
Dunedin City Treasury Limited

Annual Report
2026

Dunedin City Treasury Limited

Contents	Page
Directors' report	2
Greenhouse gas emissions summary	5
Directors' declarations of interest	8
Statement of responsibility	10
Trends statement	11
Statement of comprehensive income	12
Statement of changes in equity	13
Statement of financial position	14
Statement of cash flows	15
Notes to the financial statements	16
Statement of service performance	38
Directory	40
Report of the auditor	41

Dunedin City Treasury Limited

Directors' report For the year ended 30 June 2026

This report presents Dunedin City Treasury Limited's (the Company's) results for the year ended 30 June 2026.

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 2026

	\$'000
Profit (loss) before tax	631
Income tax expense/(credit)	(198)
Net profit (loss) for the year	<u>433</u>

Review of operations

During the financial year, interest rate markets evolved, with a decline in short-term interest rates and a modest increase in longer-term yields. Despite these changing market conditions, the Company performed well.

The Company issued five tranches of term debt over the 2025/26 financial year. Four of which were arranged through the Local Government Funding Agency (LGFA) with the remainder arranged via one bank debt capital markets counterparty. The Company's Promissory Note programme continues to consistently meet short term funding requirements at attractive margins.

All of the new term debt was raised in floating rate format, with terms to maturity ranging from 3-9 years.

The Company increased its Promissory Note funding, being the least expensive form of debt, increasing the amounts of Promissory Notes on issue from \$195.5 million as at 30 June 2025 to \$235.0 million as at 30 June 2026.

The Company's Promissory Note programme continues to be a very cost effective source of funding, with the average rate achieved being just +0.06% above the floating benchmark interest rate, decreasing from +0.08% in 2025. The average bid coverage ratio was 2.6 times the Promissory Notes tendered, with some tenders receiving bid coverage as high as 3 to 4 times the volume of Notes offered. This illustrates continued strong investor appetite for the Company's paper given the sound credit profile of the Dunedin City Council (DCC) Group.

Dunedin City Treasury Limited

Directors' report **For the year ended 30 June 2026**

The cost of funds for the Company, and therefore the DCC Group, has remained relatively stable over the 2025/26 financial year, decreasing slightly from around 3.87% as at 30 June 2025 to 3.86% as at 30 June 2026. The Company's base cost of funds, excluding the average Issue Margin paid on securities issued, is 3.22% (3.86% less average Issue Margin of 0.64%). This compares favourably to the current Reserve Bank Official Cash Rate (OCR) of 2.50% 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 greater than 4 years. The debt portfolio remains well diversified, with approximately 24% of borrowings having maturities of greater than 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 2026 financial year and continues to manage funds in the best interests of its borrowers.

The Company continues to ensure that funding facilities are spread over time, to help manage funding risk. As at 30 June 2026, the Company had less than \$450 million of outstanding funding facilities due to mature in any forward one-year period.

The Standard & Poor's credit rating of both the Company and the DCC is AA- currently, and remains on Negative Outlook. A downgrade in March 2025 was largely due to Standard & Poor's lowering their institutional framework assessment for New Zealand councils. Despite the current AA- credit rating with Negative Outlook, the current credit profile is strong and well considered by investors.

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 2026 are attached to this report.

Dunedin City Treasury Limited

Directors' report For the year ended 30 June 2026

Auditors

The Auditor-General has contracted the audit to The Audit Office. The total remuneration payable by the Company to the Auditor for the year was \$64,743 (2025: \$86,888).

Directors' interests in contracts

No material contracts involving Directors' interests were entered into during the year ended 30 June 2026 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

<i>Director</i>	<i>Position</i>	<i>Remuneration</i>
Tim Loan	Chair	Nil
Susie Johnstone	Non-executive director	Nil
Chris Milne	Non-executive director	Nil
Greg Anderson	Non-executive director	Nil
Shane Ellison	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.

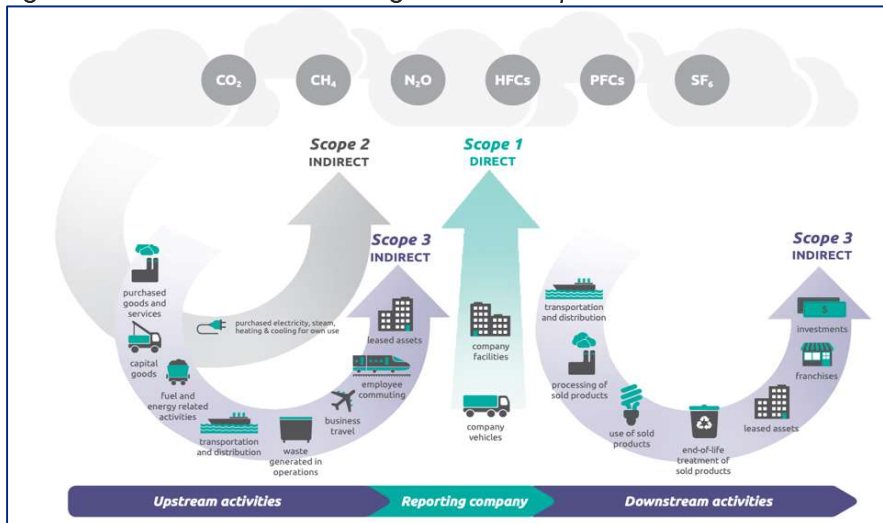
Greenhouse gas emissions summary For the year ended 30 June 2026

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.

Dunedin City Treasury Limited

Results

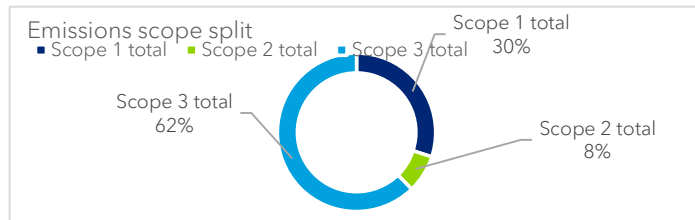
Emissions are reported as tonnes (t) of Carbon Dioxide (CO₂) equivalent (e); or tCO₂-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

DCTL's measured GHG emissions for the year end 30 June 2026 are 1.78 tCO₂-e.

Table 1 Emissions by Scope

Scope	tCO ₂ -e	% of total
Scope 1	0.54	30%
Scope 2	0.14	8%
Scope 3	1.11	62%
Total	1.78	100%

Figure 2 Emissions by Scope



Our top emissions sources are summarised below.

Table 2 Emissions by activity

Category emission source	tCO ₂ -e
Fuels	0.54
Staff Commute	1.06
Flights (domestic)	0.00
Waste	0.04
Purchased electricity	0.14
Electricity transmission losses	0.00
Total	1.77

Figure 3 Emissions by activity kg CO₂-e

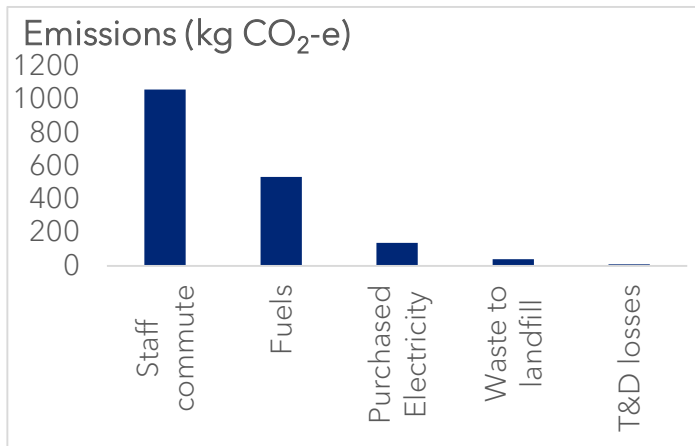


Table 3 Emissions by scope, by year

Scope	FY23 tCO ₂ -e	FY24 tCO ₂ -e	FY25 tCO ₂ -e	FY26 tCO ₂ -e
Scope 1	0.95	0.45	0.45	0.535
Scope 2	0.16	0.15	0.18	0.138
Scope 3	1.79	1.74	1.71	1.11
Total	2.90	2.34	2.33	1.78

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.

Dunedin City Treasury Limited

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 emission reduction goals.

Dunedin City Treasury Limited

Directors' declarations of interest For the year ended 30 June 2026

Director	Responsibilities	Declarations of Interests
Tim Loan 03.10.22 - Present	Chair	Chair, Dunedin City Holdings Limited Chair, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Chair, 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 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, 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 Director, Southern Eye Specialists Limited
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 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

Dunedin City Treasury Limited

Directors' declarations of interest For the year ended 30 June 2026

Director	Responsibilities	Declarations of Interests
Shane Ellison 01.07.25 - present	Non-Executive Director	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director , Waipā Networks Limited and Waipā Networks Growth Limited Infrastructure and Resources Director and Investment Manager for Te Ātiawa o Te Waka a Māui, Koau Capital Partners Limited Member, Kāti Huirapa Rūnaka ki Puketeraki Member, Te Rūnaka o Ōtākou Iwi Member, Ngāti Mutunga, Te Ātiawa, and Ngāti Ruanui Director and Shareholder, Tāwhirimātea Advisory (Ngā Kaitohutohu o Tāwhirimātea) Limited Director, Aukaha (1997) Limited Commercial Advisor to Ka Taki te Umere Limited

Dunedin City Treasury Limited

Statement of responsibility For the year ended 30 June 2026

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 2026 fairly reflect the financial position and operations of Dunedin City Treasury Limited.



Chair
27 August 2026



Director
27 August 2026

Dunedin City Treasury Limited

Trend statement

	2026	2025	2024	2023	2022	2021
Financial assets managed by the Company (\$ millions)						
Dunedin City Treasury Limited	1,464	1,395	1,292	1,105	911	802
Dunedin City Council Waipori Fund	118	112	103	98	95	100
Total financial assets managed	1,582	1,507	1,395	1,203	1,006	902

Dunedin City Treasury Limited

Statement of comprehensive income For the year ended 30 June 2026

	Note	2026 \$'000	2025 \$'000
Financial income	1	58,110	59,923
Gain on fair value hedge		31	-
Gain on fair value of financial assets		1,571	-
Total income		59,712	59,923
Less expenses:			
Financial expenses	2	58,199	59,686
Operating expenses	3	882	816
Loss on fair value hedge		-	27
Total expenditure		59,081	60,529
Profit/(loss) before tax		631	(606)
Income tax expense/(credit)	4	198	(119)
Net profit/(loss) after tax		433	(487)
Other comprehensive income:			
Loss on cash flow hedges taken to equity		(2,236)	(28,329)
Deferred taxation impact of net cash flow hedge losses		198	7,932
Total other comprehensive income, net of tax		(2,038)	(20,397)
Total comprehensive income for the year		(1,605)	(20,884)

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

Dunedin City Treasury Limited

Statement of changes in equity For the year ended 30 June 2026

	Share Capital \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Equity as at 30 June 2025	100	507	(138)	469
Total comprehensive income	-	(2,038)	433	(1,605)
Equity as at 30 June 2026	100	(1,531)	295	(1,136)
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

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

Dunedin City Treasury Limited

Statement of financial position As at 30 June 2026

	Note	2026 \$'000	2025 \$'000
Current assets			
Cash and cash equivalents	10	46,405	11,815
Trade and other receivables	11	10,871	10,901
Prepayments		296	388
Total current assets		57,572	23,104
Non-current assets			
Related party advances	5	1,464,482	1,395,272
LGFA borrower notes	5	28,821	14,750
Derivative financial instruments	7	12,446	14,696
Total non-current assets		1,505,749	1,424,718
Total assets		1,563,321	1,447,822
Current liabilities			
Short term borrowings	6	6,397	3,519
Accruals	12	10,574	10,859
Derivative financial instruments	7	726	151
Total current liabilities		17,697	14,529
Non-current liabilities			
Term borrowings	6	1,530,326	1,413,502
Derivative financial instruments	7	16,434	19,323
Total non-current liabilities		1,546,760	1,432,825
Total liabilities		1,564,457	1,447,353
Equity			
Share capital	13	100	100
Retained earnings and reserves	14	(1,236)	369
Total equity		(1,136)	469
Total liabilities and equity		1,563,321	1,447,822

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

Dunedin City Treasury Limited

Statement of cash flows For the year ended 30 June 2026

	Note	2026 \$'000	2025 \$'000
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		231	207
Interest received		57,918	60,657
		<u>58,149</u>	<u>60,864</u>
<i>Cash was applied to:</i>			
Payments to suppliers		798	885
Interest paid		58,484	63,505
		<u>59,282</u>	<u>64,390</u>
Net cash inflow/(outflow) from operating activities	21	<u>(1,133)</u>	<u>(3,526)</u>
Cash flow from investing activities			
<i>Cash was provided from:</i>			
Net investments realised		-	-
		<u>-</u>	<u>-</u>
<i>Cash was applied to:</i>			
Net purchase of investments		81,710	110,333
		<u>81,710</u>	<u>110,333</u>
Net cash inflow/(outflow) from investing activities		<u>(81,710)</u>	<u>(110,333)</u>
Cash flow from financing activities			
<i>Cash was provided from:</i>			
Proceeds from borrowings		117,433	110,024
		<u>117,433</u>	<u>110,024</u>
<i>Cash was applied to:</i>			
Repayment of borrowings		-	-
		<u>-</u>	<u>-</u>
Net cash inflow/(outflow) from financing activities	22	<u>117,433</u>	<u>110,024</u>
Net increase/(decrease) in cash		<u>34,590</u>	<u>(3,835)</u>
Opening cash and cash equivalents		11,815	15,650
Closing cash and cash equivalents	10	<u>46,405</u>	<u>11,815</u>

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

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2026

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 2026.

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 31 August 2026.

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 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 2026

Changes in accounting policy

The Company has reviewed the contractual terms of LGFA borrower notes, which have historically been classified as financial assets measured at amortised cost. The review has identified that there are contractual terms which could give rise to cash flows that are not solely payments of principal and interest. Accordingly, these financial assets have been reclassified and measured at fair value through profit and loss.

The impact of this change in accounting policy was assessed and determined to be immaterial to the prior year financial statements. Accordingly, no balances have been restated.

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

The accounting policies set out in these financial statements are consistent for all periods presented.

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 2026****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.

	2026 \$'000	2025 \$'000
Interest on advances to related parties	57,590	58,107
Fees from related parties	225	216
Interest on other investments	295	1,600
Total financial income	<u>58,110</u>	<u>59,923</u>

2. Financial expenses**Accounting policy**

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

	2026 \$'000	2025 \$'000
Interest and fees - related parties	91	143
Interest and fees - term loans	58,108	59,543
Total financial expenses	<u>58,199</u>	<u>59,686</u>

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.

	2026 \$'000	2025 \$'000
Audit or review of the financial statements		
Audit or review of the financial statements	58	56
Audit or review of the financial statements - previous year	7	31
	<u>65</u>	<u>87</u>
Related party management fees	454	360
Other expenses	363	369
Total operating expenses	<u>882</u>	<u>816</u>

**Notes to the financial statements
For the year ended 30 June 2026****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	2026 \$'000	2025 \$'000
Net profit / (loss) before tax	631	(606)
Tax thereon at 28%	177	(170)
<i>Plus / (less) the tax effect of differences</i>		
Deferred tax asset not recognised	21	51
Under / (over) tax provision in prior years	-	-
Tax effect of differences	21	51
Tax expense/(credit)	198	(119)
The taxation charge is represented by:		
Current tax	-	-
Prior period adjustment - current tax	-	-
Prior period adjustment - deferred tax	-	-
Deferred tax	198	(119)
Tax expense/(credit)	198	(119)

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.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2026

Deferred tax liability	Derivatives \$'000	Tax losses \$'000	Total \$'000
Balance as at 30 June 2025	157	(157)	-
Charge to profit/(loss)	41	157	198
Charge to other comprehensive income	(198)	-	(198)
Balance as at 30 June 2026	-	-	-

A deferred tax asset of \$54,958 has not been recognised in respect of tax losses totalling \$196,277 (2025 \$51,264, tax losses of \$183,086).

5. Related party advances and LGFA borrower notes

Accounting policy

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

	2026 \$'000	2025 \$'000
<i>Current</i>		
Advances to DCC	-	-
Total current	-	-
<i>Non-current</i>		
Advances to DCC	711,500	650,500
Advances to DCHL Group	752,982	744,772
LGFA borrower notes	28,821	14,750
Total non-current	1,493,303	1,410,022
Total related party advances and LGFA borrower notes	1,493,303	1,410,022

Maturity analysis	2026 \$'000	2025 \$'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	13,280	3,125
Effective interest rate	3.18%	5.04%
Maturity over five years	1,480,023	1,406,397
Effective interest rate	4.02%	4.27%
Total related party advances and LGFA borrower notes	1,493,303	1,410,022
Effective interest rate	4.02%	4.28%

The advances are evergreen and the carrying amounts 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 2026****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.

	2026 \$'000	2025 \$'000
<i>Current</i>		
Related parties	6,397	3,519
Total current borrowing	6,397	3,519
<i>Non-current</i>		
Promissory notes issued	233,396	193,841
Medium term notes issued	1,296,930	1,219,661
Total term borrowing	1,530,326	1,413,502
Total borrowings	1,536,723	1,417,021

As at 30 June 2026, the Company had a \$1,900 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 (2025: \$240 million).

The amount of unamortised premium or (discount) on medium term notes on issue at 30 June 2026 is nil (2025: 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 5.0% (2025: 5.0%) 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 2026 the Company had subscribed to \$27.25m of borrower notes. (2025: \$14.75m).

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2026

Term borrowings		2026 \$'000	2025 \$'000
	Interest Rate		
Promissory notes		233,396	193,841
Medium term notes 17/07/2025	Coupon rate 3.61%	-	50,000
Floating rate notes 15/10/2025	47.0bp over BKBM	-	75,000
Medium term notes 15/04/2026	Coupon rate 3.98%	-	65,000
Medium term notes 15/03/2026	Coupon rate 2.90%	-	50,000
Medium term notes 15/11/2026	Coupon rate 2.09%	55,000	55,000
Medium term notes 16/11/2026	Coupon rate 0.676%	60,000	60,000
Medium term notes 18/04/2028	Coupon rate 1.93%	110,000	110,000
Medium term notes 15/11/2028	Coupon rate 5.55%	60,000	60,000
Medium term notes 27/11/2028	Coupon rate 3.22%	100,000	100,000
Floating rate notes 09/02/2030	65.0bp over BKBM	75,000	75,000
Floating rate notes 09/02/2030	78.1bp over BKBM	25,000	25,000
Floating rate notes 15/05/2031	75.8bp over BKBM	25,000	25,000
Floating rate notes 15/05/2031	92.0bp over BKBM	100,000	100,000
Floating rate notes 09/02/2030	82.1bp over BKBM	25,000	25,000
Floating rate notes 14/04/2033	99.0bp over BKBM	20,000	20,000
Floating rate notes 15/02/2027	56.0bp over BKBM	50,000	50,000
Floating rate notes 17/07/2025	32.0bp over BKBM	-	20,000
Floating rate notes 08/07/2027	41.0bp over BKBM	50,000	50,000
Floating rate notes 01/04/2032	96.0bp over BKBM	85,000	85,000
Floating rate notes 14/04/2033	105.0bp over BKBM	30,000	30,000
Floating rate notes 14/04/2033	103.4bp over BKBM	35,000	35,000
Medium term notes 10/10/2033	Coupon rate 4.996%	60,000	60,000
Floating rate notes 15/10/2029	71.3bp over BKBM	120,000	-
Floating rate notes 01/04/2032	82.0bp over BKBM	30,000	-
Floating rate notes 17/07/2028	62.0bp over BKBM	75,000	-
Floating rate notes 14/04/2033	92.0bp over BKBM	60,000	-
Floating rate notes 15/05/2035	103.0bp over BKBM	50,000	-
Fair value impact on medium term notes		(3,070)	(5,339)
		<u>1,530,326</u>	<u>1,413,502</u>

Contractual maturity analysis of term borrowings

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

Less than one year	398,369	453,718
Effective interest rate	2.37%	3.57%
Later than one year but not more than five	762,067	605,342
Effective interest rate	3.27%	3.18%
Later than five years	369,890	354,442
Effective interest rate	3.77%	4.55%
	<u>1,530,326</u>	<u>1,413,502</u>

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.

Notes to the financial statements For the year ended 30 June 2026

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

	2026 \$'000	2025 \$'000
Total borrowings	1,529,418	1,407,836

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 2026

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	2026 \$'000	2025 \$'000
Assets:		
Interest rate swaps- cash flow hedges - Bank	10,461	11,921
Interest rate swaps- fair value hedges - Bank	1,985	2,775
	<u>12,446</u>	<u>14,696</u>
Liabilities:		
Interest rate swaps- cash flow hedges - Bank	11,989	11,214
Interest rate swaps- fair value hedges - Bank	5,170	8,260
	<u>17,160</u>	<u>19,473</u>

The ineffective portion recognised in the statement of comprehensive income that arises from fair value hedges amounts to a gain of \$31 thousand (2025: loss of \$27 thousand). This represents the current year net movement in the value of the fair value hedge swaps of \$2.3 million (gain) and fair value hedge adjustment to debt of \$2.3 million (loss).

8. Interest rate swaps	2026 \$'000	2025 \$'000
The notional principal outstanding with regard to the interest rate swaps is:		
Counterparties outside the group:		
Maturing in less than one year	255,000	80,000
Maturing in between one and five years	980,000	800,000
Maturing after five years	745,000	665,000
	<u>1,980,000</u>	<u>1,545,000</u>

Notes to the financial statements
For the year ended 30 June 2026

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 are measured at amortised cost in accordance with NZ IFRS 9 and LGFA borrower notes are measured at fair value through profit and loss, 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:

	2026	2025
	\$'000	\$'000
Financial assets measured at amortised cost:		
Cash and cash equivalents (note 10)	46,405	11,815
Trade and other receivables (note 11)	10,871	10,901
Related party advances (note 5)	1,464,482	1,395,272
Total financial assets measured at amortised cost	<u>1,521,758</u>	<u>1,417,988</u>
Financial assets at fair value through profit and loss:		
Derivative financial instruments assets (note 7)	12,446	14,696
LGFA borrower notes (note 5)	28,821	14,750
	<u>41,267</u>	<u>29,446</u>
Financial liabilities measured at amortised cost:		
Accruals (note 12)	10,574	10,859
Borrowings (note 6)	1,536,723	1,417,021
Total financial liabilities measured at amortised cost	<u>1,547,297</u>	<u>1,427,880</u>
Financial liabilities at fair value through profit and loss:		
Derivative financial instrument liabilities (note 7)	<u>17,160</u>	<u>19,473</u>

Notes to the financial statements For the year ended 30 June 2026

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 2026 and 30 June 2025. The Company has reviewed the terms of its related party advances and concluded that, as at 30 June 2026, 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, certain 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, consistent with prior and subsequent periods the directors elected to report related party advances at amortised cost, 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 comparative year.

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.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2026

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	Observable inputs	Non- observable inputs
	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2026					
LGFA borrower notes	28,821	28,821	-	28,821	-
Derivative financial assets	12,446	12,446	-	12,446	-
Derivative financial liabilities	17,160	17,160	-	17,160	-
30 June 2025					
LGFA borrower notes	14,750	14,750	-	14,750	-
Derivative financial assets	14,696	14,696	-	14,696	-
Derivative financial liabilities	19,473	19,473	-	19,473	-

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.

	2026 \$'000	2025 \$'000
Cash at bank	46,405	11,815
	<u>46,405</u>	<u>11,815</u>

The carrying amount of these assets approximates their fair value.
The average effective interest rate for cash at bank is 2.54% (2025: 4.37%).

Notes to the financial statements For the year ended 30 June 2026

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.

	2026 \$'000	2025 \$'000
Interest due from related parties - DCHL Group	3,624	3,340
Interest and fees due from related parties - DCC	6,941	6,027
Other current receivables	306	1,534
	<u>10,871</u>	<u>10,901</u>

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.

	2026 \$'000	2025 \$'000
Due to related parties	38	44
Accruals	10,536	10,815
	<u>10,574</u>	<u>10,859</u>

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

13. Equity - share capital

	2026 \$'000	2025 \$'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 2026**

14. Retained earnings and reserves

	2026	2025
	\$'000	\$'000
Retained earnings at the beginning of the year	(138)	349
Net profit/(loss) after tax for the year	433	(487)
Balance at the end of the year	295	(138)
Hedge reserve at the beginning of the year	507	20,904
Gain/(loss) of cash flow hedges taken to equity	(2,236)	(28,329)
Deferred taxation impact of net cash flow hedge gains	198	7,932
Balance at the end of the year	(1,531)	507
Total retained earnings and reserves	(1,236)	369

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 Management reporting on maturity profile	Regular cash flow forecasting Ensuring sufficient size of underwriting facilities 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 2026

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 policies).

Notes to the financial statements For the year ended 30 June 2026

Sensitivity Analysis

As at 30 June 2026, 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:

	2026 \$'000	2025 \$'000
Cash and cash equivalents	46,405	11,815
Trade and other receivables	10,871	10,901
Related party loans and LGFA borrower notes	1,493,303	1,410,022
Derivative financial assets	12,446	14,696
Total credit risk	1,563,025	1,447,434

Notes to the financial statements For the year ended 30 June 2026

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.

	AAA \$'000	AA+ \$'000	AA \$'000	AA- \$'000	No rating \$'000
Current year 30 June 2026					
<i>Counterparties with credit ratings</i>					
Cash and cash equivalents AA-				46,405	
Trade & other receivables – related parties AA-				6,941	
Trade & other receivables AA-				306	
LGFA borrower notes	28,821				
Derivative financial instruments – related parties AA-				-	
Derivative financial instruments AA-				12,446	
Loans to related parties AA-				711,500	
<i>Counterparties without credit ratings</i>					
Trade and other receivables - related parties					3,624
Loans to related parties					752,982
Derivative financial instruments - related parties					-
Last year 30 June 2025					
<i>Counterparties with credit ratings</i>					
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	
<i>Counterparties without credit ratings</i>					
Trade and other receivables - related parties					3,340
Loans to related parties					744,772
Derivative financial instruments - related parties					-

There have been no defaults during the year from counterparties without credit rating (2025: 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 (2025: \$240 million).

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2026

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 2026 was 2.72% (2025: 3.29%).

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
2026 year							
Cash and cash equivalents	46,405	46,405	46,405	-	-	-	-
Trade and other receivables	10,871	10,871	10,871	-	-	-	-
Derivative financial assets	12,446	(12,174)	304	(1,668)	(8,181)	(2,628)	-
Related party advances and LGFA borrower notes	1,493,303	1,493,303	-	-	13,280	15,541	1,464,482
Total	1,563,025	1,538,405	57,580	(1,668)	5,099	12,913	1,464,482
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

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
2026 year							
Accruals	10,574	10,574	10,574	-	-	-	-
Derivative financial liabilities	17,160	5,121	6,365	2,877	723	(4,844)	-
Borrowings	1,536,723	1,734,379	449,902	201,270	684,258	398,949	-
Total	1,564,457	1,750,074	466,841	204,147	684,982	394,105	-
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	-

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 2026

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

	2026 \$'000	2025 \$'000
Imputation credits available for use in subsequent periods	103	103

17. Contingent liabilities

	2026 \$'000	2025 \$'000
Performance bonds	636	636

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 (2025: nil).

19. Commitments

The Company has no capital expenditure commitments (2025: nil).

The Company has no non-cancellable operating leases (2025: nil).

The level of committed facilities undrawn at 30 June 2026 amounts to \$240 million (2025: \$240 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:

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2026

	2026 \$'000	2025 \$'000
Sales of services to the Group:		
Interest income - DCC	27,339	27,137
Interest income - DCHL	1,050	946
Interest income - Aurora Energy Ltd	23,335	23,775
Interest income - City Forests Ltd	2,093	2,114
Interest income - Delta Utility Services Ltd	316	391
Interest income - Dunedin Stadium Property Ltd	3,458	3,744
Financial services - DCC	225	216
	<u>57,814</u>	<u>58,324</u>
Purchases of services from the Group:		
Interest - DRL	4	3
Interest - DVML	75	110
Interest - DCHL	1	1
Interest - Aurora Energy Ltd	11	17
Interest - City Forests Ltd	19	27
Interest - Delta Utility Services Ltd	5	8
Interest - Dunedin Stadium Property Ltd	2	2
Interest - Dunedin Heritage Fund	36	62
Administration and office services - DCHL	454	360
	<u>606</u>	<u>590</u>
Advances provided to the Group:		
Opening balance	1,395,272	1,292,439
Plus additional advances	461,445	345,346
Less repayments	(392,235)	(242,513)
Balance at end of year (see entity breakdown below)	<u>1,464,482</u>	<u>1,395,272</u>
Deposits held on behalf of DVML:		
Opening balance	2,200	2,400
Plus additional advances	8,350	3,950
Less repayments	(6,150)	(4,150)
Balance at end of year	<u>4,400</u>	<u>2,200</u>
Deposits held on behalf of DRL:		
Opening balance	-	-
Plus additional advances	1,800	500
Less repayments	(900)	(500)
Balance at end of year	<u>900</u>	<u>-</u>
Deposits held on behalf of Heritage Fund:		
Opening balance	1,319	1,436
Plus additional advances	724	741
Less repayments	(946)	(859)
Balance at end of year	<u>1,097</u>	<u>1,319</u>

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2026

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

	2026 \$'000	2025 \$'000
Dunedin City Council	718,441	656,527
Dunedin City Holdings Limited	28,896	22,495
Aurora Energy Limited	590,353	575,350
Delta Utility Services Limited	5,649	10,790
City Forests Limited	48,610	54,093
Dunedin Stadium Property Limited	83,078	85,363

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

Dunedin Venues Management Limited	4,415	2,220
Dunedin Heritage Fund	1,098	1,321
Dunedin Railways Limited	902	-
Dunedin City Holdings Limited	0	1
Aurora Energy Limited	5	5
Delta Utility Services Limited	3	4
City Forests Limited	10	11
Dunedin Stadium Property Limited	1	1

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

	2026 \$'000	2025 \$'000
Net profit for the year after tax	433	(487)
<i>Items not involving cash flows</i>		
Fair value change	(1,602)	27
Deferred tax	198	(119)
	(971)	(579)
<i>Impact of changes in working capital items</i>		
(Increase)/decrease in receivables	30	939
(Increase)/decrease in prepayments	92	(68)
Increase/(decrease) in accruals	(284)	(3,818)
Increase/(decrease) in provisions	-	-
Net cash inflow/(outflow) from operating activities	(1,133)	(3,526)

Notes to the financial statements
For the year ended 30 June 2026

22. Reconciliation of liabilities from financing activities

			Non-cash changes		
			Foreign	Fair value	
	2025	Cash flows	exchange	changes	2026
	\$000's	\$000's	movement	\$000's	\$000's
			\$000's		
2026 year					
Long term borrowings	1,413,502	114,555	-	2,269	1,530,326
Short term borrowings	3,519	2,878	-	-	6,397
Derivative financial instruments	19,323	-	-	(2,889)	16,434
Short term derivative financial instruments	151	-	-	575	726
Assets held to hedge					
Long term borrowings	(14,696)	-	-	2,250	(12,446)
Total liabilities from financing activities	1,421,799	117,433	-	2,205	1,541,437

			Non-cash changes		
			Foreign	Fair value	
	2024	Cash flows	exchange	changes	2025
	\$000's	\$000's	movement	\$000's	\$000's
			\$000's		
2025 year					
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 liabilities from financing activities	1,283,419	110,024	-	28,356	1,421,799

23. Events after balance date

There have been no significant events since balance date.

Dunedin City Treasury Limited

Statement of service performance For the year ended 30 June 2026

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 period.
5 Maintain financial relationships with preferred financial providers.	Meet at least annually with preferred financial providers.	Have met with preferred financial providers at least annually.
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 did meet the investment objective to grow the fund's base value.
8 Maintain a risk management framework to regularly identify, mitigate, and report risks.	Quarterly review by the Board, of the DCHL Risk Register Dashboard. Regular reporting to the shareholder of DCTL's top 5 current risks.	The DCTL Risk Register Dashboard was reviewed by the Board quarterly. 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.

Dunedin City Treasury Limited

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	Reduce emissions and contribute to Dunedin's citywide goal to be net zero carbon by 2030.	Refine and continue to implement DCTL's carbon emissions and waste reduction strategies. Measure and publicly report our Greenhouse Gas (GHG) emissions in our Annual Report.	DCTL continues to implement its strategy and reports this in its Annual Report. The company reported this in its Annual Report.
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	4	EBITDA	631
Net profit/(loss) after tax	3	Net profit/(loss) after tax	433
Cash flow from operations	(601)	Cash flow from operations	(1,133)
Capital expenditure	-	Capital expenditure	-
Term loans	1,585,010	Term loans	1,530,326
Shareholders Funds*	(2,847)	Shareholders Funds*	(1,136)
Shareholder's funds to total assets	0.0%	Shareholder's funds to total assets	-0.07%
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 significant falls in short-term interest rates with the Official Cash Rate reducing from 3.25% to 2.25% as at 30 June 2026. In addition, longer term swap yields increased modestly. The increase in longer term swap yields resulted in a gain in the hedge reserve relative to FY25. Additionally, the Group's borrowing requirements were lower than initially projected, which led to term loans coming in less than 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.

Dunedin City Treasury Limited

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

The Audit Office on behalf of the Controller and Auditor-General

Independent Auditor's Report

To the readers of Dunedin City Treasury Limited's financial statements and performance information for the year ended 30 June 2026

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 The Audit Office, to carry out the audit of the financial statements and performance information on his behalf.

We have audited:

- the financial statements of the Company that comprise the statement of financial position as at 30 June 2026, 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 material accounting policy information and other explanatory information on pages 12 to 37; and
- the performance information that consists of the statement of service performance for the year ended 30 June 2026 on pages 38 to 39.

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 2026, and its financial performance and cash flows for the year then ended, in accordance with New Zealand equivalents to International Financial Reporting Standards.

Unmodified opinion on the statement of service performance

In our opinion, the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026, and has been prepared, in material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

Basis for our opinion

Financial statements: fair value movements on advances in the prior year not recognised

In the year ended 30 June 2024, the Company concluded that its related party advances did not meet the requirements in NZ IFRS 9, *Financial Instruments* to be measured at amortised cost. These assets should therefore have been measured at fair value through profit or loss as at 30 June 2024 but the Company measured these at amortised cost.

Following modifications to contractual lending agreements during the year ended 30 June 2025, the related party advances outstanding at 30 June 2025 met the criteria for measurement at amortised cost. However, as the Company did not measure its related party advances at fair value up to the date of the contract modifications, in accordance with the requirements of NZ IFRS 9, it did not recognise fair value movements (including reversals) within profit or loss for the year ended 30 June 2025 in relation to those advances. As a consequence, we concluded that the reported net loss after tax of \$487,000 for the year ended 30 June 2025, presented as comparative information, was not materially correct and our opinion for the period ended 30 June 2025 was qualified in relation to this.

Accordingly, our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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.

Responsibilities of the Board of Directors for the financial statements and performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and comply with New Zealand equivalents to International Financial Reporting Standards. The Board of Directors is also responsible for preparing the performance information contained in the statement of service performance of the Company 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 performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and performance information, 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 there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and performance information, 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 performance information.

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

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 performance information, 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 information we audited 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 performance information, including the disclosures, and assess whether the performance information 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 all of the information included in the annual report other than the financial statements and performance information consisting of the statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and performance information 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 performance information, 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 performance information 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 comparative net loss after tax of \$487,000 is not materially correct. Accordingly, the other information that includes comparative 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 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)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Company.

A handwritten signature in dark ink, appearing to read 'R. Tomlinson', with a circular flourish at the beginning.

Rudie Tomlinson

The Audit Office

On behalf of the Auditor-General

Dunedin, New Zealand

25 August 2026