

SECTION 3:

Council Financial Statements



Dunedin City Council

Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2017

		CORECOUNCIL			CONSOLIDATED	
	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Revenue continuing operations						
Rates revenue	1	134,186	133,996	130,315	134,186	130,315
Development and financial contributions		1,331	648	1,507	1,331	1,507
Subsidies and grants	1	17,814	24,083	15,929	17,814	15,929
Financial revenue	1	12,672	10,138	11,500	7,729	10,253
Other revenue	1	72,230	60,017	68,683	320,147	314,805
Total operating revenue		238,233	228,882	227,934	481,207	472,809
Expenses						
Other expenses	2	108,404	98,202	95,957	224,248	217,187
Personnel expenses		53,536	52,439	49,728	107,567	100,672
Audit fees	2	171	246	205	462	473
Financial expenses	2	14,341	15,380	18,331	31,816	38,405
Depreciation and amortisation	2	61,327	56,650	56,447	88,957	83,257
Total operating expenses	2	237,779	222,917	220,668	453,050	439,994
Operating surplus/(deficit) from continuing operations excluding State Highway transfer		454	5,965	7,266	28,157	32,815
Surplus/(deficit) for the year from discontinued operations		-	-	-	-	-
Loss on transfer of State Highway to NZTA	4	-	-	(16,289)	-	(16,289)
Share of associate surplus/(deficit)		-	-	-	1,161	1,053
Surplus/(deficit) before taxation		454	5,965	(9,023)	29,318	17,579
Less taxation	3	(1,109)	-	(959)	9,281	8,718
Surplus/(deficit) after taxation		1,563	5,965	(8,064)	20,037	8,861
Attributable to:						
Dunedin City Council and Group		1,563	5,965	(8,064)	19,989	8,823
Non-controlling interest		-	-	-	48	38

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

Dunedin City Council

Statement of Other Comprehensive Revenue and Expense for the Year Ended 30 June 2017

	Note	CORECOUNCIL			CONSOLIDATED	
		Actual	Budget	Actual	Actual	Actual
		2017	2017	2016	2017	2016
		\$000	\$000	\$000	\$000	\$000
Other comprehensive revenue and expense						
Gain/(loss) on property plant and equipment revaluations		189,043	36,269	34,928	189,284	34,928
Gain/(loss) of comprehensive revenue in associates		-	-	-	6,095	(19)
Gain/(loss) of cash flow hedges at fair value through other comprehensive revenue and expense		5,620	322	593	12,783	(9,444)
Gain/(loss) on foreign exchange hedges		-	-	-	877	1,971
Gain/(loss) on carbon credit revaluation		-	-	-	(586)	10,832
Income tax on other comprehensive income				-	(338)	(1,790)
Total other comprehensive revenue and expense		194,663	36,591	35,521	208,115	36,478
Net surplus/(deficit) for the year		1,563	5,965	(8,064)	20,037	8,861
Total comprehensive revenue and expense for the year		196,226	42,556	27,457	228,152	45,339
Attributable to:						
Equity holders of the Council		196,226	42,556	27,457	228,104	45,301
Non-controlling interest		-	-	-	48	38
		196,226	42,556	27,457	228,152	45,339

Statement of Changes in Equity for the Year Ended 30 June 2017

	Note	CORECOUNCIL			CONSOLIDATED	
		Actual	Budget	Actual	Actual	Actual
		2017	2017	2016	2017	2016
		\$000	\$000	\$000	\$000	\$000
Movements in equity						
Opening equity		2,737,212	2,742,569	2,709,755	2,906,991	2,861,652
Total comprehensive revenue and expense		196,226	42,556	27,457	228,152	45,339
Closing equity		2,933,438	2,785,125	2,737,212	3,135,143	2,906,991

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

Dunedin City Council

Statement of Financial Position as at 30 June 2017

		CORECOUNCIL		CONSOLIDATED		
	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Current assets						
Cash and cash equivalents	7	4,460	457	2,668	19,596	20,080
Other current financial assets	11	6,864	10,440	5,829	8,772	7,171
Derivative financial instruments	20	-	-	-	426	272
Trade and other receivables	8	13,194	14,212	11,634	39,275	46,432
Taxation refund receivable		931	625	1,021	1,872	1,901
Inventories	10	260	348	302	9,915	5,385
Non current assets held for sale		3,062	-	-	4,184	16
Prepayments		511	678	667	1,689	1,793
Total current assets		29,282	26,760	22,121	85,729	83,050
Non-current assets						
Term receivables		-	-	-	12,841	-
Other non-current financial assets	11	187,444	308,578	191,099	75,453	79,106
Shares in subsidiary companies	11	118,489	-	115,939	-	-
Derivative financial instruments	20	-	-	-	5,993	8,709
Investments accounted for using the equity method	12	-	-	-	29,755	23,203
Intangible assets	17	1,882	3,123	2,514	3,362	4,045
Intangible assets carbon credits		-	-	-	23,413	17,288
Investment property	16	90,438	-	88,288	90,438	88,288
Forestry assets	18	-	-	-	136,333	123,802
Property, plant and equipment	15	2,757,929	2,723,735	2,587,128	3,450,198	3,255,884
Total non-current assets		3,156,182	3,035,436	2,984,968	3,827,786	3,600,325
Total assets		3,185,464	3,062,196	3,007,089	3,913,515	3,683,375
Current liabilities						
Short term borrowings		-	-	-	473	857
Trade and other payables	9	21,551	27,844	20,223	54,659	44,705
Revenue received in advance	9	3,256	-	3,651	3,256	3,651
Employee entitlements	9	6,052	5,373	5,610	11,510	10,524
Derivative financial instruments	20	-	15,690	-	125	203
Provision for tax		-	-	-	2,869	2,067
Current portion of term loans	13	-	12,897	17,738	1,686	1,770
Total current liabilities		30,859	61,804	47,222	74,578	63,777
Non-current liabilities						
Term loans	13	202,419	206,478	198,335	571,343	578,745
Provisions	14	8,331	8,789	8,281	9,217	9,148
Derivative financial instruments	20	10,188	-	15,808	21,605	32,058
Other non-current liabilities		229	-	231	1,334	913
Deferred taxation	3	-	-	-	100,295	91,743
Total non-current liabilities		221,167	215,267	222,655	703,794	712,607
Equity						
Accumulated funds		1,680,653	1,693,959	1,679,472	1,811,725	1,799,051
Minority interest in subsidiary company		-	-	-	616	568
Total accumulated funds	6	1,680,653	1,693,959	1,679,472	1,812,341	1,799,619
Revaluation reserves	6	1,253,074	1,097,340	1,064,031	1,269,724	1,074,586
Restricted reserves	6	9,894	9,516	9,512	9,894	9,512
Cash flow hedge reserves	6	(10,183)	(15,690)	(15,803)	(13,309)	(26,515)
Carbon credit reserve	6	-	-	-	10,820	11,290
Forest revaluation reserve	6	-	-	-	45,673	38,499
Total equity		2,933,438	2,785,125	2,737,212	3,135,143	2,906,991
Total liabilities and equity		3,185,464	3,062,196	3,007,089	3,913,515	3,683,375

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

Dunedin City Council

Statement of Cash Flows

for the Year Ended 30 June 2017

	CORECOUNCIL			CONSOLIDATED	
	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Cash flow from operating activities					
<i>Cash was provided from operating activities</i>					
Rates	134,867	133,996	130,280	134,867	130,280
Other revenue	77,619	82,721	73,396	283,621	287,920
Interest received	8,063	10,138	7,772	2,563	7,463
Dividend received	1,628	-	1,869	2,332	2,573
Taxation refund received	1,037	-	-	1,767	-
	223,214	226,855	213,317	425,150	428,236
<i>Cash was applied to:</i>					
Suppliers and employees	(161,760)	(150,787)	(147,050)	(309,356)	(293,252)
Finance costs paid	(13,819)	(15,380)	(15,377)	(31,469)	(41,038)
Taxation paid	-	-	-	(2,270)	(3,695)
	(175,579)	(166,167)	(162,427)	(343,095)	(337,985)
Net cash inflow/(outflow) from operating activities from continuing activities	47,635	60,688	50,890	82,055	90,251
Net cash inflow/(outflow) from operating activities from discontinuing activities	-	-	-	-	-
Net cash inflow/(outflow) from operating	47,635	60,688	50,890	82,055	90,251
Cash flow from investing activities					
<i>Cash was provided from investing activities</i>					
Sale of assets	126	1,260	4,394	930	6,123
Reduction in loans and advances	3,150	3,172	428	3,150	428
Decrease in investments	112	-	2,146	4,020	904
	3,388	4,432	6,968	8,100	7,455
<i>Cash was applied to:</i>					
Increase in investments	(555)	(3,087)	(2,977)	(5,882)	(2,182)
Increase in loans and advances	-	(750)	-	-	-
Capital expenditure	(34,653)	(60,406)	(35,117)	(82,498)	(78,183)
	(35,208)	(64,243)	(38,094)	(88,380)	(80,365)
Net cash inflow/(outflow) from investing activities from continuing activities	(31,820)	(59,811)	(31,126)	(80,280)	(72,910)
Net cash inflow/(outflow) from investing activities from discontinuing activities	-	-	-	-	-
Net cash inflow/(outflow) from investing	(31,820)	(59,811)	(31,126)	(80,280)	(72,910)
Cash flow from financing activities					
<i>Cash was provided from financing activities</i>					
Loans raised	31,100	16,119	-	-	-
	31,100	16,119	-	-	-
<i>Cash was applied to:</i>					
Loans repaid	(45,123)	(16,652)	(22,515)	(2,259)	(19,327)
	(45,123)	(16,652)	(22,515)	(2,259)	(19,327)
Net cash inflow/(outflow) from financing activities from continuing activities	(14,023)	(533)	(22,515)	(2,259)	(19,327)
Net cash inflow/(outflow) from financing activities from discontinuing activities	-	-	-	-	-
Net cash inflow/(outflow) from financing	(14,023)	(533)	(22,515)	(2,259)	(19,327)

Dunedin City Council

Statement of Cash Flows

for the Year Ended 30 June 2017 (continued)

		CORECOUNCIL			CONSOLIDATED	
	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Net increase/(decrease) in cash held		1,792	344	(2,751)	(484)	(1,986)
Opening cash balance		2,668	113	5,419	20,080	22,066
Closing cash balance		4,460	457	2,668	19,596	20,080
<i>Reconciliation of cash balances</i>						
Cash and cash equivalents		4,460	457	2,668	19,596	20,080
	7	4,460	457	2,668	19,596	20,080

Dunedin City Council

Reconciliation of Operating Surplus/(Deficit) to Net Cash Flows from Operating Activities

	CORECOUNCIL			CONSOLIDATED	
	Actual	Budget	Actual	Actual	Actual
	2017	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000
Operating surplus/(deficit) after taxation	1,563	5,965	(8,064)	20,037	8,861
Share of retained surplus in associated companies	-	-	-	(1,161)	(1,053)
<i>Items Not Involving Cash Flows</i>					
Depreciation and amortisation	61,327	56,650	56,447	88,957	83,257
Depletion of forest	-	-	-	2,394	1,535
Forestry revaluation	-	-	-	(9,629)	(9,524)
New Zealand carbon credits	-	-	-	(6,182)	-
Bad debts written off	-	-	14	-	13,593
Increase/(decrease) doubtful debts	-	-	313	-	(9,040)
Investment property fair value loss/(gain)	(2,150)	(2,027)	1,039	(2,150)	1,039
Unrealised loss/(gain) on investments	(2,700)	-	(1,667)	(2,700)	(1,667)
Vested assets	(10,006)	-	(8,968)	(10,006)	(8,968)
Loss on transfer of State Highway to NZTA	-	-	16,289	-	16,289
Increase/(decrease) in cash flow hedge valuation	-	-	-	(1,416)	3,369
Add/(less) non cash adjustments	528	-	(56)	814	(9,089)
<i>Movements in working capital items</i>					
(Increase)/decrease in trade and other receivables	(1,560)	-	1,846	7,157	5,520
(Increase)/decrease in term receivables	-	-	-	(12,841)	-
(Increase)/decrease in inventories	42	-	46	(4,530)	100
(Increase)/decrease in prepayments	156	-	11	104	64
(Increase)/decrease tax refund receivable	90	-	-	29	-
Increase/(decrease) in trade and other payables	181	-	(3,779)	3,933	(4,930)
Increase/(decrease) in other current liabilities	47	-	467	591	(1,335)
(Increase)/decrease in provisions	(50)	100	26	(50)	26
Increase/(decrease) provision for tax	-	-	-	802	-
Increase/(decrease) deferred tax	-	-	-	8,199	5,658
Add back taxation adjustments	-	-	(851)	-	(851)
<i>Items classified as investing or financing activities</i>					
Profit on sale of investments	(326)	-	(137)	(326)	(137)
Loss on sale of investments	548	-	1,165	548	1,165
Profit on sale of property plant and equipment	(58)	-	(3,948)	(522)	(4,328)
Loss on sale of property plant and equipment	3	-	697	3	697
Net Cash Flow from Operating Activities	47,635	60,688	50,890	82,055	90,251

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

Dunedin City Council

Funding Impact Statement for the Year Ended 30 June 2017 (whole of Council)

Note	CORE COUNCIL			
	Annual Plan	Actual	Annual Plan	Actual
	2016 \$000	2016 \$000	2017 \$000	2017 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	68,633	69,005	69,206	69,584
Targeted rates	62,017	61,950	65,390	65,324
Subsidies and grants for operating purposes	8,781	8,100	9,174	9,440
Fees and charges	51,776	56,804	54,226	57,130
Interest and dividends from investments	9,854	9,642	10,139	9,557
Local authorities fuel tax, fines, infringement fees, and other receipts	3,342	3,069	3,162	3,057
Total operating funding	204,403	208,570	211,297	214,092
Application of operating funding				
Payments to staff and suppliers	145,789	145,194	151,317	162,108
Finance costs	18,063	16,073	15,380	13,705
Other operating funding applications	180	-	(530)	-
Total application of operating funding	164,032	161,267	166,167	175,813
Surplus/(deficit) operating funding	40,371	47,303	45,130	38,279
Sources of capital funding				
Subsidies and grants for capital expenditure	10,596	6,980	14,909	7,537
Development and financial contributions	1,303	1,507	648	1,331
Increase/(decrease) in debt	(7,111)	(22,861)	(533)	(12,891)
Gross proceeds from sale of assets	80	5,087	1,260	145
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	4,868	(9,287)	16,284	(3,878)
Application of capital funding				
Capital expenditure				
- to meet additional demand	2,454	1,826	2,918	809
- to improve the level of service	17,243	6,692	24,373	9,518
- to replace existing assets	30,056	28,036	33,116	25,493
Increase/(decrease) in reserves	-	-	-	-
Increase/(decrease) of investments	(4,514)	1,462	1,007	(1,419)
Total applications of capital funding	45,239	38,016	61,414	34,401
Surplus/(deficit) of capital funding	(40,371)	(47,303)	(45,130)	(38,279)
Funding balance	-	-	-	-

Dunedin City Council

Statement of Financial Involvement in Council Controlled Trading Organisations as at 30 June 2017

Dunedin City Council has control over Dunedin City Holdings Limited. The benefit/cost of the above enterprises for the financial interests, finance or financial assistance of the Council is as follows:

	Dividend 2017	Interest 2017	Total 2017
	\$000	\$000	\$000
Dunedin City Holdings Limited	-	5,902	5,902

The provision of financial assistance by Dunedin City Council to Dunedin City Holdings Limited is by share capital and loan. It does not include any guarantee, indemnity or security in respect of the performance of any obligation by Dunedin City Holdings Limited.

Dunedin City Council has indirect control of other entities through Dunedin City Holdings Limited.

Structure of the Dunedin City Council Group (Consolidated)

Organisation	Ownership	Nature and Scope of the Activities
1. Dunedin City Holdings Limited	100%	Input into the statements of intent of subsidiaries. Input into the strategic direction of the subsidiaries. Performance monitoring. Ensuring individual subsidiaries receive maximum benefits from membership of the group of companies. Approval decisions in accordance with subsidiary constitutions.
2. Dunedin (New Zealand) Masters Games Trust		Principal activity is the running of the biennial Masters Games in Dunedin.
Associated Companies of the Dunedin City Council		
1. Golden Block Investment Limited	49%	Investment rental building.
Subsidiaries of Dunedin City Holdings Limited		
1. City Forests Limited	100%	Sustainable production of logs for local and export markets.
2. Dunedin City Treasury Limited	100%	Management of financial risks and liquidity of the group, as well as the Dunedin City Council.
3. Aurora Energy Limited	100%	Provision of electricity distribution services in Dunedin City and Central Otago.
4. Otago Power Limited	100%	Energy company.
5. DELTA Utility Services Limited	100%	Management of network assets, electrical and civil contracting services throughout the South Island.
6. Lakes Contract Services Limited	100%	Contracting services.
7. Dunedin Venues Management Limited	100%	Operation of public venues including the Forsyth Barr Stadium and the Town Hall.
8. Dunedin Stadium Property Limited	100%	Ownership of the Forsyth Barr Stadium.
9. Taieri Gorge Railway Limited	72%	Provision of a tourist train through the scenic Taieri Gorge.
Associated Companies of Dunedin City Holdings Limited		
10. Dunedin International Airport Limited	50%	Provision of airport services at Momona.
11. Otago Chipmill Limited	49.9%	Saw milling and associated timber yard.

This statement should be read in conjunction with Note 11 and 12 on Investments.

Dunedin City Council

Statement of Accounting Policies

for the Year Ended 30 June 2017

1 Reporting Entity

The financial statements presented are for the reporting entity Dunedin City Council (the Council) and the consolidated financial statements of the group comprising Dunedin City Council and its subsidiary and associate companies; Dunedin City Holdings Limited and its subsidiary and associate companies.

The Dunedin City Council is a Territorial Local Authority governed by the Local Government Act 2002 and these statements are produced under section 98, 99 and 111 of the Local Government Act 2002.

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

The Council and group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002.

The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Council and group operates. These financial statements have been rounded to the nearest thousand dollars (\$000).

The financial statements of the Council are for the year ended 30 June 2017. The financial statements were authorised for issue by the Council on 31 October 2017.

2 Significant Accounting Policies

Basis of accounting

The financial statements of the Council and group have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with NZ GAAP.

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE Standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain property, plant and equipment, investment properties, biological assets, derivative financial instruments, financial instruments classified as available for sale and financial instruments held for trading. There is also a presumption of going concern in the preparation of financial statements.

Basis of consolidation

The consolidated statements incorporate the financial statements of the Council and entities controlled by the Council (its subsidiaries). Control is achieved where the Council has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the surplus or deficit in the period of acquisition. Any non-controlling interest is stated at the non-controlling interests proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the surplus or deficit from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full except rates charged to Group entities (Note 1).

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Associate entities

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (ie discount on acquisition) is credited in the surplus or deficit in the period of acquisition.

Where a group entity transacts with an associate of the group, surplus or deficit are eliminated to the extent of the group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation on such assets will cease once classified as held for sale.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Government grants are received from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rates are set annually by resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.

Revenue from traffic and parking infringements is recognised when the infringement notice is issued.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee whether or not title is eventually transferred. All other leases are classified as operating leases.

The group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are included in the surplus or deficit on a straight line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements the results and financial position of each entity are expressed in New Zealand dollars, which is the functional currency of the Council and Group.

Transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. The group does not hold non-monetary assets and liabilities denominated in foreign currencies.

In order to hedge its exposure to certain foreign exchange risks, the group may enter into forward contracts and options (see below for details of the group's accounting policies in respect of such derivative financial instruments).

Borrowing costs

Borrowing costs are usually recognised as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Government loans

Forestry term liabilities include Ministry of Forestry Suspensory Loans and Ministry of Forestry Repayable Loans. Interest is calculated annually on the suspensory loans. However the interest and principle may be forgiven when the loan conditions are met. Interest is also calculated annually on the repayable loans. The interest and principal is not repayable until harvesting of the trees, planted using the loan monies, occurs.

Employee entitlements

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the group.

The Group recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the value of excess sick leave taken within the previous twelve months.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except for receivables and payables which are recognised inclusive of GST.

Taxation

The tax expense represents the sum of the tax currently payable 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 group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

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 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Property, plant and equipment

Property plant and equipment are those assets held by the group for the purpose of carrying on its business activities on an ongoing basis.

CCO property, plant and equipment

All CCO property, plant and equipment, apart from forest land, is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Forest land is stated at its revalued amount, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by Quotable Value.

Self constructed assets include the direct cost of construction to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase is credited to the appropriate revaluation reserve, except to the extent that it reverses a revaluation decrease previously recognised as an expense, in which case the increase is credited to the surplus or deficit to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that class of asset.

Depreciation is charged so as to write off the cost or valuation of assets, other than land, forestry land properties under construction and capital work in progress, on the straight line basis. Rates used have been calculated to allocate the asset's cost or valuation less estimated residual value over their estimated remaining useful lives.

Depreciation of these assets, commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation on revalued assets, excluding land, is charged to the surplus or deficit. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the appropriate property revaluation reserve is transferred directly to retained earnings.

Except for City Forests Limited the depreciation rates and methods used are as follows:

	Rate	Method
Buildings	1% to 5%	SL
Roads and bridges	2% to 16%	SL
Metering equipment	5% to 20%	SL
Electricity network assets	2% to 20%	SL
Plant and equipment	5% to 50%	SL
Motor vehicles	5% to 25%	SL
Railway assets	1% to 20%	SL
Office equipment and fittings	5% to 25%	SL
Construction in progress	no depreciation charged	
Software	20% to 100%	SL

Depreciation rates and methods used by City Forests Limited are as follows:

	Rate	Method
Buildings	2% to 3%	SL
Roads	5% to 24%	DV
Bridges	2% to 2.4%	DV
Plant and equipment	6% to 80.4%	DV
Fences	10% to 13%	DV
Motor vehicles	9.6% to 36%	DV
Office equipment	10% to 60%	DV

Stadium

The Stadium is a separate class of asset and is recorded at cost less any accumulated depreciation and any accumulated impairment losses.

Forests

The fair value of the forest, exclusive of the forest land, is determined at each reporting date. Fair value is equivalent to the NZIF Forest Valuation Standards definition of market value. Fair value is determined using the discounted cash flow methodology and in using this method financing costs and replanting costs are excluded. The method first determines the current market value of the collective forest and land resource, with land then subtracted at its current market value to provide the value of the forest asset.

The valuation takes into account changes in price over the accounting period as well as the quantity of trees harvested and the growth that has occurred in the forest. Any change in forest valuation is recorded in the surplus or deficit.

The Council property, plant and equipment

The Council assets

Operational Assets

These include land, buildings, improvements, library books, plant and equipment, and motor vehicles.

Infrastructure Assets

Infrastructure assets are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function; for example, sewer reticulation includes reticulation piping and sewer pump stations.

Restricted Assets

Restricted assets are parks and reserves owned by the Council which cannot be disposed of because of legal or other restrictions, and provide a benefit or service to the community.

Heritage Assets

These include, but are not limited to, assets held by the Council subject to deeds of agreement, terms and conditions of bequests, donations, trusts or other restrictive legal covenants. The Council's control of these assets is restricted to a management/custodial role.

Property, plant and equipment

Operational assets

Land and Buildings

Land and buildings are stated at revalued amounts being fair value at date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluations are performed by an independent valuer on a three-yearly cycle.

Fixed Plant and Equipment

Fixed plant and equipment is stated at cost, less any subsequent accumulated depreciation and any accumulated impairment losses.

Vehicles, mobile plant

Motor vehicles and other mobile plant and equipment are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Office Equipment

Office equipment and fittings are stated at cost less any subsequent accumulated depreciation less any accumulated impairment losses.

Library Collection

Library collections are stated at cost less any subsequent accumulated depreciation and any impairment losses.

Infrastructural assets

Land is stated at revalued amounts being fair value at date of valuation less any subsequent accumulated impairment losses. The revaluations are performed by an independent valuer on a three yearly cycle.

Landfill assets being earthworks, plant and machinery and the estimate of site restoration, are stated at cost less any accumulated depreciation and any accumulated impairment losses. The useful life of the landfill is considered to be the period of time to the expiring of the resource consent in 2020.

Buildings and structures are valued on a yearly cycle by an independent valuer. Additions are recorded at cost and depreciated.

Roadways and bridges have been stated at their revalued amounts being fair value based on depreciated replacement cost as at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Roadways and bridges are valued annually by an independent valuer.

Fixed plant has been stated at its revalued amounts being fair value based on depreciated replacement cost as at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fixed plant is valued on a yearly cycle by an independent valuer. Additions are recorded at cost and depreciated.

Reticulation assets, being the reticulation system and networks of water and drainage, have been stated at their revalued amounts being fair value based on depreciated replacement cost as at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The reticulation assets are valued by a Council staff member sufficiently experienced to conduct the valuation. These valuations are subject to review by an independent valuer. Reticulation assets are valued annually.

Vested assets

Vested assets are fixed assets given to the Council by a third party and could typically include water, drainage and roading assets created in the event of a subdivision. Vested assets also occur in the event of the donation of heritage or art assets by third parties. The value of assets vested are recorded at fair value which could include as sale or acquisition the cost price to the third party to create or purchase that asset and equates to its fair value at the date of acquisition. Vested assets, other than those pertaining to collections, are subsequently depreciated.

Restricted assets

Land, buildings and structures are stated at revalued amounts being fair value at date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluations are performed by an independent valuer on a three yearly cycle.

Hard surfaces and reticulation systems are stated at revalued amounts being fair value at date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluations are performed by an independent valuer on a three yearly cycle.

Road reserve land is stated at revalued amounts being fair value at date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by an independent valuer on a three yearly cycle.

Playground and soft-fall areas are stated at revalued amounts being fair value at date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by an independent valuer on a four yearly cycle.

Fixed plant and equipment has been stated at their deemed cost being fair value at the date of valuation based on depreciated replacement cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Additions are recorded at cost and depreciated.

Heritage assets

Heritage assets included are the Art Gallery Collection at the Dunedin Public Art Gallery, the Theomin Collection at Olveston, the Toitū Otago Settlers Museum and the monuments, statues and outdoor art as well as land and buildings of the railway station and Olveston.

Except land and buildings, all other heritage assets are stated at cost less any subsequent accumulated depreciation and accumulated impairment losses.

Revaluations

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Revaluation increases and decreases relating to individual assets within a class of assets are offset. Revaluation increases and decreases in respect of assets in different classes are not offset.

Where the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is credited to the revaluation reserve. The net revaluation increase shall be recognised in the surplus or deficit to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the surplus or deficit. A net revaluation decrease for a class of assets is recognised in the surplus or deficit, except to the extent it reverses a revaluation increase previously recognised in the revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of the same class of asset.

Depreciation

Depreciation has been charged so as to write off the cost or valuation of assets, other than land, properties under construction and capital work in progress, on the straight line basis (SL). Rates used have been calculated to allocate the asset's cost or valuation less estimated residual value over their estimated remaining useful lives.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation commences when the assets are ready for their intended use.

Depreciation on revalued assets, excluding land, is charged to the Statement of Comprehensive Income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the appropriate property revaluation reserve is transferred directly to retained earnings.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease.

Depreciation rates and methods used are as follows:

	Rate	Method
Council operational assets		
Buildings	1% to 10%	SL
Fixed plant and equipment	10% to 15%	SL
Motor vehicles	20%	SL
Office equipment and fittings	7.5% to 20%	SL
Library collections	10% to 50%	SL
Infrastructure assets		
Roadways and bridges	0.5% to 10%	SL
Life cycle used:		
- Kerb and channel	80 years	
- Shape corrections	80 years	
- Reseals	11 years	
Footpaths	13.5 years	
Water treatment plants and facilities	1% to 15%	SL
Sewerage treatment plants and facilities	1% to 15%	SL
Stormwater treatment plants and facilities	1% to 15%	SL
Water reticulation	0.5% to 3%	SL
Sewerage reticulation	0.5% to 3%	SL
Stormwater reticulation	0.5% to 3%	SL
Landfill	15 years	
Heritage assets	0.2%	
Restricted assets		
Buildings	1% to 4%	SL
Fixed plant and equipment	10% to 15%	SL
Hard surfaces	0.5% to 10%	SL
Playground and soft-fall areas	2% to 10%	SL

Derecognition

Forestry assets and items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the surplus or deficit in the year the item is derecognised.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation. All investment properties are stated at fair value, as determined annually by independent valuers at the balance sheet date.

Gains or losses arising from changes in the fair value of investment properties are recognised in the surplus or deficit for the period in which the gain or loss arises.

Intangible assets

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets, acquired at the time of acquisition of a business or an equity interest in a subsidiary or associate company. Goodwill is tested annually for impairment.

Software is recognised at cost and amortised to the surplus or deficit on a straight line basis over the estimated useful life – which is a maximum period of five years.

Carbon credits purchased are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives.

Impairment of assets excluding goodwill

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents comprise of 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 overdraft. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Financial instruments

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

Trade and other receivables

Trade and other receivables are stated at cost less any allowances for estimated irrecoverable amounts.

Loans and other receivables

Loans and other receivables are financial instruments that are measured at amortised cost using the effective interest method. This type of financial instrument includes deposits, term deposits, inter company loans, community loans and mortgages.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments in debt and equity securities

Investments in debt and equity securities are financial instruments classified as held for trading and are measured at fair value in the surplus or deficit at balance date. Any resultant gains or losses are recognised in the surplus or deficit for the period.

Trade and other payables

Trade and other payables are stated at cost.

Borrowings

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 surplus or deficit 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.

Financial liabilities and equity

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 group after deducting all of its liabilities.

Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group uses foreign exchange forward contracts, foreign exchange options and interest rate swap contracts to hedge these exposures.

The group does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific IFRS rules, are accounted for as trading instruments with fair value gains/losses being taken directly to the surplus or deficit.

The use of financial derivatives in each entity within the group is governed by that entity's policy approved by the governing body. The policies provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition derivative financial instruments are re-measured at fair value.

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 and the ineffective portion is recognised immediately in the surplus or deficit. 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 the surplus or deficit in the same period in which the hedged item affects net surplus or deficit.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the surplus or deficit. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in the surplus or deficit.

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

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 forecasted 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 surplus or deficit 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 surplus or deficit.

Provisions

A provision is recognised in the balance sheet when the group 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.

Provisions for restructuring costs are recognised when the group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Carbon credits

Emission units held by the group are treated as intangible assets and initially recorded at fair value:

- Fair value is cost in the case of purchased units
- Fair value is initial market value in the case of government granted units
- Emissions unit fair value is marked to market (revalued) at 30 June subsequent to initial recognition
- The difference between initial fair value or previous revaluation and marked to market is recognised in other comprehensive revenue and expense.

Standards issued but not yet effective

Standards issued but not yet effective have not been early adopted. They have no effect on the Financial Statements of the Council.

Changes in accounting policy

There have been no changes in accounting policy in the current year.

1

Separately Disclosed Revenue

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Rates revenue				
<i>Rate allocation by significant activity</i>				
General rates funding as per group of activities	89,741	86,507	89,741	86,507
Other sources contributing to general rates funding	(20,879)	(18,142)	(20,879)	(18,142)
Total general rates	68,862	68,365	68,862	68,365
Targeted rates	65,324	61,950	65,324	61,950
	134,186	130,315	134,186	130,315
The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$9.23m (2016: \$8.86m). For the Group, rates of \$10.51m have not been eliminated (2016: \$9.96m).				
Subsidies and grants				
New Zealand Transport Agency roading subsidies	16,381	14,224	16,381	14,224
Government and government agency grants	1,191	1,312	1,191	1,312
Other grants	242	393	242	393
	17,814	15,929	17,814	15,929
Financial revenue				
Profit on sale of investments	326	137	326	137
Gain on fair value of investments	2,788	1,720	2,788	1,720
Dividend received – Dunedin City Holdings Limited	–	–	–	–
Other dividends received	1,726	1,869	1,727	1,869
Interest received – Dunedin City Holdings Limited	5,902	5,902	–	–
Other interest received	1,930	1,872	2,888	6,527
	12,672	11,500	7,729	10,253
Other revenue				
Rental from investment properties	7,929	7,978	7,929	7,978
Regulatory services rendered	3,003	2,726	3,003	2,726
Gain on fair value of investment property	2,150	–	2,150	–
Profit on sale of investment properties	–	50	–	50
Forest revaluation	–	–	9,629	9,524
Vested assets	10,006	8,968	10,006	8,968
Profit on sale of property, plant and equipment	58	3,948	126	4,328
Other fees and charges	49,084	45,013	287,304	281,231
	72,230	68,683	320,147	314,805

Rating base information

	2017	2016	2015
The number of rating units	55,238	55,282	55,062
The total capital value of the rating units	\$22.033 billion	\$21.821 billion	\$21.607 billion
The total land value of the rating units	\$8.403 billion	\$8.365 billion	\$8.342 billion

All rates revenue is shown gross of rates remissions. Under the Council's Rate Remission Policies, which provide for rates to be remitted in cases of Extreme Financial Hardship, during the year the Council allowed remissions totalling \$Nil (2016: Nil).

2 Separately Disclosed Expenses

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Other expenses				
Donations	2,657	2,187	2,714	2,233
Directors' remuneration	-	-	1,076	855
Research and development	-	-	145	192
Bad debts written off	79	14	621	13,593
Increase/(decrease) in after-care provision	(2)	(26)	(2)	(26)
Increase/(decrease) in doubtful debt provision	139	313	344	(9,040)
Loss on disposal of property, plant and equipment	3	697	3	697
Plant and equipment impairment	-	-	-	355
Councillors' remuneration and expenses	1,497	1,519	1,497	1,519
Rental expense operating leases	46	52	3,742	3,386
Investment property operating expenses	2,891	2,810	2,891	2,810
Inventories expensed	84	53	84	-
Other expenditure	101,010	88,338	211,133	200,613
Total other expenses	108,404	95,957	224,248	217,187
Fees paid to Audit New Zealand for:				
Financial statements	171	165	428	399
Long Term Plan audit	-	40	-	40
Regulatory (information disclosure) reporting	-	-	19	19
Price and quality thresholds and other regulatory reporting	-	-	15	15
Total audit fees	171	205	462	473
Financial expenses				
Overdraft interest	5	4	5	4
Loss on sale of investments	548	1,165	548	1,165
Loss on sale of foreign currency transactions	-	-	9	350
Fair value loss on investment properties	-	1,039	-	1,039
Fair value loss on investments	88	53	88	53
Interest paid to subsidiaries	13,700	16,070	-	-
Term interest	-	-	31,166	35,794
	14,341	18,331	31,816	38,405
Depreciation/amortisation				
- Operational	13,134	13,071	40,262	39,393
- Infrastructural	43,874	39,347	43,874	39,347
- Restricted and Heritage	3,422	3,190	3,422	3,190
As per note 15 Property, plant and equipment	60,430	55,608	87,558	81,930
- Intangible	897	839	1,399	1,327
	61,327	56,447	88,957	83,257

Reconciliation of Summary of Cost of Service Statements with Core Council Statement of Financial Performance

	Actual	Budget	Actual
	2017	2017	2016
Significant activity expenditure	\$000	\$000	\$000
Economic Development and City Promotion	5,635	5,337	5,384
City Investment	4,305	4,744	8,577
Roading and Footpaths	44,326	42,264	40,501
Water Supply	25,974	25,498	24,637
Sewerage and Sewage	29,005	26,388	26,688
Stormwater	6,096	5,418	5,427
Solid Waste	9,508	10,518	8,411
City Planning and Regulatory Services	16,760	16,091	15,367
Community Development and Support	31,498	27,418	27,474
Museums, Libraries and Art Gallery	25,863	25,265	25,105
Sport, Recreation and Leisure	32,436	27,954	28,047
Corporate Support	6,373	6,022	5,050
Total	237,779	222,917	220,668

3 Taxation

The Dunedin City Council is liable for tax on any income derived from an assessable source, such as a Council owned subsidiary.

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Operating surplus/(deficit) before taxation	454	7,266	28,157	32,815
(Gain)/Loss on fair value of investment property	(2,150)	1,039	(2,150)	1,039
Vested assets	(10,006)	(8,968)	(10,006)	(8,968)
Net non-taxable other income/non-deductible expenditure	8,378	(2,373)	15,345	6,920
Income subject to taxation	(3,324)	(3,036)	31,346	31,806
Prima facie taxation at 28%	(931)	(850)	8,777	8,906
Plus other adjustments	-	-	(470)	27
Imputation credits	-	-	-	-
Less tax effect of subvention payments	-	-	1,547	-
Under/(over) provisions prior years	(178)	(109)	(573)	(215)
Taxation charge	(1,109)	(959)	9,281	8,718

As from 1 July, 2009 the Council joined a consolidated group for income tax purposes. The consolidated group is comprised of Council Controlled Organisations, including Dunedin City Holdings Limited, and a number of its subsidiaries. The members of the consolidated group are treated as a single entity for income tax purposes and file a single return of income for the tax year with each member of the group jointly and severally liable for the income tax liability. The Council has applied to Inland Revenue to be excluded from being joint and severally liable for income tax liabilities of the consolidated group for the 2017 income year.

Tax losses in the Council are automatically offset against the tax profits of other entities in the consolidated group. The amount shown by the Council for current tax receivable relates to the tax effect of those losses.

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
The taxation charge is represented by:				
- Current taxation	(931)	(850)	2,406	1,287
- Deferred taxation	-	-	7,079	7,630
- Under/(over) tax provision in prior years	(178)	(109)	(980)	(182)
- Under/(over) deferred tax in prior years	-	-	776	(17)
	(1,109)	(959)	9,281	8,718

Deferred taxation

	Group 2017 \$000 <i>Opening Balance Sheet</i>	Group 2017 \$000 <i>Charged to Equity</i>	Group 2017 \$000 <i>Charged to Income</i>	Group 2017 \$000 <i>Closing Balance Sheet Assets</i>	Group 2017 \$000 <i>Closing Balance Sheet Liabilities</i>	Group 2017 \$000 <i>Closing Balance Sheet Net</i>
Property, plant and equipment	54,905	-	2,666	(231)	57,802	57,571
Employee benefits	3,283	-	323	(1,636)	5,242	3,606
Forest	21,700	-	2,696	-	24,396	24,396
Forest capitalised costs	9,861	-	317	-	10,178	10,178
Other investments	3,857	(116)	1,828	(4)	5,573	5,569
Revaluations of foreign exchange contracts	(104)	245	-	-	141	141
Revaluations of interest rate swaps	(1,752)	586	-	(1,166)	-	(1,166)
Balance at the end of the year	91,750	715	7,830	(3,037)	103,332	100,295

	Group 2016 \$000 <i>Opening Balance Sheet</i>	Group 2016 \$000 <i>Charged to Equity</i>	Group 2016 \$000 <i>Charged to Income</i>	Group 2016 \$000 <i>Closing Balance Sheet Assets</i>	Group 2016 \$000 <i>Closing Balance Sheet Liabilities</i>	Group 2016 \$000 <i>Closing Balance Sheet Net</i>
Property, plant and equipment	53,970	(162)	1,097	(208)	55,113	54,905
Employee benefits	(1,423)	(159)	(145)	(1,698)	(29)	(1,727)
Forest	19,033	-	2,667	-	21,700	21,700
Forest capitalised costs	9,730	-	131	-	9,861	9,861
Other investments	2,575	2,311	3,981	90	8,777	8,867
Revaluations of foreign exchange contracts	(656)	552	-	(104)	-	(104)
Revaluations of interest rate swaps	(739)	(1,124)	104	(1,759)	-	(1,759)
Balance at the end of the year	82,490	1,418	7,835	(3,679)	95,422	91,743

4

Transfer of State Highway to NZTA

The Council transferred ownership of part of SH88 (commencing at the intersection of Frederick Street and travelling in an general eastern direction) to the Crown (NZTA) effective 23 June 2016. At the same time NZTA vested the old section of SH88 to the Council.

The \$16.289 million accounting loss shown in 2016 represents the net difference between the value of the two roads. It should however be noted that in the 2010 and 2011 financial years the Council recognised \$15.578 million of subsidy revenue being NZTA's contribution towards the development of the new section of SH88.

5

Remuneration and Other Payments

a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity. This includes Councillors and senior management.

	CORE COUNCIL	
	Actual 2017	Actual 2016
	\$000	\$000
<i>Councillors</i>		
Remuneration	1,049	1,011
<i>Executive Leadership Team</i>		
Remuneration	1,755	1,630
Termination benefits	-	-
Total key management personnel remuneration	2,804	2,641

Key management personnel comprises: 15 full-time equivalent elected members and 7 full-time equivalent executive leaders (2017 and 2016).

b) Remuneration paid to elected members

This information is required under Schedule 10, Part 3, Clause 32 of the Local Government Act 2002. Differences in remuneration between elected members is the result of different responsibilities assigned to elected members.

MAYOR AND COUNCILLORS		COUNCIL REMUNERATION	ROLE
Cull D C	1	146,732	Mayor
Benson-Pope D H	2,3	78,829	
Elder R A (elected October 2017)		38,297	
Garey C P (elected october 2017)		38,297	
Hall D W		55,306	
Hawkins A G	2,3	72,865	
Laufiso M E (elected October 2017)		38,297	
Lord M L	2,5	66,480	
Newell D J (elected October 2017)		38,297	
O'Malley J P (elected October 2017)	2,5	40,617	
Staynes C J		71,897	Deputy Mayor
Stedman C L (elected October 2017)		38,348	
Vandervis L	2	58,896	
Whiley A P	2	62,144	
Wilson K M H	2,3,5	79,316	

MAYOR AND COUNCILLORS**COUNCIL
REMUNERATION****ROLE***Outgoing members October 2017*

Bezett J T		17,008
Calvert H J		17,008
MacTavish J M B	2,3	26,585
Noone A B	2,4	26,736
Peat N D		17,008
Thomson R J		20,410
		<hr/>
		1,049,375

1. Mayoral car full private use
2. Includes Consent Hearing fees
3. Includes Second Generation Plan Hearings fees
4. Includes District Licencing fees
5. Includes mileage allowance

c) Employee compensation – Core Council**Severance payments**

There were two severance payments made during the year: \$5,000; \$2,500. (2016 – \$74,340; \$10,099; \$2,289; \$1,491).

Chief Executive remuneration

Sue Bidrose; 1 July 2016 to 30 June 2017 \$384,447 which includes some backpay and \$2,646 for the use of a vehicle for 2 months. Sue Bidrose; 1 July 2015 to 30 June 2016 \$352,750 which includes \$15,831 for the use of a vehicle.

Employee staffing levels and remuneration

Schedule 10 paragraph 32A of the Local Government Act 2002 requires the following information to be disclosed in the Annual Financial Statements. The approach and interpretation of these disclosures follow the recommendations of the Society of Local Government Managers, who have consulted widely through-out the industry.

The number of full-time employees who were employed as at 30 June 2017 529.41 (2016: 506.95)

The number of full-time equivalent other employees as at 30 June 2017 147.68 (2016: 140.87)

(The Council definition of ‘full-time equivalent other employees’ is derived from the full time ordinary hours of work specified for each position, being either 75 or 80 hours per fortnight and calculated on a prorate basis where part-time hours apply.)

The number of employees as at 30 June 2017 receiving;

*Less than \$60,000	529
\$60,000 to \$79,999	184
\$80,000 to \$99,999	110
\$100,000 to \$119,999	32
\$120,000 to \$139,999	18
\$140,000 to \$159,999	6
\$160,000 to \$219,999	7
\$220,000 to \$399,999	4

The number of employees as at 30 June 2016 receiving;

*Less than \$60,000	494
\$60,000 to \$79,999	171
\$80,000 to \$99,999	93
\$100,000 to \$119,999	25
\$120,000 to \$139,999	13
\$140,000 to \$159,999	4
\$160,000 to \$179,999	7
\$180,000 to \$339,999	4

* Remuneration is the package of each staff member employed at 30 June and includes the salary plus annualised benefits such as superannuation, car parks and any market allowance.

* The application of salary bands is determined by legislation and 5 or less in a band is prohibited as is an aggregation into a lower band. It is for this reason the top two bands in 2017 exceed a \$20,000 movement.

* The number of employees as at 30 June 2017 includes 39 Olveston employees (full-time equivalent 5.14). This is the first year they have been included as part of Dunedin City Council.

6

Movement in Public Equity and Reserves

Accumulated funds	CORE COUNCIL		CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Opening balance	1,679,472	1,687,881	1,799,619	1,801,406
Surplus/(deficit)	1,563	(8,064)	20,037	8,861
Adjustment	-	-	-	-
Transfers to:				
- Gains/(losses) on interest rate swaps and foreign exchange transactions	-	-	-	(3,446)
- Forestry reserves	-	-	(6,933)	(6,857)
- Carbon credit reserve	-	-	-	-
- Restricted reserves	(1,036)	(489)	(1,036)	(489)
Transfers from:				
- Restricted reserves	654	144	654	144
Closing balance	1,680,653	1,679,472	1,812,341	1,799,619

Capital management strategy

The Council manages its capital to ensure that all entities under its control will be able to continue as going concerns. Capital includes Accumulated Funds, Revaluation Reserves, Restricted Reserves, Cash Flow Hedge Reserves, Forestry Revaluation Reserves and Carbon Credit Reserves. It is the nature of a Local Authority Statement of Financial Position to have the capital structure de-emphasised as a significant measure owing to the fact the local authorities rarely seek an economic return from infrastructure assets. The value of the long-term fixed assets in relation to the public debt is not as significant as the impact of the interest component on the potential rate charge. The measure contained in the Borrowing and Investment Policy provide an indication of the meeting or otherwise of the objectives.

Revaluation reserves

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Opening balance	1,064,031	1,029,103	1,074,586	1,039,677
Gain/(loss) recognised on assets of Associates	-	-	6,095	(19)
Property, plant and equipment revaluations	189,043	34,928	189,043	34,928
Closing balance	1,253,074	1,064,031	1,269,724	1,074,586

Restricted reserves Core Council and Consolidated

Name and brief description of the purpose of the reserve where not indicated in the reserve name.	Opening Balance	Transfers Inwards	Transfers Outwards	Closing Balance
	2017	2017	2017	2017
	\$000	\$000	\$000	\$000
A. H. Reed Capital Account to extend the Reed library collections	231	5	-	236
R. J. Trust Capital Account to extend library collections	279	6	-	285
G. McKay Housebound Capital Account to extend library collections	10	-	-	10
Clive R. B. Lister Capital Account to maintain the Clive Lister garden	223	5	-	228
A. H. Reed Current Account to extend the Reed library collections	13	-	-	13
R. J. Trust Current Account to extend the library collections	1	-	-	1
E. E. Carpenter Current Account to extend the consumer library collections	43	1	-	44
DCC Recreation Loans Reserve to fund small loans to recreation clubs	235	6	-	241
Self Funded Insurance Reserve	287	6	-	293
Air Development Capital Reserve to develop the Taieri aerodrome	344	8	-	352
CARS Bethunes Operations Reserve	17	-	-	17
Dog Control Operations Reserve	13	-	(1)	12
Roading Property Reserve for property purchases	16	-	-	16
Road Maintenance 7 View St Waitati	9	-	-	9
Trans Net Mosgiel East	117	3	-	120
Library Dunningham Bequest	13	-	-	13
Library General operations Fund Reserve	87	2	-	89
Sportsground Upgrade Logan Park Reserve of development contributions	(288)	41	-	(247)
Sportsground Upgrade Bathgate Park Reserve of development contributions	17	1	-	18
Sportsground Upgrade Hancock Park Reserve of development contributions	25	2	-	27
Playground Upgrade Reserve of development contributions	(4)	5	-	1
Mosgiel East Reserve	225	5	-	230
Mere Mere Over View Subsidiary Reserve	66	2	-	68
Aviary Bird Fund Operations Reserve	21	4	-	25
Mediterranean Garden Development Reserve	14	1	-	15
Craigie Burn Operations Reserve	330	8	-	338
Ocean View Sand Sausage Reserve	141	3	-	144
Cemetery Service Fund Maintenance Reserve	2,187	-	-	2,187
Waikouaiti Forest	189	329	(131)	387
Walton Park Forest	176	3	(123)	56
Wastewater Mosgiel East	39	1	-	40
Art Gallery Funded Operations Reserve	536	13	-	549
Sale of Reserve Land Reserve	16	1	-	17
Hillary Commission General Subsidies Reserve	30	1	-	31
Harding Bequest Art Gallery Operations Reserve	28	1	-	29
Waste Minimisation Reserve	425	494	(399)	520
EPH Renewal Fund Reserve	1,915	44	-	1,959
Bateman Bequest (AG)	488	12	-	500
Endowment Property Investment Reserve	998	23	-	1,021
Totals	9,512	1,036	(654)	9,894

Last Year

Name and brief description of the purpose of the reserve where not indicated in the reserve name.	Opening Balance 2016 \$000	Transfers Inwards 2016 \$000	Transfers Outwards 2016 \$000	Closing Balance 2016 \$000
A. H. Reed Capital Account to extend the Reed library collections	225	6	-	231
R. J. Trust Capital Account to extend library collections	272	7	-	279
G. McKay Housebound Capital Account to extend library collections	10	-	-	10
Clive R. B. Lister Capital Account to maintain the Clive Lister garden	217	6	-	223
A. H. Reed Current Account to extend the Reed library collections	12	1	-	13
R. J. Trust Current Account to extend the library collections	1	-	-	1
E. E. Carpenter Current Account to extend the consumer library collections	42	1	-	43
DCC Recreation Loans Reserve to fund small loans to recreation clubs	230	5	-	235
Self Funded Insurance Reserve	280	7	-	287
Air Development Capital Reserve to develop the Taieri aerodrome	336	8	-	344
CARS Bethunes Operations Reserve	17	-	-	17
Dog Control Operations Reserve	26	-	(13)	13
Roading Property Reserve for property purchases	15	1	-	16
Road Maintenance 7 View St Waitati	9	-	-	9
Trans Net Mosgiel East	114	3	-	117
Library Dunningham Bequest	13	-	-	13
Library General operations Fund Reserve	85	2	-	87
Sportsground Upgrade Logan Park Reserve of development contributions	(329)	41	-	(288)
Sportsground Upgrade Bathgate Park Reserve of development contributions	15	2	-	17
Sportsground Upgrade Hancock Park Reserve of development contributions	23	2	-	25
Playground Upgrade Reserve of development contributions	(9)	5	-	(4)
Mosgiel East Reserve	220	5	-	225
Mere Mere Over View Subsidiary Reserve	65	1	-	66
Aviary Bird Fund Operations Reserve	20	1	-	21
Mediterranean Garden Development Reserve	14	-	-	14
Craigie Burn Operations Reserve	327	7	(4)	330
Ocean View Sand Sausage Reserve	138	3	-	141
Cemetery Service Fund Maintenance Reserve	2,187	-	-	2,187
Waikouaiti Forest	271	-	(82)	189
Walton Park Forest	220	-	(44)	176
Wastewater Mosgiel East	38	1	-	39
Art Gallery Funded Operations Reserve	523	14	(1)	536
Sale of Reserve Land Reserve	16	-	-	16
Hillary Commission General Subsidies Reserve	29	1	-	30
Harding Bequest Art Gallery Operations Reserve	28	-	-	28
Waste Minimisation Reserve	131	294	-	425
EPH Renewal Fund Reserve	1,871	44	-	1,915
Bateman Bequest (AG)	476	12	-	488
Endowment Property Investment Reserve	989	9	-	998
Totals	9,167	489	(144)	9,512

Cash flow hedge reserves

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Opening balance	(15,803)	(16,396)	(26,515)	(23,060)
Gains/(losses) on interest rate swaps and foreign exchange transactions	5,620	593	13,206	(3,455)
Adjustment	-	-	-	-
Closing balance	(10,183)	(15,803)	(13,309)	(26,515)

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

Carbon credit reserves

	CONSOLIDATED	
	Actual 2017	Actual 2016
	\$000	\$000
Opening balance	11,290	2,820
Net revaluation of carbon credits	-	-
Gain in carbon credits above initial recognition value	(470)	8,470
Closing balance	10,820	11,290

Forestry reserves

	CONSOLIDATED	
	Actual 2017	Actual 2016
	\$000	\$000
Opening balance	38,499	31,642
Net revaluation of forest	6,933	6,857
Net revaluation of forest land	241	-
Closing balance	45,673	38,499

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Cash and Cash Equivalents

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Cash in Bank	4,460	2,668	19,596	20,080
	4,460	2,668	19,596	20,080

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Trade and Other Receivables

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Trade debtors	11,970	10,629	36,082	45,604
Rate accounts issued and owing	2,582	2,298	2,582	2,298
Other debtor accounts issued and owing	860	785	3,232	1,217
Provision for doubtful debts	(2,218)	(2,078)	(2,621)	(2,687)
	13,194	11,634	39,275	46,432

The Dunedin City Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment.

The carrying value of trade and other receivables approximates their fair value.

Normally no interest is charged on the accounts receivable although in specific instances interest may be charged. An allowance has been made for estimated irrecoverable amounts determined by reference to past default experience.

9

Accounts Payable, Accrued Expenditure and Employee Entitlements

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Trade and other payables				
Trade creditors	4,392	3,964	30,292	30,989
Contract retentions	953	1,004	953	1,004
Accrued expenditure	15,419	14,398	15,777	9,750
Other payables	787	857	7,637	2,962
	21,551	20,223	54,659	44,705
Revenue received in advance				
Rates in advance	879	664	879	664
Other revenue in advance	2,377	2,987	2,377	2,987
	3,256	3,651	3,256	3,651
Employee entitlements				
Accrued leave	4,238	4,017	8,592	8,115
Accrued long service leave	385	366	663	676
Sick leave over and above annual average	147	147	294	304
Accrued pay	1,067	783	1,586	943
Gratuities provision current	215	297	375	486
	6,052	5,610	11,510	10,524

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Inventories

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Raw materials in store (at cost)	260	302	8,520	3,589
Property for sale (at cost)	-	-	-	-
Work in progress (at cost)	-	-	1,395	1,774
Finished goods (at cost)	-	-	-	22
	260	302	9,915	5,385

The Council inventories are not pledged as security for liabilities.

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Other Financial Assets

a) Other current financial assets

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Waipori Fund Investment	6,614	5,579	6,614	5,579
Self Insurance Deposit	250	250	250	250
Other financial assets	-	-	1,908	1,342
	6,864	5,829	8,772	7,171

Other current financial assets are classified as fair value through Statement of Comprehensive Revenue and Expense. Fair value is determined by reference to the appropriate market. These investments are of short-term duration being between an on call position and twelve months. The effective interest rate is between 1.75% and 4.20%.

b) Other non-current financial assets

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Waipori Fund term deposit	31,649	27,452	31,649	27,452
Waipori Fund equity investments	42,986	47,594	42,986	47,594
Other shares	485	485	494	492
Advances to subsidiaries	112,000	112,000	-	-
Other loans, advances	324	3,568	324	3,568
	187,444	191,099	75,453	79,106

Advances to subsidiaries and other loans, advances and community loans are all classified as loans and receivables and are measured at amortised cost. With the exception of shares in subsidiaries, all other non-current financial assets are classified as fair value through Statement of Comprehensive Revenue and Expense and are measured at fair value with any changes in value going to the Statement of Comprehensive Revenue and Expense. These investments are of greater duration than twelve months.

The advance from the Dunedin City Council to the group is subordinated and unsecured. The terms of the advance agreement between the Dunedin City Council and the group are such that there is no obligation on Dunedin City Holdings Limited to transfer economic benefit at any specific time. In 2017, the interest rate on the advance was 5.27% and in 2016 it was 5.27%.

c) Shares in subsidiary companies

	2017	2016
Shares Dunedin City Holdings Limited	118,489	115,939
	118,489	115,939

On incorporation, Dunedin City Holdings Limited issued 100,000,000 ordinary shares of \$1 in favour of Dunedin City Council. Only \$100,000 was called and paid up. Since incorporation Dunedin City Holdings Limited has issued additional shares of \$1 each in favour of the Dunedin City Council. During the year Dunedin City Holdings Limited called up 2,550,000 shares. The remaining uncalled shares carry equal voting rights. The amounts and dates of issue are:

- Incorporation	100,000,000
- May 1996	75,000,000
- March 1999	100,000,000
- June 2002	75,000,000
- September 2008	250,000,000
- April 2011	250,000,000
- June 2016	115,839,000
- June 2017	2,550,000
Total number of shares	968,389,000
- Incorporation call	(100,000)
- June 2016 call	(115,839,000)
- June 2017 call	(2,550,000)
Total number of uncalled shares	849,900,000

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Investments Accounted for using the Equity Method

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Interest and advances in associate company	-	-	29,755	23,203
Golden Block Investments Limited (Property)	49%	49%	49%	49%
Dunedin International Airport Limited (Transport)			50%	50%
Otago Chipmill Limited (Forestry)			49.9%	49.9%

For the purpose of applying the equity method of accounting, the financial statements of Golden Block Investments Limited and Dunedin International Airport Limited for the year ended 30 June have been used. The financial statements of Otago Chipmill Limited for the year ending 31 December 2016 were used as these were the financial statements closest to the year end of Dunedin City Council.

None of the associate companies are listed and therefore there are no published price quotations to establish the fair value of these investments.

The Directors of City Forests Ltd resolved to write down the value of the Otago Chipmill Limited investment to \$nil at 30 June 2015.

There are only contingent liabilities arising from the group's involvement in the associate companies is for Golden Block Investments Limited which is detailed in note 22.

Summarised Balance Sheet

	Other Associates		Dunedin International Airport Limited	
	As at 30 June		As at 30 June	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Current assets				
Cash and cash equivalents	544	676	788	132
Other current assets	41	1	559	493
Total current assets	585	677	1,347	625
Non-current assets	2,337	2,359	86,428	69,615
Total assets	2,922	3,036	87,775	70,240
Current liabilities	341	365	3,115	1,706
Non-current liabilities				
Financial liabilities	2,600	2,600	9,100	9,100
Other financial liabilities	-	-	16,001	12,978
Total non-current liabilities	2,600	2,600	25,101	22,078
Total liabilities	2,941	2,965	28,216	23,784
Net assets	(19)	71	59,559	46,456
Less				
Impairment	-	-	-	-
Other adjustments	19	(71)	(50)	(50)
Net assets after impairment and other adjustments	-	-	59,509	46,406
Carrying value of associates	-	-	29,755	23,203
	49.0%	49.0%	50.0%	50.0%

Summarised Statement of Comprehensive Income

	Other Associates		Dunedin International Airport Limited	
	As at 30 June		As at 30 June	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Total Revenue	530	493	14,130	13,158
Less Expenses				
Other expenses	264	131	7,633	7,002
Interest expense	114	125	464	624
Depreciation and amortisation	-	-	2,872	2,851
Total Expenses	378	256	10,969	10,477
Operating surplus/(deficit) before tax	152	237	3,161	2,681
Income tax	42	13	840	723
Operating surplus/(deficit) after tax	110	224	2,321	1,958
Other comprehensive income	-	-	12,190	(13)
Total comprehensive income/(deficit)	110	224	14,511	1,945
Dividend received from associate	100	-	704	704

13

Term Loans

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Total loan balance	202,419	216,073	573,029	580,515
Less current portion	-	(17,738)	(1,686)	(1,770)
Non-current portion	202,419	198,335	571,343	578,745
<i>Security</i>				
Secured multi-option note facility	-	-	567,378	575,210
Secured other loans	202,419	216,073	5,651	5,305
	202,419	216,073	573,029	580,515

Core Council term loans are secured by rates revenue and are borrowed from Dunedin City Treasury Limited.

The Group has an \$850 million Multi Option Debt Issuance Facility which is secured against certain assets and undertakings of the Dunedin City Council Group. Debt is raised by issuing long dated bonds, floating rate notes or by the issue of Promissory Notes usually issued for three month terms.

Three independent banks have provided committed facilities to the amount of \$125 million (2016: \$130 million).

The amount of unamortised premium or (discount) on bonds on issue at 30 June 2017 is nil (2016: 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 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.

Dunedin City Treasury Limited issues bonds with a floating or fixed interest rate. The issuing of bonds at fixed interest rates exposes the Group to fair value interest rate risk.

Analysis of Debt

		Group 2017 \$000	Group 2016 \$000
	Interest Rate		
Promissory Notes		59,702	64,730
Bonds 15/11/16	Coupon rate 6.79%	-	50,000
Floating Notes 15/2/17	80bp over BKBM	-	20,000
Bonds 15/10/17	Coupon rate 7.81%	60,000	60,000
Floating Notes 7/10/17	38bp over BKBM	20,000	20,000
Floating Notes 15/5/18	43bp over BKBM	20,000	20,000
Bonds 17/7/18	Coupon rate 6.57%	50,000	50,000
Bonds 17/12/18	Coupon rate 6.85%	15,000	15,000
Floating rate notes 15/11/19	50bp over BKBM	50,000	-
Bonds 16/11/20	Coupon rate 5.56%	50,000	50,000
Bonds 15/4/21	Coupon rate 3.15%	30,000	30,000
Bonds 25/11/21	Coupon rate 4.88%	70,000	70,000
Floating Notes 15/10/22	56bp over BKBM	50,000	50,000
Floating Notes 15/02/24	65bp over BKBM	25,000	-
Bonds 15/4/26	Coupon rate 3.98%	65,000	65,000
Fair Value Impact on Bonds		2,676	8,794
Forestry Loans	Coupon rate 6.09%	5,178	6,518
Housing NZ loan		473	473
		573,029	580,515

The forestry loans are from the Ministry of Primary Industries. They are fixed rate loans secured by registered first mortgage over certain land assets and are covered by repayment insurance. The amount is repayable in equal quarterly instalments through to 31 December 2021 and the interest applicable is 6.09%.

The fair value of the debt and maturity profile is disclosed in note 20, 'Financial Instruments'.

Repayment period on term borrowings

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Repayable less than one year	17,041	17,738	101,686	71,770
Repayable between one to five years	57,515	54,922	328,194	384,479
Repayable later than five years	127,863	143,413	143,149	124,266
	202,419	216,073	573,029	580,515

14 Provisions

Core Council movement in provisions

	Landfill aftercare	Accrued long service leave	Gratuities	Total
	2017	2017	2017	2017
	\$000	\$000	\$000	\$000
Opening balance	6,974	345	962	8,281
Net movement in provision	(2)	122	(70)	50
Closing balance	6,972	467	892	8,331
	Landfill aftercare	Accrued long service leave	Gratuities	Total
	2016	2016	2016	2016
	\$000	\$000	\$000	\$000
Opening balance	7,000	366	992	8,358
Net movement in provision	(26)	(21)	(30)	(77)
Closing balance	6,974	345	962	8,281

Landfill aftercare provision

There are five landfill aftercare provisions dealing with the closed North Taieri landfill, the Green Island landfill and three other provisions dealing with the remaining smaller landfills.

Accrued long service leave

The non-current portion of accrued long service leave has been calculated on an actuarial basis and is based on the reasonable likelihood that it will be earned by employees and paid by the group.

Consolidated movement in provisions

	Landfill aftercare	Accrued long service leave	Gratuities	Total
	2017	2017	2017	2017
	\$000	\$000	\$000	\$000
Opening balance	6,974	837	1,337	9,148
Net movement in provision	(2)	138	(67)	69
Closing balance	6,972	975	1,270	9,217
	Landfill aftercare	Accrued long service leave	Gratuities	Total
	2016	2016	2016	2016
	\$000	\$000	\$000	\$000
Opening balance	7,000	631	1,089	8,720
Net movement in provision	(26)	206	248	428
Closing balance	6,974	837	1,337	9,148

15

Property, Plant and Equipment

The Council assesses the fair valuation of core Council land and buildings at the carrying values shown below.

Council asset valuations

Operational assets

Land and buildings

Land and buildings have been valued at fair value by Andrew Parkyn of QV Asset and Advisory as at 30 June 2015.

Infrastructure assets

As required under section 6 paragraph 3 (c) of the Local Government (Financial Reporting and Prudence) Regulations 2014, the estimated replacement cost of infrastructure property, plant and equipment is stated below; roading assets; \$1,519,232,105, water assets; \$789,029,440, sewerage assets; \$853,329,641, stormwater assets; \$432,724,015.

Infrastructure assets comprising roads, bridges and footpaths, lights, traffic signals and signs have been valued at depreciated replacement cost as at 30 June 2017. The valuation of these assets has been done by Pauline True and Lachlan Crawford of Stantec New Zealand, independent consultants. The valuation has been peer reviewed by Brian Smith of Brian Smith Advisory Services Limited.

Infrastructure assets comprising water reticulation, water plant and facilities, wastewater reticulation, wastewater plant and facilities, stormwater reticulation, stormwater plant and facilities, landfill plant and facilities, have been valued as at June 2016 by Council staff at depreciated replacement cost. The methodology to update these valuations has been confirmed by an independent valuer Gary Dent of Fluent Infrastructure Solutions Limited, Registered Consultant Engineers.

Restricted assets

Land and buildings

Land have been valued by Andrew Parkyn of QV Asset and Advisory as at 30 June 2015.

Buildings have been valued by Andrew Parkyn of QV Asset and Advisory as at 30 June 2015.

Hard surfaces and reticulation systems

Hard surfaces and reticulation systems have been valued by Alistair McGaughran of MWH NZ Ltd as at 30 June 2014.

Playground and soft-fall areas

Playground and soft-fall areas have been valued by Alistair McGaughran of MWH NZ Limited as at 30 June 2016.

Heritage assets

Heritage assets include; the Art Gallery Collection at the Dunedin Public Art Gallery, the Theomin Collection at Olveston, the Collection at Toitū Otago Settlers Museum, the Rare Book Collection at the Dunedin Public Library and the monuments, statues and outdoor art.

The Art Gallery Collection has been valued by the Council Collection Manager as a “heritage collection” at estimated current values as at 30 June 1993. The value represents its deemed cost.

The Theomin Collection has been valued as a heritage collection by staff employed by the Theomin Gallery Management Committee. The collection was valued at estimated current values as at 30 June 1993. The value represents its deemed cost.

The Toitū Otago Settlers Museum Collection has been valued at its estimated insurance value in 2002. The value represents the deemed cost.

The Rare Book Collection has been valued at market value by independent valuer Stuart Strachan and library staff member Anthony Tedeschi, as at 30 June 2011. The value represents its deemed cost.

Monuments, statues and outdoor art have been valued at depreciation replacement value by Andrew Parkyn of QV Asset & Advisory as at 30 June 2015.

The heritage land and buildings of the Railway Station and the Olveston historic house have been valued by Andrew Parkyn of QV Asset and Advisory as at 30 June 2015.

Current Year	Balance as at 1 July 2016	Additions (assets constructed or purchased)	Vested Assets (assets transferred)	Disposals	Net revaluation/ (decrements)	Depreciation	Impairment	Reclassification	Total at 30 June 2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational assets									
Gross carrying amount									
Land	90,300	1,017	-	-	-	-	-	(4,130)	87,187
Buildings and structures	219,183	486	-	-	-	-	-	(2)	219,667
Fixed plant and equipment	13,969	1,567	-	-	-	-	-	-	15,536
Vehicle, mobile plant	3,786	462	-	(402)	-	-	-	-	3,846
Office equipment	26,811	831	-	(3)	-	-	-	-	27,639
Library collection	8,997	816	-	-	-	-	-	(135)	9,678
Total	363,046	5,179	-	(405)	-	-	-	(4,267)	363,553
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	-	-	-	-	-	-
Buildings and structures	(9,425)	-	-	-	-	(9,427)	-	1	(18,851)
Fixed plant and equipment	(9,939)	-	-	-	-	(817)	-	-	(10,756)
Vehicle, mobile plant	(2,903)	-	-	312	-	(238)	-	-	(2,829)
Office equipment	(21,445)	-	-	3	-	(1,675)	-	-	(23,117)
Library collection	(6,135)	-	-	-	-	(977)	-	(3)	(7,115)
Total	(49,847)	-	-	315	-	(13,134)	-	(2)	(62,668)
Net book value as at 30 June	313,199	5,179	-	(90)	-	(13,134)	-	(4,269)	300,885

Current Year	Balance as at 1 July 2016 \$000	Additions (assets constructed or purchased) \$000	Vested Assets (assets transferred) \$000	Disposals \$000	Net revaluation/ (decrements) \$000	Depreciation \$000	Impairment \$000	Reclassification \$000	Total at 30 June 2017 \$000
Infrastructural assets									
Gross carrying amount									
Land	24,435	-	-	-	-	-	-	-	24,435
Land fill provision capitalised	2,763	-	-	-	-	-	-	-	2,763
Roadways and bridges	959,900	16,969	2,113	-	9,231	-	-	-	988,213
Water reticulation	257,654	6,622	2,157	-	17,593	-	-	(1,144)	282,882
Water plant and facilities	68,828	297	-	-	4,656	-	-	1,319	75,100
Wastewater reticulation	221,343	4,014	1,952	-	93,370	-	-	(320)	320,359
Wastewater plant and facilities	102,077	978	-	-	(1,266)	-	-	(165)	101,624
Stormwater reticulation	123,940	1,349	2,479	-	25,479	-	-	322	153,569
Stormwater plant and facilities	2,262	125	-	-	(3)	-	-	2	2,386
Landfill plant and facilities	5,193	103	-	-	74	-	-	-	5,370
Total	1,768,395	30,457	8,701	-	149,134	-	-	14	1,956,701
Accumulated depreciation/ amortisation and impairment									
Land fill provision capitalised	(1,625)	-	-	-	-	(162)	-	-	(1,787)
Roadways and bridges	-	-	-	-	18,994	(18,994)	-	-	-
Water reticulation	(6,903)	-	-	-	6,881	(7,835)	-	22	(7,835)
Water plant and facilities	(2,225)	-	-	-	2,267	(2,929)	-	(50)	(2,937)
Wastewater reticulation	(4,966)	-	-	-	4,964	(5,512)	-	2	(5,512)
Wastewater plant and facilities	(3,833)	-	-	-	3,822	(4,432)	-	11	(4,432)
Stormwater reticulation	(2,533)	-	-	-	2,535	(3,486)	-	(2)	(3,486)
Stormwater plant and facilities	(96)	-	-	-	96	(109)	-	-	(109)
Landfill plant and facilities	(350)	-	-	-	350	(415)	-	-	(415)
Total	(22,531)	-	-	-	39,909	(43,874)	-	(17)	(26,513)
Net book value as at 30 June	1,745,864	30,457	8,701	-	189,043	(43,874)	-	(3)	1,930,188

Current Year	Balance as at 1 July 2016 \$000	Additions (assets constructed or purchased) \$000	Vested Assets (assets transferred) \$000	Disposals \$000	Net revaluation/ (decrements) \$000	Depreciation \$000	Impairment \$000	Reclassification \$000	Total at 30 June 2017 \$000
Restricted assets									
Gross carrying amount									
Land	169,684	-	-	-	-	-	-	1,068	170,752
Buildings and structures	37,853	2,131	-	-	-	-	-	-	39,984
Road reserve	190,647	-	1,305	-	-	-	-	(190)	191,762
Hard surfaces and reticulation systems	12,076	23	-	-	-	-	-	192	12,291
Fixed plant and equipment	3,165	1	-	-	-	-	-	(93)	3,073
Playground and soft-fall areas	4,916	497	-	-	-	-	-	93	5,506
Total	418,341	2,652	1,305	-	-	-	-	1,070	423,368
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	-	-	-	-	-	-
Buildings and structures	(1,731)	-	-	-	-	(1,811)	-	-	(3,542)
Road reserve	-	-	-	-	-	-	-	-	-
Hard surfaces and reticulation systems	(1,465)	-	-	-	-	(738)	-	(15)	(2,218)
Fixed plant and equipment	(544)	-	-	-	-	(118)	-	24	(638)
Playground and soft-fall areas	-	-	-	-	-	(451)	-	(7)	(458)
Total	(3,740)	-	-	-	-	(3,118)	-	2	(6,856)
Net book value as at 30 June	414,601	2,652	1,305	-	-	(3,118)	-	1,072	416,512

Current Year	Balance as at 1 July 2016	Additions (assets constructed or purchased)	Vested Assets (assets transferred)	Disposals	Net revaluation/ (decrements)	Depreciation	Impairment	Reclassification	Total at 30 June 2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Heritage assets									
Gross carrying amount									
Land	4,388	-	-	-	-	-	-	-	4,388
Buildings	8,310	-	-	-	-	-	-	-	8,310
Collections	65,987	109	-	-	-	-	-	135	66,231
Monuments	12,155	-	-	-	-	-	-	-	12,155
Total	90,840	109	-	-	-	-	-	135	91,084
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	-	-	-	-	-	-
Buildings	(140)	-	-	-	-	(140)	-	-	(280)
Collections	(404)	-	-	-	-	(91)	-	3	(492)
Monuments	(72)	-	-	-	-	(73)	-	-	(145)
Total	(616)	-	-	-	-	(304)	-	3	(917)
Net book value as at 30 June	90,224	109	-	-	-	(304)	-	138	90,167
Capital work in progress									
Water and waste systems	21,825	(4,127)	-	-	-	-	-	-	17,698
Land and buildings	243	1,201	-	-	-	-	-	-	1,444
Other assets	1,172	(137)	-	-	-	-	-	-	1,035
	23,240	(3,063)	-	-	-	-	-	-	20,177
Council total net book value as at 30 June	2,587,128	35,334	10,006	(90)	189,043	(60,430)	-	(3,062)	2,757,929

Current Year	Balance as at 1 July 2016 \$000	Additions (assets constructed or purchased) \$000	Vested Assets (assets transferred) \$000	Disposals \$000	Net revaluation/ (decrements) \$000	Depreciation \$000	Impairment \$000	Reclassification \$000	Total at 30 June 2017 \$000
Subsidiaries assets									
Gross carrying amount									
Land	10,323	-	-	(2)	-	-	-	(278)	10,043
Forest land	26,375	954	-	-	241	-	-	-	27,570
Buildings and structures	20,285	290	-	(19)	-	-	-	(509)	20,047
Fixed plant and equipment	25,743	1,850	-	(2,596)	-	-	-	(1,236)	23,761
Roadways and bridges	7,183	5	-	-	-	-	-	-	7,188
Stadium	223,595	19	-	-	-	-	-	-	223,614
Networks	512,334	30,020	-	(52)	-	-	-	14	542,316
Vehicle, mobile plant	26,100	2,852	-	(2,074)	-	-	-	56	26,934
Rolling stock and rail track	5,098	280	-	-	-	-	-	-	5,378
Construction	26,150	15,356	-	-	-	-	-	(140)	41,366
Office equipment	2,457	105	-	(28)	-	-	-	(1,533)	1,001
Total	885,643	51,731	-	(4,771)	241	-	-	(3,626)	929,218
Accumulated depreciation/ amortisation and impairment									
Buildings and structures	(4,749)	-	-	18	-	(293)	-	260	(4,764)
Fixed plant and equipment	(19,367)	-	-	2,510	-	(1,743)	-	1,241	(17,359)
Roadways and bridges	(3,904)	-	-	-	-	(168)	-	-	(4,072)
Stadium	(38,570)	-	-	-	-	(7,292)	-	-	(45,862)
Networks	(130,908)	-	-	52	-	(15,032)	-	-	(145,888)
Vehicle, mobile plant	(15,298)	-	-	1,952	-	(2,263)	-	116	(15,493)
Rolling stock and rail track	(2,510)	-	-	-	-	(239)	-	-	(2,749)
Construction	-	-	-	-	-	-	-	-	-
Office equipment	(1,581)	-	-	28	-	(98)	-	889	(762)
Total	(216,887)	-	-	4,560	-	(27,128)	-	2,506	(236,949)
Net book value as at 30 June	668,756	51,731	-	(211)	241	(27,128)	-	(1,120)	692,269
Group total net book value as at 30 June	3,255,884	87,065	10,006	(301)	189,284	(87,558)	-	(4,182)	3,450,198

Last Year	Balance as at 1 July 2015	Additions (assets constructed or purchased)	Vested Assets (assets transferred)	Disposals	Net revaluation/ (decrements)	Depreciation	Impairment	Reclassification	Total at 30 June 2016
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational assets									
Gross carrying amount									
Land	89,672	1,330	-	(720)	-	-	-	18	90,300
Buildings and structures	218,763	419	-	-	-	-	-	1	219,183
Fixed plant and equipment	13,582	387	-	-	-	-	-	-	13,969
Vehicle, mobile plant	3,813	253	-	(292)	-	-	-	12	3,786
Office equipment	25,993	818	-	-	-	-	-	-	26,811
Library collection	7,839	1,158	-	-	-	-	-	-	8,997
Total	359,662	4,365	-	(1,012)	-	-	-	31	363,046
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	-	-	-	-	-	-
Buildings and structures	-	-	-	-	-	(9,425)	-	-	(9,425)
Fixed plant and equipment	(9,131)	-	-	-	-	(808)	-	-	(9,939)
Vehicle, mobile plant	(2,908)	-	-	263	-	(258)	-	-	(2,903)
Office equipment	(19,809)	-	-	-	-	(1,636)	-	-	(21,445)
Library collection	(5,191)	-	-	-	-	(944)	-	-	(6,135)
Total	(37,039)	-	-	263	-	(13,071)	-	-	(49,847)
Net book value as at 30 June	322,623	4,365	-	(749)	-	(13,071)	-	31	313,199

Last Year	Balance as at 1 July 2015 \$000	Additions (assets constructed or purchased) \$000	Vested Assets (assets transferred) \$000	Disposals \$000	Net revaluation/ (decrements) \$000	Depreciation \$000	Impairment \$000	Reclassification \$000	Total at 30 June 2016 \$000
Infrastructural assets									
Gross carrying amount									
Land	24,435	-	-	-	-	-	-	-	24,435
Land fill provision capitalised	2,763	-	-	-	-	-	-	-	2,763
Roadways and bridges	923,093	12,627	9,768	-	14,447	-	-	(35)	959,900
Water reticulation	254,589	2,430	640	-	-	-	-	(5)	257,654
Water plant and facilities	68,574	232	-	-	-	-	-	22	68,828
Wastewater reticulation	218,450	2,893	-	-	-	-	-	-	221,343
Wastewater plant and facilities	100,628	1,449	-	-	-	-	-	-	102,077
Stormwater reticulation	123,121	819	-	-	-	-	-	-	123,940
Stormwater plant and facilities	2,262	-	-	-	-	-	-	-	2,262
Landfill plant and facilities	5,193	-	-	-	-	-	-	-	5,193
Other infrastructural assets	-	-	-	-	-	-	-	-	-
Total	1,723,108	20,450	10,408	-	14,447	-	-	(18)	1,768,395
Accumulated depreciation/ amortisation and impairment									
Land fill provision capitalised	(1,465)	-	-	-	-	(163)	-	3	(1,625)
Roadways and bridges	-	-	-	-	18,269	(18,278)	-	9	-
Water reticulation	-	-	-	-	-	(6,903)	-	-	(6,903)
Water plant and facilities	-	-	-	-	-	(2,225)	-	-	(2,225)
Wastewater reticulation	-	-	-	-	-	(4,966)	-	-	(4,966)
Wastewater plant and facilities	-	-	-	-	-	(3,833)	-	-	(3,833)
Stormwater reticulation	-	-	-	-	-	(2,533)	-	-	(2,533)
Stormwater plant and facilities	-	-	-	-	-	(96)	-	-	(96)
Landfill plant and facilities	-	-	-	-	-	(350)	-	-	(350)
Other infrastructural assets	-	-	-	-	-	-	-	-	-
Total	(1,465)	-	-	-	18,269	(39,347)	-	12	(22,531)
Net book value as at 30 June	1,721,643	20,450	10,408	-	32,716	(39,347)	-	(6)	1,745,864

Last Year	Balance as at 1 July 2015 \$000	Additions (assets constructed or purchased) \$000	Vested Assets (assets transferred) \$000	Disposals \$000	Net revaluation/ (decrements) \$000	Depreciation \$000	Impairment \$000	Reclassification \$000	Total at 30 June 2016 \$000
Restricted assets									
Gross carrying amount									
Land	170,096	-	-	(394)	-	-	-	(18)	169,684
Buildings and structures	37,127	726	-	-	-	-	-	-	37,853
Hard surfaces and reticulation systems	12,007	69	-	-	-	-	-	-	12,076
Fixed plant and equipment	3,049	114	-	-	-	-	-	2	3,165
Road reserve	182,239	20	8,388	-	-	-	-	-	190,647
Playground and soft-fall areas	3,755	118	-	-	1,043	-	-	-	4,916
Total	408,273	1,047	8,388	(394)	1,043	-	-	(16)	418,341
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	-	-	-	-	-	-
Buildings and structures	-	-	-	-	-	(1,731)	-	-	(1,731)
Hard surfaces and reticulation systems	(739)	-	-	-	-	(726)	-	-	(1,465)
Fixed plant and equipment	(411)	-	-	-	-	(119)	-	(14)	(544)
Road reserve	-	-	-	-	-	-	-	-	-
Playground and soft-fall areas	(871)	-	-	-	1,169	(307)	-	9	-
Total	(2,021)	-	-	-	1,169	(2,883)	-	(5)	(3,740)
Net book value as at 30 June	406,252	1,047	8,388	(394)	2,212	(2,883)	-	(21)	414,601

Last Year	Balance as at 1 July 2015 \$000	Additions (assets constructed or purchased) \$000	Vested Assets (assets transferred) \$000	Disposals \$000	Net revaluation/ (decrements) \$000	Depreciation \$000	Impairment \$000	Reclassification \$000	Total at 30 June 2016 \$000
Heritage assets									
Gross carrying amount									
Land	4,388	-	-	-	-	-	-	-	4,388
Buildings	8,310	-	-	-	-	-	-	-	8,310
Collections	65,937	50	-	-	-	-	-	-	65,987
Monuments	12,129	-	26	-	-	-	-	-	12,155
Total	90,764	50	26	-	-	-	-	-	90,840
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	(140)	-	-	(140)
Collections	(309)	-	-	-	-	(95)	-	-	(404)
Monuments	-	-	-	-	-	(72)	-	-	(72)
Total	(309)	-	-	-	-	(307)	-	-	(616)
Net book value as at 30 June	90,455	50	26	-	-	(307)	-	-	90,224
Capital work in progress									
Water and waste systems	11,136	10,689	-	-	-	-	-	-	21,825
Land and buildings	796	(553)	-	-	-	-	-	-	243
Other assets	950	222	-	-	-	-	-	-	1,172
	12,882	10,358	-	-	-	-	-	-	23,240
Council total net book value as at 30 June	2,553,855	36,270	18,822	(1,143)	34,928	(55,608)	-	4	2,587,128
Vested assets									
State Highway 88 assets (Anzac Ave)			9,854						
Other vested assets			8,968						
			18,822						

Last Year	Balance as at 1 July 2015	Additions (assets constructed or purchased)	Vested Assets (assets transferred)	Disposals	Net revaluation/ (decrements)	Depreciation	Impairment	Reclassification	Total at 30 June 2016
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Subsidiaries assets									
Gross carrying amount									
Land	10,213	120	-	-	-	-	-	(10)	10,323
Forest land	25,574	801	-	-	-	-	-	-	26,375
Buildings and structures	20,694	860	-	(1,269)	-	-	-	-	20,285
Fixed plant and equipment	23,964	2,137	-	(358)	-	-	-	-	25,743
Roadways and bridges	6,712	471	-	-	-	-	-	-	7,183
Stadium	224,556	894	-	(1,855)	-	-	-	-	223,595
Networks	487,717	31,504	-	(6,887)	-	-	-	-	512,334
Vehicle, mobile plant	24,776	2,196	-	(872)	-	-	-	-	26,100
Rolling stock and rail track	4,720	378	-	-	-	-	-	-	5,098
Construction	20,862	5,288	-	-	-	-	-	-	26,150
Office equipment	1,969	513	-	(25)	-	-	-	-	2,457
Total	851,757	45,162	-	(11,266)	-	-	-	(10)	885,643
Accumulated depreciation/ amortisation and impairment									
Buildings and structures	(4,847)	-	-	377	-	(279)	-	-	(4,749)
Fixed plant and equipment	(17,512)	-	-	348	-	(1,848)	(355)	-	(19,367)
Roadways and bridges	(3,730)	-	-	-	-	(174)	-	-	(3,904)
Stadium	(31,904)	-	-	708	-	(7,374)	-	-	(38,570)
Networks	(123,596)	-	-	6,839	-	(14,151)	-	-	(130,908)
Vehicle, mobile plant	(13,843)	-	-	661	-	(2,116)	-	-	(15,298)
Rolling stock and rail track	(2,286)	-	-	-	-	(224)	-	-	(2,510)
Construction	-	-	-	-	-	-	-	-	-
Office equipment	(1,450)	-	-	25	-	(156)	-	-	(1,581)
Total	(199,168)	-	-	8,958	-	(26,322)	(355)	-	(216,887)
Net book value as at 30 June	652,589	45,162	-	(2,308)	-	(26,322)	(355)	(10)	668,756
Group total net book value as at 30 June	3,206,444	81,432	18,822	(3,451)	34,928	(81,930)	(355)	(6)	3,255,884

16

Investment Property

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Opening balance	88,288	89,684	88,288	89,684
Plus additions	-	13	-	13
	88,288	89,697	88,288	89,697
Less disposals	-	370	-	370
	88,288	89,327	88,288	89,327
Net Gains / losses from fair value adjustments	2,150	(1,039)	2,150	(1,039)
Closing balance	90,438	88,288	90,438	88,288

Trend statement for the six years to 30 June 2017 (the Council)

	Actual 2017 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2013 \$000	Actual 2012 \$000
Fair market value of investment properties	90,438	88,288	89,684	95,217	91,413	93,565

Investment properties and properties intended for sale

All investment properties were valued by Daryl Taggart, David Paterson, Jon Parker and Chelsea Mudge of Quotable Value Limited.

In broad terms the value is established based on the expected return in the future for a particular property. Therefore it should be noted that the rate of return disclosed is the result of assessing past income to a future value.

Investment properties; net income and investment return

	CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000
Rental from investment properties	7,929	7,978
Operating expenditure investment properties	(2,891)	(2,810)
	5,038	5,168
Plus internal rental for car-park buildings	890	890
	(548)	(629)
	5,380	5,429
Plus net gain on sale of properties	-	50
Net gains or (losses) from fair value adjustments	2,150	(1,039)
Net income including fair value gains and losses	7,530	4,440

Investment return including fair value gains and losses but excluding the interest paid on loans borrowed: 8.33% (2016: 5.03%).

17

Intangible Assets

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	\$000	\$000	\$000	\$000
Opening cost	8,856	8,626	15,102	14,411
Additional intangible assets	382	230	833	691
Carbon credits surrendered	(117)	-	(117)	-
Closing cost	9,121	8,856	15,818	15,102
Accumulated amortisation opening balance	6,342	5,503	11,057	9,730
Impairments	-	-	-	-
Amortisation	897	839	1,399	1,327
Accumulated amortisation closing balance	7,239	6,342	12,456	11,057
Net book value	1,882	2,514	3,362	4,045
Computer intangibles	1,860	2,375	3,340	3,906
Carbon credits	22	139	22	139
	1,882	2,514	3,362	4,045

During 2013 the Dunedin City Council as owner of land with pre 1989 forests on that land was entitled to carbon credits (NZU's). These have been acquired and have been banked, held to be offset against expected future carbon liabilities from the operation of the landfill. Further NZU's have been acquired on the open market and are also held to offset expected future carbon liabilities.

18

Forestry Assets

	CONSOLIDATED	
	Actual 2017	Actual 2016
	\$000	\$000
Forestry assets		
Opening balance	123,802	113,629
Add costs capitalised in establishing forests during year	2,083	1,947
Increase in forest from acquisition	3,212	237
Revaluation	9,629	9,524
Less value of logs harvested	(2,393)	(1,535)
Closing balance	136,333	123,802

The directors of City Forests Limited revalue its forestry assets annually and Dunedin City Holdings Limited adopts that value.

The valuation methodology used establishes the fair value of the collective forest and land resource and then subtracts the value of the forestry land at \$27,569,800 value. The PBE IPSAS valuation rules require that the value is calculated under the assumption that a stand will not be replanted once felled irrespective of the sustainable forest policy of the Directors. The change in the value of the forest from period to period is reflected in the Statement of Comprehensive Revenue and Expense.

Fair value requires calculating the present value of expected net cash flows using a post-tax discount rate. This discount rate used by the company is 6.5% (2016: 6.5%).

The forestry valuation is subject to a number of assumptions. The ones with the most significant volatility or impact on the valuation are the discount rate applied and the log prices adopted. The discount rate adopted was 6.5%; a +/- 50 basis point movement in the discount rate would change the valuation by +\$7.03 mil/ - \$6.41 mil. A 10% increase or decrease in assumed log prices would change the valuation by +\$11.59 mil/ -\$11.51 mil; (note that these sensitivities shown are independent and different outcomes would result from combined changes in discount and log prices).

At 30 June 2017 the company owned stands of trees on 16,795 hectares of a total land holding of 20,850 hectares. During the year the company harvested approx. 277,201 m3 of logs from its forests.

City Forests Limited is exposed to financial risks associated with USD log price and the USD and AUD sawn timber prices. This risk is managed through its financial management policy described within note 20, Financial Instruments. City Forests Limited is a long-term forestry investor that expects log prices to fluctuate within a commodity cycle. It is not possible to hedge against 100% of the price cycle but the company does manage harvest volumes to minimise the impact of the commodity price cycle over the longer term.

The valuer of the forestry asset was an employee of City Forests Limited who has a Bachelor of Forestry Science with Honours, a Post Graduate Certificate in Executive Management and is a member of the New Zealand Institute of Forestry. He has the appropriate knowledge and the skills to complete the valuation.

A peer review of the valuation process and key inputs was conducted by Woodlands Pacific. The peer review was completed with regard to a summary of market transactions at arms length terms and current market conditions. The valuation assumptions include all direct costs and revenues.

Log inventories are valued at net realisation value less estimated point of sale costs and wood processing inventories at net realisable value.

New Zealand carbon credits

The New Zealand Emissions Trading Scheme was enacted under the Climate Change Response Amendment Act 2008 and was made into law on 26 September 2008.

A forest owner with forests established after 31st December 1989, under the Act, may opt to join the Emissions Trading Scheme. Post-89 forests will earn carbon credits (NZU's) from 1st January 2008 and these may be traded within New Zealand or converted into Assigned Amount Units (AAU's) and sold internationally. City Forests Limited completed registration of the Post-89 forests under the Emissions Trading Scheme in January 2010. These forests have been sequestering carbon under the scheme since 1st January 2008. Subsequent to our Post-89 registration, the New Zealand Government has allocated City Forests Limited a total of 2,005,337 Post-89 derived NZU's, being the carbon sequestered by these forests during the 2008 to 2017 calendar years. In 2017, 30,967 ERU's were purchased. There has been no carbon credit sales for the financial year.

As at 30th June 2017, 1,369,304 units were unsold (2016: 965,903). Under the accrual principle, the unsold credits have been valued based on the current market prices and recognised in the financial statements.

In future years there will be a carbon credit liability against a proportion of the carbon credits sequestered from Post-1989 forest areas in accordance with New Zealand Emission Trading Scheme Regulations. A proportion of Carbon sequestered from Post-1989 areas will have to be surrendered to compensate for the carbon liability generated from harvesting those forest areas. The intangible asset represents the value of carbon sequestered to date and can be used to settle carbon credit liability on harvesting.

	CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000
New Zealand carbon credits	23,413	17,288

19 Waipori Fund

Funds from the sale of Waipori Power Generation Limited and the Council's 42% interest in United Electricity became available in the latter part of October 1998. Funds were invested in short-term financial instruments from that date. Following the Council's appointment of Dunedin City Treasury Limited as fund manager and the selection of equity and property investment advisors in March 1999, the programme of investment selection began in accordance with the allocation broadly indicated in the Council approved statement of policies and objectives.

Waipori Fund – Income Statement for the Year Ended 30 June 2017	Actual 2017 \$000	Actual 2016 \$000
Income	3,222	2,510
Less expenditure	(213)	(205)
Net operating income	3,009	2,305
Plus unrealised gains/(loss)	2,700	1,667
Net surplus to equity	5,709	3,972
Less inflation adjustment	(1,782)	(336)
Available for distribution to Council	3,927	3,636

Waipori Fund – Statement of Movement in Equity as at 30 June 2017

	Actual 2017 \$000	Actual 2016 \$000
Equity at the beginning of the year	82,263	81,951
Plus net surplus for the year	5,709	3,972
	87,972	85,923
Less distribution	(3,755)	(3,660)
	84,217	82,263

Waipori Fund – Balance Sheet as at 30 June 2017

	Actual 2017 \$000	Actual 2016 \$000
Current assets		
Bank account	1,857	349
Accounts receivable	312	347
Short term investments		
- Other	6,614	5,579
- Dunedin City Council	-	-
Total current assets	8,783	6,275
Investments		
Equities	42,986	47,594
Property	-	-
Term financial instruments		
- Other	31,649	27,452
-Dunedin City Council	808	1,177
Total investments	75,444	76,223
Total assets	84,227	82,498
Current liabilities		
Accruals	9	235
Total current liabilities	9	235
Equity		
Principal of the fund including inflation adjustment	84,046	82,288
Residual surplus	172	(25)
Total equity	84,218	82,263
Total equity and liabilities	84,227	82,498

Waipori Fund – Trend Statement for the 6 years to 30 June 2017

	Actual 2017 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2013 \$000	Actual 2012 \$000
Main income sources						
Interest	1,819	1,669	1,743	1,675	1,681	1,838
Dividend	1,625	1,869	1,876	1,630	1,790	1,265
Rent	-	-	-	-	197	213
Realised gains/loss on asset sales	(222)	(1,028)	(347)	217	359	(388)
Main assets						
Financial instruments	40,812	34,503	32,880	31,741	35,674	32,640
Equity	42,986	47,594	48,678	43,397	39,578	33,333
Direct property investment *	-	-	-	-	-	2,450
Alternative investments	-	-	-	-	678	938
Return on assets before unrealised gains or losses						
Financial instruments	4.46%	4.84%	5.30%	5.28%	4.71%	5.63%
Equity	3.78%	3.93%	3.85%	3.75%	4.52%	3.80%
Direct property investment *	-	-	-	-	-	8.69%
Return on assets after unrealised gains or losses	6.94%	6.30%	13.10%	6.08%	9.91%	1.28%

* Direct property investment sold in June 2013 for \$2,602,000.

20 Financial Instruments

The consolidated entity's corporate treasury function provides services to the business, co-ordinates access to domestic financial markets and manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the Council, which provides written principles on the use of financial derivatives.

a) Liquidity risk

Liquidity risk represents the group's ability to meet its contractual obligations. The group evaluates its liquidity requirements on an ongoing basis and Dunedin City Treasury Limited actively manages its liquidity risk through: maintaining the best credit rating appropriate to the Dunedin City Council group expenditure and revenue plans arrangement of appropriate backup facilities to the short term borrowing programme managing a prudent balance of both short and long term borrowing programmes regular review of projected cash flows and debt requirements.

In general the group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The maturity profiles of the group's financial assets and liabilities are as follows:

Contractual cash-flow profile of financial instruments of the Council

2017	Carrying Amount \$000	Contractual Cash flows \$000	Less than 1 Year \$000	Between 1 and 5 Years \$000	After 5 Years \$000
Financial assets					
Cash in bank	4,460	4,460	4,460	-	-
Dunedin City Holdings Limited advance	112,000	112,000	-	-	112,000
Trade and other receivables	13,194	13,194	13,194	-	-
Current financial assets	6,864	6,864	6,864	-	-
Other financial assets	75,120	75,120	31,649	485	42,986
Loans and advances	324	324	221	50	53
Total	211,962	211,962	56,388	535	155,039
Financial liabilities					
Short term borrowing	-	-	-	-	-
Trade and other payables	21,551	21,551	21,551	-	-
Revenue received in advance	3,256	3,256	3,256	-	-
Derivative financial liability	10,188	11,060	4,665	5,986	409
Term liabilities	202,419	326,916	18,108	74,026	234,781
Total	237,414	362,783	47,580	80,012	235,190

2016	Carrying Amount \$000	Contractual Cash flows \$000	Less than 1 Year \$000	Between 1 and 5 Years \$000	After 5 Years \$000
Financial assets					
Cash in bank	2,668	2,668	2,668	-	-
Dunedin City Holdings Limited advance	112,000	112,000	-	-	112,000
Trade and other receivables	11,634	11,634	11,634	-	-
Current financial assets	5,829	5,829	5,829	-	-
Other financial assets	75,531	75,531	27,452	485	47,594
Loans and advances	3,568	3,568	3,178	270	120
Total	211,230	211,230	50,761	755	159,714
Financial liabilities					
Short term borrowing	-	-	-	-	-
Trade and other payables	20,223	20,223	20,223	-	-
Revenue received in advance	3,651	3,651	3,651	-	-
Derivative financial liability	15,808	21,070	5,314	15,205	551
Term liabilities	216,073	382,725	19,032	73,568	290,125
Total	255,755	427,669	48,220	88,773	290,676

Contractual cash-flow profile of financial instruments of the Group

2017	Carrying Amount \$000	Contractual Cash flows \$000	Less than 1 Year \$000	Between 1 and 5 Years \$000	After 5 Years \$000
Financial assets					
Cash in bank	19,596	19,596	19,596	-	-
Trade and other receivables	39,275	39,275	39,275	-	-
Current financial assets	8,772	8,772	8,772	-	-
Derivative financial assets	6,419	9,777	3,530	4,713	1,534
Other financial assets	75,129	75,129	31,649	485	42,995
Loans and advances	324	324	221	50	53
Total	149,515	152,873	103,043	5,248	44,582
Financial liabilities					
Short term borrowing	473	473	473	-	-
Trade and other payables	54,659	54,659	54,659	-	-
Revenue received in advance	3,256	3,256	3,256	-	-
Derivative financial liability	21,730	30,127	11,432	18,991	(296)
Term liabilities	573,029	655,680	183,393	237,175	160,944
Total	653,147	744,195	253,213	256,166	160,648

2016	Carrying Amount \$000	Contractual Cash flows \$000	Less than 1 Year \$000	Between 1 and 5 Years \$000	After 5 Years \$000
Financial assets					
Cash in bank	20,080	20,080	20,080	-	-
Trade and other receivables	46,432	46,432	46,432	-	-
Current financial assets	7,171	7,171	7,171	-	-
Derivative financial assets	8,709	9,512	1,729	6,916	867
Other financial assets	75,538	75,538	27,452	485	47,601
Loans and advances	3,568	3,568	3,178	270	120
Total	161,498	162,301	106,042	7,671	48,588
Financial liabilities					
Short term borrowing	857	857	857	-	-
Trade and other payables	44,705	44,705	44,705	-	-
Revenue received in advance	3,651	3,651	3,651	-	-
Derivative financial liability	32,058	40,786	9,626	25,994	5,166
Term liabilities	580,515	654,123	163,065	343,685	147,373
Total	661,786	744,122	221,904	369,679	152,539

Maturity profile of financial instruments of the Council

2017	Weighted Average Effective Interest Rate %	Variable Interest Rate \$000	No Interest \$000	Less than 1 Year \$000	Between 1 and 5 Years \$000	After 5 years \$000	Total Carrying Amount \$000
Financial assets							
Cash in bank	0.00%	4,460	-	4,460	-	-	4,460
Dunedin City Holdings Limited advance	5.27%	112,000	-	-	-	112,000	112,000
Trade and other receivables		-	13,194	13,194	-	-	13,194
Current financial assets	1.75%	6,864	-	6,864	-	-	6,864
Other financial assets	4.20%	75,120	-	31,649	485	42,986	75,120
Loans and advances	2.31%	324	-	221	50	53	324
Total		198,768	13,194	56,388	535	155,039	211,962
Financial liabilities							
Short term borrowing		-	-	-	-	-	-
Trade and other payables		-	21,551	21,551	-	-	21,551
Revenue received in advance		-	3,256	3,256	-	-	3,256
Term liabilities	6.27%	202,419	-	17,041	57,515	127,863	202,419
Total		202,419	24,807	41,848	57,515	127,863	227,226
Financial instrument exposures							
Derivative financial asset		-	-	-	-	-	-
Derivative financial liability		10,188	-	-	-	10,188	10,188
Interest rate swaps		-	-	-	-	-	-
Foreign currency forward exchange contracts		-	-	-	-	-	-

2016	Weighted Average Effective Interest Rate %	Variable Interest Rate \$000	No Interest \$000	Less than 1 Year \$000	Between 1 and 5 Years \$000	After 5 years \$000	Total Carrying Amount \$000
Financial assets							
Cash in bank	0.00%	2,668	-	2,668	-	-	2,668
Dunedin City Holdings Limited advance	5.27%	112,000	-	-	-	112,000	112,000
Trade and other receivables		-	11,634	11,634	-	-	11,634
Current financial assets	2.25%	5,829	-	5,829	-	-	5,829
Other financial assets	4.84%	75,531	-	27,452	485	47,594	75,531
Loans and advances	3.00%	3,568	-	3,178	270	120	3,568
Total		199,596	11,634	50,761	755	159,714	211,230
Financial liabilities							
Short term borrowing		-	-	-	-	-	-
Trade and other payables		-	20,223	20,223	-	-	20,223
Revenue received in advance		-	3,651	3,651	-	-	3,651
Term liabilities	6.91%	216,072	-	17,738	54,922	143,412	216,072
Total		216,072	23,874	41,612	54,922	143,412	239,946
Financial instrument exposures							
Derivative financial asset		-	-	-	-	-	-
Derivative financial liability		15,808	-	-	-	15,808	15,808
Interest rate swaps		-	-	-	-	-	-
Foreign currency forward exchange contracts		-	-	-	-	-	-

Maturity profile of financial instruments of the Group

2017	Weighted Average Effective Interest Rate %	Variable Interest Rate \$000	No Interest \$000	Less than 1 Year \$000	Between 1 and 5 Years \$000	After 5 years \$000	Total Carrying Amount \$000
Financial assets							
Cash in Bank	0.00%	19,596	-	19,596	-	-	19,596
Trade and other receivables		-	39,275	39,275	-	-	39,275
Current financial assets	1.75%	8,772	-	8,772	-	-	8,772
Other financial assets	4.20%	75,129	-	31,649	485	42,995	75,129
Loans and advances	2.31%	324	-	221	50	53	324
Total		103,821	39,275	99,513	535	43,048	143,096
Financial liabilities							
Short term borrowings	1.75%	473	-	473	-	-	473
Trade and other payables		-	54,659	54,659	-	-	54,659
Revenue received in advance		-	3,256	3,256	-	-	3,256
Term liabilities	6.27%	573,029	-	101,686	328,194	143,149	573,029
Total		573,502	57,915	160,074	328,194	143,149	631,417
Financial instrument exposures							
Derivative financial asset		6,419	-	-	-	6,419	6,419
Derivative financial liability		21,730	-	-	-	21,730	21,730
Interest rate swaps		-	-	-	-	-	-
Foreign currency forward exchange contracts		656	-	-	-	656	656

2016	Weighted Average Effective Interest Rate %	Variable Interest Rate \$000	No Interest \$000	Less than 1 Year \$000	Between 1 and 5 Years \$000	After 5 years \$000	Total Carrying Amount \$000
Financial assets							
Cash in Bank	0.00%	20,080	-	20,080	-	-	20,080
Trade and other receivables		-	46,432	46,432	-	-	46,432
Current financial assets	2.25%	7,171	-	7,171	-	-	7,171
Other financial assets	4.84%	75,538	-	27,452	485	47,601	75,538
Loans and advances	3.00%	3,568	-	3,178	270	120	3,568
Total		106,357	46,432	104,313	755	47,721	152,789
Financial liabilities							
Short term borrowings		857	-	857	-	-	857
Trade and other payables		-	44,705	44,705	-	-	44,705
Revenue received in advance		-	3,651	3,651	-	-	3,651
Term liabilities	6.91%	580,515	-	1,770	454,478	124,267	580,515
Total		581,372	48,356	50,983	454,478	124,267	629,728
Financial instrument exposures							
Derivative financial asset		8,981	-	-	-	8,981	8,981
Derivative financial liability		32,261	-	-	-	32,261	32,261
Interest rate swaps		-	-	-	-	-	-
Foreign currency forward exchange contracts		-	-	-	-	-	-

Fair value of financial instruments

The following table details the carrying value in the financial statements and the fair value of financial instruments.

Current Year 30 June 2017

CORE COUNCIL					
	Carrying Value \$000	Fair Value \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non- Observable Inputs \$000
Financial assets					
Cash in Bank	4,460	4,460	-	4,460	-
Receivables from subsidiary	112,000	112,000	-	-	112,000
Receivables	13,194	13,194	-	-	13,194
Current financial assets	6,864	6,864	-	6,864	-
Other financial assets	75,120	75,120	42,986	32,134	-
Loans and advances	324	-	-	-	324
Financial liabilities					
Short term borrowings	-	-	-	-	-
Trade and other payables	21,551	21,551	-	-	21,551
Revenue received in advance	3,256	3,256	-	-	3,256
Term liabilities	202,419	202,419	-	202,419	-
Financial instrument exposures					
Derivative financial asset	-	-	-	-	-
Derivative financial liability	10,188	10,188	-	10,188	-
Interest rate swaps	-	-	-	-	-

Current Year 30 June 2017

CONSOLIDATED

	Carrying Value \$000	Fair Value \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non- Observable Inputs \$000
Financial assets					
Bank balance	19,596	19,596	-	19,596	-
Receivables	39,275	39,275	-	-	39,275
Current financial assets	8,772	8,772	-	8,772	-
Other financial assets	75,129	75,129	31,649	43,480	-
Loans and advances	324	324	-	-	324
Financial liabilities					
Short term borrowings	473	473	-	473	-
Trade and other payables	54,659	54,659	-	-	54,659
Revenue received in advance	3,256	3,256	-	-	3,256
Term liabilities	573,029	573,029	-	573,029	-
Financial instrument exposures					
Derivative financial asset	6,419	6,419	-	6,419	-
Derivative financial liability	21,730	21,730	-	21,730	-
Interest rate swaps	-	-	-	-	-

Last Year 30 June 2016

CORE COUNCIL

	Carrying Value \$000	Fair Value \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non- Observable Inputs \$000
Financial assets					
Bank balance	2,668	2,668	-	2,668	-
Receivables from subsidiary	112,000	112,000	-	-	112,000
Receivables	11,634	11,634	-	-	11,634
Current financial assets	5,829	5,829	-	5,829	-
Other financial assets	75,531	75,531	47,594	27,937	-
Loans and advances	3,568	3,568	-	-	3,568
Financial liabilities					
Short term borrowings	-	-	-	-	-
Trade and other payables	20,223	20,223	-	-	20,223
Revenue received in advance	3,651	3,651	-	-	3,651
Term liabilities	216,073	216,073	-	216,073	-
Financial instrument exposures					
Derivative financial asset	-	-	-	-	-
Derivative financial liability	15,808	15,808	-	15,808	-
Interest rate swaps	-	-	-	-	-

Last Year 30 June 2016

CONSOLIDATED

	Carrying Value \$000	Fair Value \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non- Observable Inputs \$000
Financial assets					
Bank balance	20,080	20,080	-	20,080	-
Receivables	46,432	46,432	-	-	46,432
Current financial assets	7,171	7,171	-	7,171	-
Other financial assets	75,538	75,538	47,594	27,944	-
Loans and advances	3,568	3,568	-	-	3,568
Financial liabilities					
Short term borrowings	857	857	-	857	-
Trade and other payables	44,705	44,705	-	-	44,705
Revenue received in advance	3,651	3,651	-	-	3,651
Term liabilities	580,515	580,515	-	580,515	-
Financial instrument exposures					
Derivative financial asset	8,981	8,981	-	8,981	-
Derivative financial liability	32,261	32,261	-	32,261	-
Interest rate swaps	-	-	-	-	-

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Council and Group. The Council and Group has adopted a policy of only dealing with creditworthy counterparties that are rated the equivalent of investment grade and above. This information is supplied by credit rating agencies. The group's exposure and credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is spread amongst the approved counterparties. In terms of the ratepayer base the Rating Powers Act provides significant legal remedy to recover amounts owing to the Council.

Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances, accounts receivable, short term investments and various other financial instruments.

Trade receivables consist of a large number of customers spread across diverse industries and geographical areas. The group does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics.

The Council and Group is not exposed to any concentration of credit risk. The carrying amounts of the Council and Group's financial assets and financial liabilities are equivalent to their fair value, except with regard to forestry suspensory loans and the term bonds which carry an interest liability below the current market rate. The fair value of the financial instruments is based on quoted market prices for these instruments at balance date.

Policy and practice for the Council is detailed and recorded in the Liability Management Policy and the Investment Policy.

Past due, but not impaired, receivables are as follows

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Age analysis:				
30 – 60 days	69	143	511	1,035
60 – 90 days	48	319	278	653
90 days plus	409	450	1,190	922

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 2017

	CORE COUNCIL			
	AA	AA-	No Rating	Total 2017
Financial assets analysis				
Bank balance		4,460		4,460
Receivables from subsidiary	112,000			112,000
Receivables			13,194	13,194
Current financial assets		6,864		6,864
Other financial assets		74,635	485	75,120
Loans and advances			324	324

	CONSOLIDATED			
	AA	AA-	No Rating	Total 2017
Financial assets				
Bank balance		19,596		19,596
Receivables			39,275	39,275
Current financial assets		8,772		8,772
Other financial assets		75,129		75,129
Loans and advances			324	324

Last Year 30 June 2016

	CORE COUNCIL			
	AA	AA-	No Rating	Total 2016
Financial assets analysis				
Bank balance		2,668		2,668
Receivables from subsidiary	112,000			112,000
Receivables			11,634	11,634
Current financial assets		5,829		5,829
Other financial assets		75,046	485	75,531
Loans and advances			3,568	3,568

	CONSOLIDATED			
	AA	AA-	No Rating	Total 2016
Financial assets				
Bank balance		20,080		20,080
Receivables			46,432	46,432
Current financial assets		7,171		7,171
Other financial assets		75,538		75,538
Loans and advances			3,568	3,568

Effectiveness of cash flow hedges

The matched terms method is the method used in applying hedges across the group. In all cases the critical terms of both the hedges instrument and the underlying transaction are matched.

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Effectiveness	100%	100%	100%	100%

c) Interest rate risk

Each entity with material debt within the Dunedin City Council group has its own interest rate risk management policy approved by its own governing body. This policy determines for economic reasons the proportion of projected debt that is fixed by the issue of fixed debt or by interest rate swap. The treasury company monitors on a monthly basis the level of fixed interest rates for the next ten years and compares this against anticipated debt levels.

The Group uses interest rate swaps to manage its exposure to interest rate movements on its multi option note facility borrowings by swapping a proportion of those borrowings from floating rates to fixed rates.

The notional principal outstanding with regard to the interest rate swaps is:

	CONSOLIDATED	
	2017 \$000	2016 \$000
Maturing in less than one year	32,500	15,000
Maturing between one and five years	250,000	200,000
Maturing after five years	507,500	409,000
	<u>790,000</u>	<u>624,000</u>

d) Currency risk

The group uses currency derivatives to hedge significant future export sales by City Forests Limited and significant future expenditure by the Dunedin City Council. NZD is the functional currency of both City Forests Limited and the Dunedin City Council group.

City Forests Limited manages the risk associated with exchange rate fluctuations through the use of currency derivatives to hedge significant future export sales in accordance with the Company's foreign exchange policy.

The foreign exchange policy of City Forests Limited allows foreign exchange forward contracts and the purchase of options in the management of its exchange rate exposures. The instrument purchased are only against the currency in which the exports are sold.

Projected sales of City Forests Limited, up to three years out, may be covered by forward exchange hedging instruments.

Transactions may only be undertaken with a core of nominated international banks and the quantities of the transactions are subject to limits against each individual bank. The types of transactions that may be carried out are limited by policy and a report on foreign funds held and the forward cover in place is provided at each director's meeting.

The foreign exchange policy of the Dunedin City Council allows for funds spent in foreign currency to be protected by foreign currency hedging to protect NZD cash flows. Funds spent in foreign currency are remitted from New Zealand at the earliest opportunity.

At balance sheet date, the total notional amount and fair values of outstanding forward foreign exchange contracts to which City Forest Limited is committed are as follows:

	CONSOLIDATED	
	2017 \$000	2016 \$000
Forward foreign exchange contracts		
- fair value	656	(321)
- nominal value	8,800	13,074
(sale of USD and purchase of NZD)		
Forward foreign exchange contracts		
- fair value	-	(53)
- nominal value	-	(1,719)
(sale of NZD and purchase of USD)		
Forward foreign exchange contracts		
- fair value	-	-
- nominal value	-	-
(sale of AUD and purchase of NZD)		

All contracts are current.

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Sensitivity Analysis of Financial Assets and Liabilities

Based on historic movements and volatilities the following movements are reasonably possible over a twelve-month period:

Proportional foreign exchange rate movement of -10% (depreciation of NZD) and a +10% (appreciation of the NZD) against the USD, from the year end rate of 0.7310 and against the AUD, from the year end rate of 0.9801. A parallel shift of +1%/-1% in the NZD market interest rate from the year end 90 day BBBR of 2.41% (2016: 2.41%).

Should these movements occur, the impact on consolidated profit and loss and equity for each category of financial instruments held at balance date is presented below. The movements are illustrative only and considers + or - 100 basis points (bp).

	Carrying Amount \$000	Effect of movement in Interest Rates				Effect of movement in FX	
		-100bp Profit	+100bp Equity	-100bp Profit	+100bp Equity	-100bp Profit	+100bp Profit
Financial assets							
Derivatives – designated as cash flow hedges (interest rate swaps, forward currency deals separately disclosed)	6,419	-	-	-	-	1,583	817
Other financial assets	84,225	-	-	-	-	158	(129)
	90,644	-	-	-	-	1,741	688
Financial liabilities							
Other financial liabilities	-	-	-	-	-	-	-
Derivatives – designated as cash flow hedges (interest rate swaps, forward currency deals separately disclosed)	21,730	-	(18,358)	-	16,946	-	-
	21,730	-	(18,358)	-	16,946	-	-

1. Cash and cash equivalents include deposits at call which are at floating interest rates. Sensitivity to a 1% movement in rates is immaterial as these deposits are very short term.
2. Derivatives subject to the hedge accounting regime are managed by the company to be 100% effective and thus there is no sensitivity to change in either interest rates or exchange rates.
3. Changes to interest rates charged caused by any change to the credit standing of the Group cannot be hedged.
4. External borrowings within each of the companies of the Group are subject to an interest rate hedge policy. Sensitivity to any movement in the interest rate is limited to the effect on the amount of floating rate debt that exceeds the amount of the fixed rate hedge.

22 Commitments, Contingencies, Guarantees and Insurance

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Capital commitments approved and contracted				
Other property plant and equipment capital commitments	588	-	11,928	11,609
Roading capital commitments	2,424	436	2,424	436
Water and waste capital commitments	8,332	3,481	8,332	3,481
	11,344	3,917	22,684	15,526
Significant Council operating commitments				
Payable within 1 year	32,796	8,844	32,796	8,844
Payable between 1 to 2 years	28,639	8,844	35,881	8,844
Payable between 2 to 5 years	49,277	18,782	49,277	18,782
Payable later than 5 years	5,459	-	5,459	-
	116,171	36,470	123,413	36,470
Non-cancellable operating lease commitments				
Payable within 1 year	31	-	2,992	2,416
Payable between 1 to 2 years	31	-	4,949	5,214
Payable between 2 to 5 years	-	-	535	526
Payable later than 5 years	-	-	-	-
	62	-	8,476	8,156

The Council has a number of commitments as lessor from leasehold property. As at 30 June 2017 the amount has not been quantified.

The Council has guarantees of \$500,628 (2016: \$558,047). These are on behalf of recreation and service organisations that have funded expenditure by way of commercial loan or prospective fund raising. These are not considered to be liabilities as the possibility of an outflow of resources embodying economic benefits is remote.

The Otago Regional Council requires the payment of a bond from those entities involved in solid waste disposal. By mutual agreement the payment of a bond of \$1,000,000 has been waived as long as the Council retains ownership of the Green Island landfill site, and maintains the conditions of the consents.

As detailed in Note 11 the Council has uncalled capital of 849,900,000 for Dunedin City Holdings Limited, the uncalled capital can be drawn by the Company on demand as and when required.

The Group has the following additional contingent liabilities:

	CORE COUNCIL		CONSOLIDATED	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Golden Block Investments Limited	1,325	1,325	1,325	1,325
	1,325	1,325	1,325	1,325

The borrowings of Golden Block Investments are secured by registered first mortgage over the property and undertakings and guarantees for the amount of \$1,325,000 or 50% of the debt, whichever is the lesser from each of the shareholders of which DCC is one.

Insurance of assets

The total value of property plant and equipment of the Council covered by insurance contracts for the 2017/18 year is \$1,533,083,000 (2016/17: \$1,483,233,000).

The maximum amount to which assets are insured for non-natural disaster under the Council insurance policies is \$250,000,000 (2016: \$250,000,000).

The Council is not covered by any financial risk sharing arrangements in relation to its assets.

An insurance reserve fund of \$293,000 (2016: \$286,00) exists to meet the cost of claims that fall below deductible limits under the Council insurance policies.

23 Transactions with Related Parties

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between entities and are on that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

24 Explanations of Major Variances against Budget

Explanation for major variances from the Council's budget figures in its 2016/17 annual plan are as follows:

Statement of Comprehensive Revenue and Expense

Subsidies and grants revenue was less than budget by \$6.269 million resulting from Transport undertaking less NZTA funded capital projects than expected. This shortfall primarily related to the Peninsula road widening and LED lighting projects.

Other revenue was greater than expected by \$14.240 million due to a number of unbudgeted items including: improved occupancy of the property portfolio; unbudgeted forestry harvesting income; and the non-cash vesting of roading and water and waste assets.

Other expenses were \$10.202 million greater than budget reflecting increased costs to delivery core services including green space and roading maintenance. In addition, there was unbudgeted expenditure as Council completed asset assessments and remediation across a number of portfolios.

Financial expenses were less than budget by \$1.039 million due to the lower debt position and favourable floating interest rate.

Depreciation expenditure was \$4.677 million greater than budget due to the unbudgeted revaluation of Three Waters assets effective from 1 July 2016.

Statement of Financial Position

The term loan balance as at 30 June 2017 was \$202.419 million or \$16.956 million less than budget. This difference was driven by higher than expected repayments during the year as evidenced in the statement cashflows – see comment below regarding investing activities.

Statement of Cashflows

Net cash inflow from operations was \$13.053 million less than budget driven by the revenue and expense variances discussed above.

Net cash outflow from investing activities was \$27.991 million less than budget primarily driven by lower than expected cash outlay for capital expenditure. A number of key projects have been delayed while scoping and design work is completed – Peninsula road widening, LED lighting and Ross Creek reservoir reinforcement work. These projects are now either underway or scheduled to commence in the 2017/18 financial year.

25 Post Balance Date Events

There are no post balance date events.