
Opening balance	-	300
Plus additional advances	500	-
Less repayments	(500)	(300)
Balance at end of year	-	-
Deposits held on behalf of Heritage Fund:		
Opening balance	1,436	1,502
Plus additional advances	741	765
Less repayments	(859)	(830)
Balance at end of year	1,319	1,436

Notes to the financial statements
For the year ended 30 June 2025

At year end, the following amounts were receivable from related parties in the Group:

	2025 $'000	2024 $'000
Dunedin City Council	656,527	594,605
Dunedin City Holdings Limited	22,495	20,121
Aurora Energy Limited	575,350	540,043
Delta Utility Services Limited	10,790	7,891
City Forests Limited	54,093	50,705
Dunedin Stadium Property Limited	85,363	86,066
Dunedin Railways Limited	-	-

At year end, the following amounts were payable to related parties in the Group:

	2025 $'000	2024 $'000
Dunedin Venues Management Limited	2,220	2,429
Dunedin Heritage Fund	1,321	1,437

Compensation of key management personnel

A management agreement is in place between the Dunedin City Council and Dunedin City Holdings Limited to provide management resources to Dunedin City Treasury Limited.

Governance is provided by the Directors of Dunedin City Treasury Limited. As the Directors are also the Directors of Dunedin City Holdings Limited, there are no directors' fees for Dunedin City Treasury Limited.

21. Reconciliation of net profit for the year to cash flows from operating activities

	2025 $'000	2024 $'000
Net profit for the year after tax	(487)	2
Items not involving cash flows		
Fair value change in derivatives	27	(9)
Deferred tax	(119)	6
	(579)	(1)
Impact of changes in working capital items		
(Increase)/decrease in receivables	939	(2,635)
(Increase)/decrease in prepayments	(68)	85
Increase/(decrease) in accruals	(3,818)	2,831
Increase/(decrease) in provisions	-	-
Net cash inflow/(outflow) from operating activities	(3,526)	280

Notes to the financial statements
For the year ended 30 June 2025

22. Reconciliation of liabilities from financing activities

2025 year	2024 $000's	Cash flows $000's	Non-cash changes: Foreign exchange movement $000's	Non-cash changes: Fair value changes $000's	2025 $000's
Long term borrowings	1,288,354	110,340	-	14,808	1,413,502
Short term borrowings	3,836	(317)	-	-	3,519
Derivative financial instruments	21,596	-	-	(2,274)	19,323
Short term derivative financial instruments	42	-	-	109	151
Assets held to hedge Long term borrowings	(30,409)	-	-	15,713	(14,696)
Total liabilites from financing activities	1,283,419	110,024	-	28,356	1,421,799

2024 year	2023 $000's	Cash flows $000's	Non-cash changes: Foreign exchange movement $000's	Non-cash changes: Fair value changes $000's	2024 $000's
Long term borrowings	1,083,813	195,943	-	8,598	1,288,354
Short term borrowings	1,802	2,034	-	-	3,836
Derivative financial instruments	28,503	-	-	(6,907)	21,596
Short term derivative financial instruments	830	-	-	(788)	42
Assets held to hedge Long term borrowings	(37,181)	-	-	6,772	(30,409)
Total liabilites from financing activities	1,077,767	197,977	-	7,675	1,283,419

23. Events after balance date

On 22 August 2025, Dunedin City Treasury Ltd increased the amount which it can borrow under its Multi-Option Instrument Issuance Agreement from $1.6 billion to $1.9 billion.

Statement of service performance
For the year ended 30 June 2025

The Company's primary activity is to provide treasury management services and funds management to entities within the Dunedin City Council Group.

	Objective	Performance targets	Performance targets achieved
1	Manage the liquidity risk of the DCC Group and use a variety of funding sources to achieve appropriate levels of funds as required by the DCC Group.	Zero breaches of DCC Treasury Risk Management Policy's borrowing maturity profile.	There were no breaches of DCC Treasury Risk Management Policy's borrowing maturity profile.
2	Utilise a portfolio approach to minimise funding costs and manage interest rate risk in accordance with the DCC Treasury Risk Management Policy.	Zero breaches of DCC Treasury Risk Management Policy's interest rate risk policy.	There were no breaches of DCC Treasury Risk Management Policy's interest rate risk policy.
3	Securely invest surplus cash available from within the DCC Group, ensuring funds deposited outside the DCC Group are compliant with the DCC Treasury Risk Management Policy.	Zero breaches of DCC Treasury Risk Management Policy's investment management policy.	There were no breaches of DCC Treasury Risk Management Policy's investment management policy.
4	Manage the issuance of securities as and when required.	Successfully fill any issues brought to the market during the year.	Filled all issues brought to the market during the year.
5	Maintain financial relationships with preferred financial providers.	Meet at least annually with preferred financial providers.	Preferred financial providers have been met with during the financial year.
6	Maintain a benchmarking system to measure DCTL's performance.	Regular reporting to the Board, of DCTL's achievement against defined benchmarks.	Reporting achievements against defined benchmarks are provided to the Board monthly and quarterly.
7	Manage the 'Waipori Fund' fully in accordance with policy and objectives set by Council to achieve the investment objectives.	Management of the fund and meeting the investment objectives set by Council in the Statement of Investment Policy and Objectives.	The fund met all the investment objectives. The fund recorded a return for the year of 8.6%.
8	Maintain a risk management framework to regularly identify, mitigate, and report risks.	Quarterly review by the Board, of the DCTL Risk Register Dashboard.	The DCTL Risk Register Dashboard was reviewed by the Board quarterly.
		Regular reporting to the shareholder of DCTL's top 5 current risks.	DCTL's top 5 current risks were reported to the shareholder quarterly.
9	Comply with the DCC Treasury Risk Management Policy.	No breaches of policy. Where breaches have occurred, there are no breaches that have not been reported to the Chief Financial Officer within 1 business day and as per requirements of the policy.	There were no breaches of policy that were required to be reported to the shareholder.
10	Consult with the shareholder in a timely manner on DCTL strategic or operational matters which could compromise the Council's community outcomes.	No such matters that were not escalated to the shareholder in a timely manner.	There were no matters requiring escalation to the shareholder.

11	Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage.	No such matters that were not reported to the shareholder within 24 hours.	There were no matters of substance to report to the shareholder.
12	Contribute to Council's Carbon Neutrality initiatives.	Refine and implement DCTL's carbon emissions strategy, and achieve and publicly report progress against our targets.	DCTL continues to implement its strategy and an emissions summary is included in this annual report.
		Refine and implement DCTL's waste reduction strategy, and achieve and publicly report progress against our targets.	DCTL continues to implement its strategy and report progress.
		Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report.	As reported in this Annual Report.
		Ensure that all direct employees are paid at living wage or above.	DCTL does not employ any staff directly.
13	Maintain a credit rating equal to that of the Dunedin City Council where the rating agency used applies the same credit rating to both entities.	Credit rating equal to that of Dunedin City Council.	Maintained a credit rating equal to that of Dunedin City Council.

Financial forecasts	$'000	Achievement	$'000
EBITDA	38	EBITDA	(606)
Net profit/(loss) after tax	27	Net profit/(loss) after tax	(487)
Cash flow from operations	(125)	Cash flow from operations	(3,526)
Capital expenditure	-	Capital expenditure	-
Term loans	1,444,487	Term loans	1,413,502
Shareholders Funds*	26,963	Shareholders Funds*	469
Shareholder's funds to total assets	1.8%	Shareholder's funds to total assets	0.03%
Dividend/Subvention Distribution	Nil	Dividend/Subvention Distribution	Nil

The financial forecasts in the Statement of Intent were affected by a fluctuating interest rate environment, with falling interest rates. The reduction in interest rates, led to adjustments in the hedge reserve, resulting in a decrease in the reserve balance. Additionally, the Group's borrowing requirements were lower than initially projected, which led to term loans coming in under budget.

* Shareholder's funds largely consist of the hedge reserve which moves in line with the mark to market of the company's cash flow hedging arrangements. Movements are extremely difficult to forecast; therefore, no hedge reserve movements have been budgeted for above.

Directory

Directors

Timothy Loan (3 October 2022 - present)
Susie Johnstone (1 March 2021 - present)
Greg Anderson (1 July 2023 - present)
Chris Milne (1 July 2023 - present)
Shane Ellison (1 July 2025 - present)

Registered Office

50 The Octagon
Dunedin 9016

Bankers

Westpac Banking Corporation

Solicitors

Anderson Lloyd

Taxation advisers

Deloitte

Auditor

Audit New Zealand on behalf of the Controller and Auditor-General

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Dunedin City Treasury Limited's financial statements and statement of service performance for the year ended 30 June 2025

The Auditor-General is the auditor of Dunedin City Treasury Limited (the Company). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Company on his behalf.

We have audited:

- the financial statements of the Company on pages 11 to 36, that comprise the statement of financial position as at 30 June 2025, 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 service performance of the Company for the year ended 30 June 2025 on pages 37 to 38.

Opinion

Qualified opinion on the financial statements

In our opinion, except for the effects of the matter described in the Basis for our opinion section of our report, the financial statements of the Company:

- present fairly, in all material respects:
  - its financial position as at 30 June 2025; 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.

Unmodified opinion on the statement of service performance

In our opinion the statement of service performance, in all material respects:

- accurately reports the Company's actual performance compared against the performance targets and other measures by which the Company's performance can be judged in relation to the Company's objectives in its statement of intent for the year ended 30 June 2025; and

- has been prepared in accordance with section 68 of the Local Government Act 2002 (the Act).

Our audit was completed on 26 September 2025. This is the date at which our opinion is expressed.

Basis for our opinion

Financial statements: Related party advances were not measured at fair value in accordance with NZ IFRS 9

In the comparative year, the Company concluded that its related party advances of $1,292,439,000 did not meet the requirements in NZ IFRS 9, Financial Instruments to be measured at amortised cost. These assets should instead have been measured at fair value through profit or loss.

As explained in note 9, the Company measured these assets at amortised cost as at 30 June 2024, which was a departure from the requirements of NZ IFRS 9. Our audit report on the 30 June 2024 financial statements was qualified because the fair value of the related party advances was expected to materially differ from amortised cost. Any fair value adjustment to these advances would have affected the carrying value of related party advances, the net profit after tax, and opening and closing retained earnings in the comparative financial year.

Following modifications to contractual lending agreements during the year ended 30 June 2025, the related party advances outstanding at 30 June 2025 now meet the criteria for measurement at amortised cost. Our opinion over the related party advances of $1,395,272,000 as at 30 June 2025 as reported in the statement of financial position is not modified. However, as described in note 9, had related party advances been correctly measured at fair value up to the date of the contract modifications, in accordance with the requirements of NZ IFRS 9, the Company would have recognised fair value movements within profit or loss in the current year in relation to those advances.

As the Company did not recognise any such fair value movements in the statement of comprehensive income for the year ended 30 June 2025, we have concluded that the reported net loss after tax of $487,000 for the year ended 30 June 2025 is not materially correct.

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 for the audit of the financial statements and the statement of service performance* 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.

Responsibilities of the Board of Directors for the financial statements and the statement of service 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 service performance in accordance with the Act.

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

In preparing the financial statements and the statement of service 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 either intend 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 Act.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service 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 readers, taken on the basis of these financial statements and the statement of service performance.

For the performance targets reported in the statement of service 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 service 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 service 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 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 service 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We evaluate the overall presentation, structure and content of the statement of service performance, including the disclosures, and assess whether the statement of service performance achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

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 in the annual report other than the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service 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 service 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 service 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.

As described in the Basis for our opinion section above, we have concluded that the reported net loss after tax of $487,000 is not materially correct. Accordingly, the other information that includes financial information about the Company may be materially misstated with respect to these matters.

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) issued by the New Zealand Auditing and Assurance Standards Board.

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

Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand