

SECTION 3:

Council Financial Statements



Dunedin Writers and Readers Festival: Go Girl – Three Epic NZ Women still posing, Phoebe Morris (illustrator), Ingrid Visser (Marine Biologist) and Barbara Else (author)

Dunedin City Council

Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2018

		CORE COUNCIL		CONSOLIDATED		
	Note	Actual	Budget	Actual	Actual	Actual
		2018	2018	2017	2018	2017
		\$000	\$000	\$000	\$000	\$000
Revenue continuing operations						
Rates revenue	1	138,306	138,026	134,186	138,306	134,186
Development and financial contributions		1,426	425	1,331	1,426	1,331
Subsidies and grants	1	32,102	29,003	17,814	32,102	17,814
Financial revenue	1	13,180	9,987	12,672	9,073	7,729
Other revenue	1	73,447	63,710	72,230	339,131	320,147
Total operating revenue		258,461	241,151	238,233	520,038	481,207
Expenses						
Other expenses	2	123,230	108,321	108,404	259,185	224,248
Personnel expenses		57,429	55,203	53,536	114,742	107,567
Audit fees	2	291	308	171	601	462
Financial expenses	2	12,262	14,120	14,341	28,974	31,816
Depreciation and amortisation	2	65,035	62,043	61,327	93,662	88,957
Total operating expenses	2	258,247	239,995	237,779	497,164	453,050
Operating surplus/(deficit) from continuing operations						
		214	1,156	454	22,874	28,157
Share of associate surplus/(deficit)		-	-	-	1,638	1,161
Surplus/(deficit) before taxation						
		214	1,156	454	24,512	29,318
Less taxation	3	(1,049)	(527)	(1,109)	7,711	9,281
Surplus/(deficit) after taxation		1,263	1,683	1,563	16,801	20,037
Attributable to:						
Dunedin City Council and Group		1,263	1,683	1,563	16,874	19,989
Non-controlling interest		-	-	-	(73)	48

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 2018

		CORE COUNCIL			CONSOLIDATED	
	Note	Actual	Budget	Actual	Actual	Actual
		2018	2018	2017	2018	2017
		\$000	\$000	\$000	\$000	\$000
Other comprehensive revenue and expense						
Gain/(loss) on property, plant and equipment revaluations		114,854	-	189,043	114,854	189,043
Gain/(loss) on forestry land revaluations		-	-	-	2,277	3,584
Gain/(loss) of comprehensive revenue in associates		-	-	-	177	6,095
Gain/(loss) of cash flow hedges at fair value through other comprehensive revenue and expense		3,385	750	5,620	(3,098)	12,783
Gain/(loss) on foreign exchange hedges		-	-	-	(1,303)	877
Gain/(loss) on carbon credit revaluation		-	-	-	5,158	(586)
Income tax on other comprehensive income		-	-	-	(1,059)	(338)
Total other comprehensive revenue and expense		118,239	750	194,663	117,006	211,458
Surplus/(deficit) after taxation		1,263	1,683	1,563	16,801	20,037
Total comprehensive revenue and expense for the year		119,502	2,433	196,226	133,807	231,495
Attributable to:						
Dunedin City Council and Group		119,502	2,433	196,226	133,880	231,447
Non-controlling interest		-	-	-	(73)	48
		119,502	2,433	196,226	133,807	231,495

Statement of Changes in Equity for the Year Ended 30 June 2018

	Note	CORE COUNCIL			CONSOLIDATED	
		Actual	Budget	Actual	Actual	Actual
		2018	2018	2017	2018	2017
		\$000	\$000	\$000	\$000	\$000
Movements in equity						
Opening equity		2,933,438	2,868,703	2,737,212	3,143,328	2,911,833
Total comprehensive revenue and expense		119,502	2,433	196,226	133,807	231,495
Closing equity		3,052,940	2,871,136	2,933,438	3,277,135	3,143,328

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 2018

		CORE COUNCIL			CONSOLIDATED	
	Note	Actual	Budget	Actual	Actual	Actual
		2018	2018	2017	2018	2017
		\$000	\$000	\$000	\$000	\$000
Current assets						
Cash and cash equivalents	6	5,490	1,374	4,460	7,533	19,596
Other current financial assets	10	8,424	5,829	6,864	10,472	8,772
Derivative financial instruments	19	-	-	-	-	426
Trade and other receivables	7	18,758	11,687	13,194	46,137	39,275
Taxation refund receivable		841	1,021	931	3,495	1,872
Inventories	9	259	302	260	11,618	9,915
Non current assets held for sale		900	-	3,062	900	4,184
Prepayments		572	667	511	1,517	1,689
Total current assets		35,244	20,880	29,282	81,672	85,729
Non-current assets						
Term receivables		-	-	-	11,968	12,841
Other non-current financial assets	10	190,672	193,942	187,444	78,681	75,453
Shares in subsidiary companies	10	121,039	115,939	118,489	-	-
Derivative financial instruments	19	-	-	-	4,421	5,993
Investments accounted for using the equity method	11	-	-	-	30,867	29,755
Intangible assets	16	1,468	2,514	1,882	2,704	3,362
Intangible assets carbon credits		-	-	-	27,024	23,413
Investment property	15	91,660	-	90,438	91,660	90,438
Forestry assets	17	-	-	-	150,172	136,333
Property, plant and equipment	14	2,868,150	2,799,866	2,757,929	3,629,383	3,458,383
Total non-current assets		3,272,989	3,112,261	3,156,182	4,026,880	3,835,971
Total assets		3,308,233	3,133,141	3,185,464	4,108,552	3,921,700
Current liabilities						
Short term borrowings		-	-	-	3,638	473
Trade and other payables	8	28,237	24,100	21,551	55,807	54,659
Revenue received in advance	8	3,676	-	3,256	3,676	3,256
Employee entitlements	8	6,337	5,733	6,052	11,876	11,510
Derivative financial instruments	19	552	12,058	-	786	125
Provision for tax		-	-	-	5,096	2,869
Current portion of term loans	12	-	13,988	-	-	1,686
Total current liabilities		38,802	55,879	30,859	80,879	74,578
Non-current liabilities						
Term loans	12	200,473	197,414	202,419	610,043	571,343
Provisions	13	9,500	8,712	8,331	10,467	9,217
Derivative financial instruments	19	6,289	-	10,188	20,889	21,605
Other non-current liabilities		229	-	229	1,192	1,334
Deferred taxation	3	-	-	-	107,947	100,295
Total non-current liabilities		216,491	206,126	221,167	750,538	703,794
Equity						

	Note	CORE COUNCIL		CONSOLIDATED	
		Actual	Budget	Actual	Actual
		2018	2018	2017	2018
		\$000	\$000	\$000	\$000
Equity					
Accumulated funds		1,668,710	1,809,030	1,680,653	1,811,892
Minority interest in subsidiary company		-	-	-	543
Total accumulated funds	5	1,668,710	1,809,030	1,680,653	1,812,435
Revaluation reserves	5	1,380,917	1,064,031	1,253,074	1,397,745
Restricted reserves	5	10,111	10,128	9,894	10,111
Cash flow hedge reserves	5	(6,798)	(12,053)	(10,183)	(17,484)
Carbon credit reserve	5	-	-	-	8,411
Forest revaluation reserve	5	-	-	-	65,917
Total equity		3,052,940	2,871,136	2,933,438	3,277,135
Total liabilities and equity		3,308,233	3,133,141	3,185,464	4,108,552

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 2018

	CORE COUNCIL		CONSOLIDATED		
	Actual	Budget	Actual	Actual	Actual
	2018	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000
Cash flow from operating activities					
<i>Cash was provided from operating activities</i>					
Rates	138,988	138,026	134,867	138,988	134,867
Other revenue	92,092	91,165	77,619	310,473	283,621
Interest received	7,965	9,987	8,063	1,968	2,563
Dividend received	1,421	-	1,628	2,125	2,332
Taxation refund received	1,139	-	1,037	1,730	1,767
	241,605	239,178	223,214	455,284	425,150
<i>Cash was applied to:</i>					
Suppliers and employees	(174,531)	(163,436)	(161,760)	(336,833)	(309,356)
Interest paid	(12,452)	(14,120)	(13,819)	(29,114)	(31,469)
Taxation paid	-	-	-	(2,817)	(2,270)
	(186,983)	(177,556)	(175,579)	(368,764)	(343,095)
Net cash inflow/(outflow) from operating activities	54,622	61,622	47,635	86,520	82,055
Cash flow from investing activities					
<i>Cash was provided from investing activities</i>					
Sale of assets	191	60	126	2,651	930
Reduction in loans and advances	-	72	3,150	-	3,150
Carbon credits sold	-	-	-	8,010	-
Decrease in investments	-	-	112	66	4,020
	191	132	3,388	10,727	8,100
<i>Cash was applied to:</i>					
Increase in investments	(3,551)	(2,551)	(555)	(1,450)	(5,882)
Capital expenditure	(47,890)	(65,681)	(34,653)	(145,379)	(82,498)
	(51,441)	(68,232)	(35,208)	(146,829)	(88,380)
Net cash inflow/(outflow) from investing activities	(51,250)	(68,100)	(31,820)	(136,102)	(80,280)
Cash flow from financing activities					
<i>Cash was provided from financing activities</i>					
Loans raised	2,000	15,698	31,100	42,697	-
Increase in short term borrowings	30,100	-	-	-	-
	32,100	15,698	31,100	42,697	-
<i>Cash was applied to:</i>					
Loans repaid	(4,342)	(12,696)	(45,123)	(5,178)	(2,259)
Decrease in short term borrowings	(30,100)	-	-	-	-
	(34,442)	(12,696)	(45,123)	(5,178)	(2,259)
Net cash inflow/(outflow) from financing activities	(2,342)	3,002	(14,023)	37,519	(2,259)

Dunedin City Council

Statement of Cash Flows

for the Year Ended 30 June 2018 (continued)

	Note	CORE COUNCIL		CONSOLIDATED	
		Actual	Budget	Actual	Actual
		2018	2018	2017	2018
		\$000	\$000	\$000	\$000
Net increase/(decrease) in cash held		1,030	(3,476)	1,792	(12,063)
Opening cash balance		4,460	4,850	2,668	19,596
Closing cash balance		5,490	1,374	4,460	7,533
<i>Reconciliation of cash balances</i>					
Cash and cash equivalents		5,490	1,374	4,460	7,533
	6	5,490	1,374	4,460	7,533

Dunedin City Council

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

	CORE COUNCIL			CONSOLIDATED	
	Actual	Budget	Actual	Actual	Actual
	2018	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000
Surplus/(deficit) after taxation	1,263	1,683	1,563	16,801	20,037
Share of retained surplus in associated companies	-	-	-	(1,638)	(1,161)
Items Not Involving Cash Flows					
Depreciation and amortisation	65,035	62,043	61,327	93,662	88,957
Depletion of forest	-	-	-	4,674	2,394
Forestry revaluation	-	-	-	(13,585)	(9,629)
New Zealand carbon credits	-	-	-	(6,467)	(6,182)
Bad debts written off	140	-	-	294	-
Increase/(decrease) doubtful debts	111	-	-	227	-
After-care provision adjustment	1,162	-	-	1,162	-
Investment property fair value loss/(gain)	(420)	-	(2,150)	(420)	(2,150)
Unrealised loss/(gain) on investments	(3,503)	-	(2,700)	(3,503)	(2,700)
Vested assets	(8,128)	(2,500)	(10,006)	(8,128)	(10,006)
Increase/(decrease) in cash flow hedge valuation	-	-	-	63	(1,416)
Add/(less) non cash adjustments	79	-	528	1,618	814
Movements in working capital items					
(Increase)/decrease in trade and other receivables	(5,564)	296	(1,560)	(6,862)	7,157
(Increase)/decrease in term receivables	-	-	-	873	(12,841)
(Increase)/decrease in inventories	1	-	42	(1,703)	(4,530)
(Increase)/decrease in prepayments	(62)	-	156	172	104
(Increase)/decrease tax refund receivable	90	-	90	(1,623)	29
Increase/(decrease) in trade and other payables	6,686	-	181	648	3,933
Capital creditors in accounts payable	(2,814)	-	-	505	-
Increase/(decrease) in other current liabilities	705	-	47	786	591
Increase/(decrease) in other provisions	6	100	(50)	87	(50)
Increase/(decrease) provision for tax	-	-	-	3,029	802
Increase/(decrease) deferred tax	-	-	-	6,495	8,199
Items classified as investing or financing activities					
Profit on sale of investments	(348)	-	(326)	(348)	(326)
Loss on sale of investments	272	-	548	272	548
Profit on sale of property plant and equipment	(89)	-	(58)	(571)	(522)
Loss on sale of property plant and equipment	-	-	3	-	3
Net Cash Flow from Operating Activities	54,622	61,622	47,635	86,520	82,055

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 2018 (whole of Council)

	CORE COUNCIL			
	Annual Plan 2017 \$000	Actual 2017 \$000	Annual Plan 2018 \$000	Actual 2018 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	69,206	69,584	71,047	71,631
Targeted rates	65,390	65,324	67,609	67,533
Subsidies and grants for operating purposes	9,174	9,440	10,665	14,950
Fees and charges	54,226	57,130	58,021	61,800
Interest and dividends from investments	10,139	9,557	9,987	9,239
Local authorities fuel tax, fines, infringement fees, and other receipts	3,162	3,057	3,086	3,147
Total operating funding	211,297	214,092	220,415	228,300
Applications of operating funding				
Payments to staff and suppliers	151,317	162,108	162,714	180,948
Finance costs	15,380	13,705	14,120	11,900
Other operating funding applications	(530)	-	722	-
Total applications of operating funding	166,167	175,813	177,556	192,848
Surplus/(deficit) operating funding	45,130	38,279	42,859	35,452
Sources of capital funding				
Subsidies and grants for capital expenditure	14,909	7,537	18,338	16,245
Development and financial contributions	648	1,331	425	1,426
Increase/(decrease) in debt	(533)	(12,891)	3,002	(1,946)
Gross proceeds from sale of assets	1,260	145	60	179
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	16,284	(3,878)	21,825	15,904
Application of capital funding				
Capital expenditure				
- to meet additional demand	2,918	809	1,649	1,456
- to improve the level of service	24,373	9,518	27,768	20,731
- to replace existing assets	33,116	25,493	36,265	28,406
Increase/(decrease) in reserves	-	-	-	-
Increase/(decrease) of investments	1,007	(1,419)	(998)	763
Total applications of capital funding	61,414	34,401	64,684	51,356
Surplus/(deficit) of capital funding	(45,130)	(38,279)	(42,859)	(35,452)
Funding balance	-	-	-	-

Dunedin City Council

Statement of Financial Involvement in Council Controlled Organisations as at 30 June 2018

Dunedin City Holdings Limited is Dunedin City Council's wholly owned investment company. Its purpose is to monitor and provide leadership to subsidiary and associate companies, and to deliver financial returns to the Dunedin City Council.

The provision of financial assistance by Dunedin City Council to Dunedin City Holdings Limited is by way of share capital and shareholder loan. The financial return for the current year is as follows:

	Dividend 2018	Interest 2018	Total 2018
	\$000	\$000	\$000
Dunedin City Holdings Limited	-	5,902	5,902

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. Approve all 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 Dunedin City Council Group.
3. Aurora Energy Limited	100%	Provision of electricity distribution services in Dunedin City and Central Otago.
4. Otago Power Limited	100%	Non trading company.
5. Delta Utility Services Limited	100%	Infrastructure specialist providing a range of electrical and environmental services to local authority and private sector customers with service depots throughout the South Island.
6. Lakes Contract Services Limited	100%	Non trading company.
7. Dunedin Venues Management Limited	100%	Event, turf and stadium and facilities management company currently operating out of the Forsyth Barr Stadium, Dunedin Centre/Town Hall Complex and the University of Otago Oval.
8. Dunedin Stadium Property Limited	100%	Ownership of the Forsyth Barr Stadium.
9. Dunedin Railways Limited	72%	Operates a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin. Also undertakes rail touring using the Dunedin Silver Fern railcar throughout the South Island.

Associated Companies of Dunedin City Holdings Limited

1. Dunedin International Airport Limited	50%	Provision of airport services at Momona.
2. Otago Chipmill Limited	49.9%	Wound up December 2017.

This statement should be read in conjunction with Note 10 and 11 on investments.

Dunedin City Council

Statement of Accounting Policies

for the Year Ended 30 June 2018

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 2018. The financial statements were authorised for issue by the Council on 31 October 2018.

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 became 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, assets and liabilities 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 Revenue and Expense 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:

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 Green Island Landfill is considered to be the period of time to the expiring of the associated consents in 2023.

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.

Plant and facilities 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. Plant and facilities are valued annually in-house and peer reviewed 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. Reticulation assets are valued annually in-house and peer reviewed by an independent valuer.

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 was last revalued based on fair value at 30 June 2012 by Quotable Value Limited. The Council has now elected to use this value as deemed cost and road reserve will no longer be revalued. Subsequent additions are recorded at cost.

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 Revenue and Expense. 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 Sewerage	0.5% to 3%	SL
reticulation Stormwater	0.5% to 3%	SL
reticulation Landfill	0.5% to 3%	SL
	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

The following standards and amendments, issued but not yet effective and not early adopted, are relevant to the Council. In all instances, the Council and group have not yet assessed the effects of the new standard.

Interests in other entities

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34 - 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 - 8) and are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The new standards amend the definition of control, introduce a new classification of joint arrangements, and require additional disclosures on interests in other entities.

The Council plans to apply this standard in preparing its 30 June 2020 financial statements.

Impairment of revalued assets (amendments to PBE IPSASs 21 and 26)

In April 2017, the XRB issued Impairment of Revalued Assets, which clearly scopes revalued property, plant and equipment into the impairment accounting standards. Previously, only property, plant and equipment measured at cost were scoped into the impairment accounting standards.

Under the amendment, a revalued asset can be impaired without having to revalue the entire class-of-asset to which the asset belongs. This amendment is effective for the 30 June 2020 financial statements, with early adoption permitted.

The Council plans to apply this standard in preparing its 30 June 2020 financial statements.

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier adoption permitted. The main changes under the standard relevant to the Council are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.

The Council may early adopt this standard to ensure consistency of treatment with its non-PBE subsidiaries when they adopt IFRS 9.

Service Performance Reporting

In November 2017, the XRB issued PBE FRS 48 Service Performance Reporting. There has been no PBE Standard dealing solely with service performance reporting. This standard establishes new requirements for public benefit entities (PBEs) to select and present service performance information. PBE FRS 48 is effective for annual periods beginning on or after 1 January 2021, with early adoption permitted.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements.

Changes in accounting policy

During the year the Council changed its accounting policy with respect to valuing road reserve (land under roads). Road reserve is no longer revalued. The last valuation was performed as at 30 June 2012 by Quotable Value Limited. The Council has elected to use this value as the deemed cost. Any future additions or disposals will be recorded at cost.

The Council believes the new policy is preferable as there is no reliable basis of determining the fair value of land under roads and the continued revaluation of this asset would provide no additional or meaningful information to readers of the financial statements.

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

1 Separately Disclosed Revenue

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Rates revenue				
<i>Rate allocation by significant activity</i>				
General rates funding as per group of activities	91,595	89,741	91,595	89,741
Other sources contributing to general rates funding	(20,822)	(20,879)	(20,822)	(20,879)
Total general rates	70,773	68,862	70,773	68,862
Targeted rates	67,533	65,324	67,533	65,324
	138,306	134,186	138,306	134,186
The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$9.26m (2017: \$9.23m). For the Group, rates of \$10.13m have not been eliminated (2017: \$10.51m).				
Subsidies and grants				
New Zealand Transport Agency roading subsidies	30,574	16,381	30,574	16,381
Government and government agency grants	1,333	1,191	1,333	1,191
Other grants	195	242	195	242
	32,102	17,814	32,102	17,814
Financial revenue				
Profit on sale of investments	348	326	348	326
Gain on fair value of investments	3,593	2,788	3,593	2,788
Gain on foreign currency transactions	-	-	559	-
Dividend received - Dunedin City Holdings Limited	-	-	-	-
Other dividends received	1,424	1,726	1,425	1,727
Interest received - Dunedin City Holdings Limited	5,902	5,902	-	-
Other interest received	1,913	1,930	3,148	2,888
	13,180	12,672	9,073	7,729
Other revenue				
Rental from investment properties	7,868	7,929	7,868	7,929
Regulatory services rendered	3,271	3,003	3,271	3,003
Gain on fair value of investment property	420	2,150	420	2,150
Forest revaluation	-	-	13,585	9,629
Vested assets	8,128	10,006	8,128	10,006
Profit on sale of property, plant and equipment	89	58	571	126
Other fees and charges	53,671	49,084	305,288	287,304
	73,447	72,230	339,131	320,147
Rating base information				
	2018	2017	2016	
The number of rating units	55,405	55,238	55,282	
The total capital value of the rating units	\$25.095 billion	\$22.033 billion	\$21.821 billion	
The total land value of the rating units	\$10.068 billion	\$8.403 billion	\$8.365 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 (2017: Nil).

2 Separately Disclosed Expenses

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Other expenses				
Donations	2,799	2,657	2,830	2,714
Directors' remuneration	-	-	1,214	1,076
Research and development	-	-	205	145
Bad debts written off	140	79	294	621
Increase/(decrease) in after-care provision	1,162	(2)	1,162	(2)
Increase/(decrease) in doubtful debt provision	111	139	227	344
Loss on disposal of property, plant and equipment	-	3	-	3
Impairment of intangible assets	-	-	10	-
Councillors' remuneration and expenses	1,835	1,497	1,835	1,497
Rental expense operating leases	52	46	3,880	3,742
Investment property operating expenses	3,051	2,891	3,051	2,891
Inventories expensed	46	84	46	84
Other expenditure	114,034	101,010	244,431	211,133
	123,230	108,404	259,185	224,248
Fees paid to Audit New Zealand for;				
Financial statements	174	171	449	428
Long Term Plan audit	117	-	117	-
Regulatory (information disclosure) reporting	-	-	20	19
Price and quality thresholds and other regulatory reporting	-	-	15	15
	291	171	601	462
Financial expenses				
Overdraft interest	4	5	4	5
Loss on sale of investments	272	548	272	548
Loss on sale of foreign currency transactions	-	-	-	9
Fair value loss on investments	90	88	90	88
Interest paid to subsidiaries	11,896	13,700	-	-
Term interest	-	-	28,608	31,166
	12,262	14,341	28,974	31,816
Depreciation and amortisation				
- Operational	13,047	13,134	41,121	40,262
- Infrastructural	47,903	43,874	47,903	43,874
- Restricted and Heritage	3,338	3,422	3,338	3,422
As per note 14 Property, plant and equipment	64,288	60,430	92,362	87,558
- Intangible	747	897	1,300	1,399
	65,035	61,327	93,662	88,957

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

Significant activity expenditure	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Economic Development and City Promotion	5,992	5,988	5,635
City Investment	3,657	5,639	4,305
Roading and Footpaths	53,081	44,994	44,326
Water Supply	28,630	27,945	25,974
Sewerage and Sewage	29,870	27,701	29,005
Stormwater	7,397	6,573	6,096
Solid Waste	13,026	11,778	9,508
City Planning and Regulatory Services	16,998	15,618	16,760
Community Development and Support	30,451	27,939	31,498
Museums, Libraries and Art Gallery	26,484	26,469	25,863
Sport, Recreation and Leisure	33,905	33,073	32,436
Corporate Support	8,756	6,278	6,373
Total	258,247	239,995	237,779

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 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Surplus/(deficit) before taxation	214	454	22,874	28,157
(Gain)/loss on fair value of investment property	(420)	(2,150)	(420)	(2,150)
Vested assets	(8,128)	(10,006)	(8,128)	(10,006)
Net non-taxable other income/non-deductible expenditure	5,332	8,378	11,518	15,345
Income subject to taxation	(3,002)	(3,324)	25,844	31,346
Prima facie taxation at 28%	(841)	(931)	7,236	8,777
Plus other adjustments	-	-	494	(470)
Imputation credits	-	-	-	-
Less tax effect of subvention payments	-	-	384	1,547
Under/(over) provisions prior years	(208)	(178)	(403)	(573)
Taxation charge	(1,049)	(1,109)	7,711	9,281

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 2018 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	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
The taxation charge is represented by:				
- Current taxation	(841)	(931)	1,103	2,406
- Deferred taxation	-	-	7,011	7,079
- Under/(over) tax provision in prior years	(208)	(178)	(138)	(980)
- Under/(over) deferred tax in prior years	-	-	(265)	776
	(1,049)	(1,109)	7,711	9,281

Deferred taxation

	Group	Group	Group	Group	Group	Group
	2018	2018	2018	2018	2018	2018
	\$000	\$000	\$000	\$000	\$000	\$000
	<i>Opening</i>	<i>Charged</i>	<i>Charged</i>	<i>Closing</i>	<i>Closing</i>	<i>Closing</i>
	<i>Balance</i>	<i>to Equity</i>	<i>to Income</i>	<i>Balance</i>	<i>Balance</i>	<i>Balance</i>
	<i>Sheet</i>			<i>Sheet</i>	<i>Sheet</i>	<i>Sheet Net</i>
				<i>Assets</i>	<i>Liabilities</i>	
Property, plant and equipment	57,571	-	2,301	(283)	60,155	59,872
Employee benefits	3,812	-	132	(1,521)	5,465	3,944
Forest	24,396	-	3,804	-	28,200	28,200
Forest capitalised costs	10,178	-	(384)	-	9,794	9,794
Other investments	5,363	1,285	740	(25)	7,413	7,388
Revaluations of foreign exchange contracts	141	(364)	-	(223)	-	(223)
Revaluations of interest rate swaps	(1,166)	138	-	(1,028)	-	(1,028)
Balance at the end of the year	100,295	1,059	6,593	(3,080)	111,027	107,947

	Group	Group	Group	Group	Group	Group
	2017	2017	2017	2017	2017	2017
	\$000	\$000	\$000	\$000	\$000	\$000
	<i>Opening</i>	<i>Charged</i>	<i>Charged</i>	<i>Closing</i>	<i>Closing</i>	<i>Closing</i>
	<i>Balance</i>	<i>to Equity</i>	<i>to Income</i>	<i>Balance</i>	<i>Balance</i>	<i>Balance</i>
	<i>Sheet</i>			<i>Sheet</i>	<i>Sheet</i>	<i>Sheet Net</i>
				<i>Assets</i>	<i>Liabilities</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

4 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	Actual
	2018	2017
	\$000	\$000
<i>Councillors</i>		
Remuneration	1,222	1,049
<i>Executive Leadership Team</i>		
Remuneration	1,974	1,755
Total key management personnel remuneration	3,196	2,804

Key management personnel comprises: 15 full-time equivalent elected members and 7 full-time equivalent executive leaders (2018 and 2017).

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		ROLE
	REMUNERATION		
Cull D C	1	149,214	Mayor
Benson-Pope D H	2,3,4	139,285	
Elder R A		56,240	
Garey C P	2	60,040	
Hall D W		56,240	
Hawkins A G	2,3	136,075	
Laufiso M E		56,240	
Lord M L	2,5	70,655	
Newell D J		56,240	
O'Malley J P	2,5	57,640	
Staynes C J		73,112	Deputy Mayor
Stedman C L		56,240	
Vandervis L		56,240	
Whiley A P	2	69,947	
Wilson K M H	2,3,5	128,615	
		1,222,023	

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 4 severance payments made during the year; \$25,000; \$20,000; \$15,720; \$3,537. (2017 - \$5,000; \$2,500.)

Chief Executive remuneration

Sue Bidrose; 1 July 2017 to 30 June 2018 \$377,742.

Sue Bidrose; 1 July 2016 to 30 June 2017 \$384,447 which includes backpay of \$13,922 and \$2,646 for the use of a vehicle for 2 months until it was surrendered.

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 2018 557.76 (2017: 529.41)

The number of full-time equivalent other employees as at 30 June 2018 149.87 (2017: 147.68)

(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 2018 receiving;

*Less than \$60,000	530
\$60,000 to \$79,999	187
\$80,000 to \$99,999	141
\$100,000 to \$119,999	35
\$120,000 to \$139,999	18
\$140,000 to \$159,999	10
\$160,000 to \$199,999	8
\$200,000 to \$379,999	4

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

* 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 2018 and 2017 exceed a \$20,000 movement. The more than 5 criterion does not apply to the top band.

5 Movement in Public Equity and Reserves

Accumulated funds

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Opening balance	1,680,653	1,679,472	1,812,341	1,799,619
Surplus/(deficit)	1,263	1,563	16,801	20,037
Adjustment	-	-	-	-
Transfers to:				
- Gains/(losses) on interest rate swaps and foreign exchange transactions	-	-	-	-
- Forestry reserves	-	-	(9,783)	(6,933)
- Carbon credit reserve	-	-	6,282	-
- Restricted reserves	(261)	(1,036)	(261)	(1,036)
Transfers from:				
- Restricted reserves	44	654	44	654
- Revaluation reserves (road reserve writeback)	(12,989)	-	(12,989)	-
Closing balance	1,668,710	1,680,653	1,812,435	1,812,341

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	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Opening balance	1,253,074	1,064,031	1,269,725	1,074,587
Gain/(loss) recognised on assets of Associates	-	-	177	6,095
Road reserve writeback	12,989	-	12,989	-
Property, plant and equipment revaluations	114,854	189,043	114,854	189,043
Closing balance	1,380,917	1,253,074	1,397,745	1,269,725

The road reserve writeback adjustment reflects the cumulative revaluations since 1998 related to road reserves, and is the result of the decision to discontinue revaluations of this asset.

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
	2018	2018	2018	2018
	\$000	\$000	\$000	\$000
A. H. Reed Capital Account to extend the Reed library collections	236	5	-	241
R. J. Trust Capital Account to extend library collections	285	7	-	292
G. McKay Housebound Capital Account to extend library collections	10	-	-	10
Clive R. B. Lister Capital Account to maintain the Clive Lister garden	228	5	-	233
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	44	1	-	45
DCC Recreation Loans Reserve to fund small loans to recreation clubs	241	6	-	247
Self Funded Insurance Reserve	293	7	-	300
Library Dunningham Bequest	13	-	-	13
Air Development Capital Reserve to develop the Taieri aerodrome	352	8	-	360
CARS Bethunes Operations Reserve	17	-	-	17
Dog Control Operations Reserve	12	-	-	12
Roading Property Reserve for property purchases	16	-	-	16
Road Maintenance 7 View St Waitati	9	-	-	9
Trans Net Mosgiel East	120	3	-	123
Library General operations Fund Reserve	89	2	-	91
Sportsground Upgrade Logan Park Reserve of development contributions	(247)	65	-	(182)
Sportsground Upgrade Bathgate Park Reserve of development contributions	18	2	-	20
Sportsground Upgrade Hancock Park Reserve of development contributions	27	3	-	30
Playground Upgrade Reserve of development contributions	1	7	-	8
Mosgiel East Reserve	230	5	-	235
Mere Mere Over View Subsidiary Reserve	68	2	-	70
Aviary Bird Fund Operations Reserve	25	1	-	26
Mediterranean Garden Development Reserve	15	-	-	15
Craigie Burn Operations Reserve	338	8	-	346
Ocean View Sand Sausage Reserve	144	3	-	147
Waikouaiti Forest	387	10	-	397
Walton Park Forest	56	1	-	57
Cemetery Service Fund Maintenance Reserve	2,187	-	-	2,187
Art Gallery Funded Operations Reserve	549	13	(44)	518
Sale of Reserve Land Reserve	17	-	-	17
Hillary Commission General Subsidies Reserve	31	1	-	32
Bateman Bequest (AG)	500	12	-	512
Harding Bequest Art Gallery Operations Reserve	29	1	-	30
Wastewater Mosgiel East	40	2	-	42
Waste Minimisation Reserve	520	12	-	532
EPH Renewal Fund Reserve	1,959	45	-	2,004
Endowment Property Investment Reserve	1,021	24	-	1,045
Totals	9,894	261	(44)	10,111

Last Year

Name and brief description of the purpose of the reserve
where not indicated in the reserve name.

	Opening	Transfers	Transfers	Closing
	Balance	Inwards	Outwards	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

Cash flow hedge reserves

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Opening balance	(10,183)	(15,803)	(13,309)	(26,515)
Gains/(losses) on interest rate swaps and foreign exchange transactions	3,385	5,620	(4,175)	13,206
Closing balance	(6,798)	(10,183)	(17,484)	(13,309)

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	Actual
	2018	2017
	\$000	\$000
Opening balance	10,819	11,290
Net revaluation of carbon credits	(6,282)	-
Gain in carbon credits above initial recognition value	3,874	(471)
Closing balance	8,411	10,819

Forestry reserves

	CONSOLIDATED	
	Actual	Actual
	2018	2017
	\$000	\$000
Opening balance	53,858	43,341
Net revaluation of forest	9,782	6,933
Net revaluation of forest land	2,277	3,584
Closing balance	65,917	53,858

6 Cash and Cash Equivalents

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Cash in Bank	5,490	4,460	7,533	19,596
	5,490	4,460	7,533	19,596

7 Trade and Other Receivables

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Trade debtors	16,997	11,970	34,296	36,082
Rate accounts issued and owing	3,016	2,582	3,016	2,582
Other debtor accounts issued and owing	1,073	860	11,749	3,232
Provision for doubtful debts	(2,328)	(2,218)	(2,924)	(2,621)
	18,758	13,194	46,137	39,275

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.

8 Accounts Payable, Accrued Expenditure and Employee Entitlements

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Trade and other payables				
Trade creditors	4,943	4,392	30,380	30,292
Contract retentions	807	953	807	953
Accrued expenditure	21,675	15,419	22,013	15,777
Other payables	812	787	2,607	7,637
	28,237	21,551	55,807	54,659
Revenue received in advance				
Rates in advance	886	879	886	879
Other revenue in advance	2,790	2,377	2,790	2,377
	3,676	3,256	3,676	3,256
Employee entitlements				
Accrued leave	4,436	4,238	9,006	8,592
Accrued long service leave	431	385	676	663
Sick leave over and above annual average	147	147	204	294
Accrued pay	1,105	1,067	1,646	1,586
Gratuities provision current	218	215	344	375
	6,337	6,052	11,876	11,510

9 Inventories

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Raw materials in store (at cost)	259	260	7,248	8,520
Work in progress (at cost)	-	-	4,370	1,395
	259	260	11,618	9,915

The Council inventories are not pledged as security for liabilities.

10 Other Financial Assets

a) Other current financial assets

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Waipori Fund interest bearing securities	8,174	6,614	8,174	6,614
Self Insurance Deposit	250	250	250	250
Other financial assets	-	-	2,048	1,908
	8,424	6,864	10,472	8,772

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 2.52% and 6.31%.

b) Other non-current financial assets

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Waipori Fund interest bearing securities	37,035	31,649	37,035	31,649
Waipori Fund equity investments	41,009	42,986	41,009	42,986
Other shares	485	485	494	494
Advances to subsidiaries	112,000	112,000	-	-
Other loans, advances	143	324	143	324
	190,672	187,444	78,681	75,453

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 2018, the interest rate on the advance was 5.27% (2017 5.27%).

c) Shares in subsidiary companies

	CORE COUNCIL	
	2018	2017
Shares Dunedin City Holdings Limited	121,039	118,489
	121,039	118,489

On incorporation, Dunedin City Holdings Limited issued 100,000,000 ordinary shares in favour of the Dunedin City Council. Only \$100,000 was called. During the year ended 30 June 2018 a further 2,550,000 ordinary shares were issued and called.

Since incorporation Dunedin City Holdings Ltd has issued additional shares of \$1 each in favour of the Dunedin City Council. The shares carry equal voting rights and 849,900,000 are uncalled. 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
- June 2018	2,550,000
Total number of shares	970,939,000
- Incorporation call	(100,000)
- June 2016 call	(115,839,000)
- June 2017 call	(2,550,000)
- June 2018 call	(2,550,000)
Total number of uncalled shares	849,900,000

11 Investments Accounted for Using the Equity Method

	CORE COUNCIL		CONSOLIDATED	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Interest and advances in associate company	-	-	30,867	29,755
Golden Block Investments Limited (Property)	49%	49%	49%	49%
Dunedin International Airport Limited (Transport)			50%	50%
Otago Chipmill Limited (Forestry) - wound up December 2017			-	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 2018 have been used. Otago Chipmill Limited was wound up during the year.

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

The only contingent liabilities arising from the group's involvement in the associate companies is for Golden Block Investments Limited which is detailed in note 21.

Summarised Balance Sheet

	Other Associates		Dunedin International Airport Limited	
	As at 30 June		As at 30 June	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Current assets				
Cash and cash equivalents	518	544	699	788
Other current assets	80	41	1,276	559
Total current assets	598	585	1,975	1,347
Non-current assets	2,360	2,337	86,682	86,428
Total assets	2,958	2,922	88,657	87,775
Current liabilities	199	341	3,840	3,115
Non-current liabilities				
Financial liabilities	2,600	2,600	8,000	9,100
Other financial liabilities	-	-	15,036	16,001
Total non-current liabilities	2,600	2,600	23,036	25,101
Total liabilities	2,799	2,941	26,876	28,216
Net assets	159	(19)	61,781	59,559
Less impairment	-	-	-	-
Other adjustments	(159)	19	(50)	(50)
Net assets after impairment and other adjustments	-	-	61,731	59,509
Carrying value of associates	-	-	30,867	29,755
	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	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Total revenue	650	530	16,522	14,130
Less expenses				
Other expenses	215	264	8,335	7,633
Interest expense	115	114	469	464
Depreciation and amortisation	1	-	2,957	2,872
Total expenses	331	378	11,761	10,969
Operating surplus/(deficit) before tax	319	152	4,761	3,161
Less income tax	87	42	1,486	840
Operating surplus/(deficit) after tax	232	110	3,275	2,321
Other comprehensive income	-	-	355	12,190
Total comprehensive income/(deficit)	232	110	3,630	14,511
Dividend received from associate	-	100	704	704

12 Term Loans

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Total loan balance	200,473	202,419	610,043	573,029
Less current portion	-	-	-	(1,686)
Non-current portion	200,473	202,419	610,043	571,343
<i>Non-current portion</i>				
Promissory notes issued	-	-	119,389	59,702
Bonds issued	-	-	490,181	507,676
Related parties	200,000	201,946	-	-
Other loans	473	473	473	5,651
	200,473	202,419	610,043	573,029

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 (2017: \$125 million).

The amount of unamortised premium or (discount) on bonds on issue at 30 June 2018 is nil (2017: nil).

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

Analysis term loans non-current		Group 2018 \$'000	Group 2017 \$'000
	Interest Rate		
Promissory Notes		119,389	59,702
Bonds 15/10/17	Coupon rate 7.81%	-	60,000
Floating Notes 7/10/17	38bp over BKBM	-	20,000
Floating Notes 15/5/18	43bp over BKBM	-	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	50,000
Floating rate notes 16/10/20	43bp over BKBM	45,000	-
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	25,000
Bonds 16/10/24	Coupon rate 3.79%	35,000	-
Bonds 15/4/26	Coupon rate 3.98%	65,000	65,000
Fair Value Impact on Bonds		5,181	2,676
Forestry Loans	Coupon rate 6.09%	-	5,178
Housing NZ loan		473	473
		<u>610,043</u>	<u>573,029</u>

The forestry loans were repaid during the year. In the 2017 year, the Forestry loans were from the Ministry of Primary Industries. They were fixed rate loans secured by registered first mortgage over certain land assets and were covered by repayment insurance.

The fair value of the debt and maturity profile is disclosed in note 19, 'Financial Instruments'.

Contractual maturity analysis of term loans

	CORE COUNCIL		CONSOLIDATED	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
The following is a maturity analysis of the term loans				
Repayable less than one year	30,000	17,041	65,000	101,686
Repayable between one to five years	57,515	57,515	414,389	328,194
Repayable later than five years	112,958	127,863	130,654	143,149
	<u>200,473</u>	<u>202,419</u>	<u>610,043</u>	<u>573,029</u>

While these are the contractual maturities of the consolidated term loans, the Group expects and has the discretion to refinance term borrowings under the multi-option debt issuance facility. As per the face of the accounts, the Group has therefore determined that all term borrowings are non-current as per the provisions of NZ IAS1.

13 Provisions

Core Council movement in provisions

	Landfill aftercare	Accrued long service leave	Gratuities	Total
	2018 \$000	2018 \$000	2018 \$000	2018 \$000
Opening balance	6,972	467	892	8,331
Net movement in provision	1,163	(7)	13	1,169
Closing balance	8,135	460	905	9,500
	Landfill aftercare	Accrued long service leave	Gratuities	Total
	2017 \$000	2017 \$000	2017 \$000	2017 \$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 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
	2018 \$000	2018 \$000	2018 \$000	2018 \$000
Opening balance	6,972	975	1,270	9,217
Net movement in provision	1,163	63	24	1,250
Closing balance	8,135	1,038	1,294	10,467
	Landfill Aftercare	Accrued Long Service Leave	Gratuities	Total
	2017 \$000	2017 \$000	2017 \$000	2017 \$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

14 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 David Paterson and Juliet Abrahams of Quotable Value Limited as at 30 June 2018.

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; \$1,590,640,077, water assets; \$896,944,942, sewerage assets; \$879,474,517, stormwater assets; \$442,201,995.

Infrastructure assets comprising roads, bridges, footpaths, lights, traffic signals and signs have been valued at depreciated replacement cost as at 30 June 2018. The valuation of these assets has been done by Larissa Curzon of Beca Limited and 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, and landfill plant and facilities have been valued as at 1 July 2017 by Council staff at depreciated replacement cost. The valuation has been reviewed by independent consultant Gary Dent of Fluent Infrastructure Solutions Limited.

Restricted assets

Land and buildings

Land has been valued at fair value by David Paterson and Juliet Abrahams of Quotable Value Limited as at 30 June 2018.

Buildings and structures have been valued at depreciated replacement cost by Vaibhav Gandhi and Lionel Musson of Beca Projects NZ Limited as at 30 June 2018.

Hard surfaces and reticulation systems

Hard surfaces have been valued by Council staff at depreciated replacement cost and peer reviewed by independent consultant Pauline True of Stantec as at 30 June 2017.

Road infrastructure assets have been valued at depreciated replacement cost by Pauline True and Mathew Anderson of Stantec as at 30 June 2017 and reviewed by Brian Smith of Brian Smith Advisory Services Limited.

Underground services assets have been valued by Council staff at depreciated replacement cost as at 1 July 2017 and peer reviewed by independent consultant Gary Dent of Fluent Infrastructure Solutions Ltd.

Playground and soft-fall areas

Playground and soft-fall areas have been valued by Alistair McGaughan 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 depreciated replacement value by Vaibhav Gandhi and Lionel Musson of Beca Projects NZ Limited as at 30 June 2018.

The heritage land and buildings of the Railway Station and the Olveston historic house have been valued at fair value by David Paterson and Juliet Abrahams of Quotable Value Limited as at 30 June 2018.

Current Year	Balance as at 1 July 2017	Additions (assets constructed or purchased)	Vested Assets (assets transferred)	Disposals	Net revaluation/ (decrements)	Depreciation	Impairment	Reclassification	Total at 30 June 2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational assets									
Gross carrying amount									
Land	87,187	-	-	-	14,037	-	-	(120)	101,104
Buildings and structures	219,667	473	-	-	(4,373)	-	-	(341)	215,426
Fixed plant and equipment	15,536	524	-	(5)	-	-	-	-	16,055
Vehicle, mobile plant	3,846	391	-	(169)	-	-	-	-	4,068
Office equipment	27,639	1,704	-	-	-	-	-	-	29,343
Library collection	9,678	746	-	-	-	-	-	(99)	10,325
Total	363,553	3,838	-	(174)	9,664	-	-	(560)	376,321
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	-	-	-	-	-	-
Buildings and structures	(18,851)	-	-	-	28,249	(9,456)	-	58	-
Fixed plant and equipment	(10,756)	-	-	5	-	(743)	-	-	(11,494)
Vehicle, mobile plant	(2,829)	-	-	147	-	(243)	-	-	(2,925)
Office equipment	(23,117)	-	-	-	-	(1,615)	-	-	(24,732)
Library collection	(7,115)	-	-	-	-	(990)	-	3	(8,102)
Total	(62,668)	-	-	152	28,249	(13,047)	-	61	(47,253)
Net book value as at 30 June	300,885	3,838	-	(22)	37,913	(13,047)	-	(499)	329,068

Current Year	Balance as at 1 July 2017	Additions (assets constructed or purchased)	Vested Assets (assets transferred)	Disposals	Net revaluation/ (decrements)	Depreciation	Impairment	Reclassification	Total at 30 June 2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Infrastructural assets									
Gross carrying amount									
Land	24,435	-	-	-	1,423	-	-	-	25,858
Land fill provision capitalised	2,763	-	-	-	-	-	-	-	2,763
Roadways and bridges	988,213	29,406	2,134	-	7,580	-	-	-	1,027,333
Water reticulation	282,882	6,607	834	-	29,819	-	-	-	320,142
Water plant and facilities	75,100	1,625	-	-	(4,987)	-	-	-	71,738
Wastewater reticulation	320,359	5,592	1,443	-	(4,021)	-	-	-	323,373
Wastewater plant and facilities	101,624	1,482	-	-	(5,827)	-	-	-	97,279
Stormwater reticulation	153,569	2,530	2,586	-	(1,052)	-	-	-	157,633
Stormwater plant and facilities	2,386	-	-	-	(883)	-	-	-	1,503
Landfill plant and facilities	5,370	276	-	-	539	-	-	-	6,185
Total	1,956,701	47,518	6,997	-	22,591	-	-	-	2,033,807
Accumulated depreciation/ amortisation and impairment									
Land fill provision capitalised	(1,787)	-	-	-	-	(162)	-	-	(1,949)
Roadways and bridges	-	-	-	-	19,922	(19,922)	-	-	-
Water reticulation	(7,835)	-	-	-	7,835	(8,511)	-	-	(8,511)
Water plant and facilities	(2,937)	-	-	-	2,937	(3,053)	-	-	(3,053)
Wastewater reticulation	(5,512)	-	-	-	5,512	(7,106)	-	-	(7,106)
Wastewater plant and facilities	(4,432)	-	-	-	4,432	(4,430)	-	-	(4,430)
Stormwater reticulation	(3,486)	-	-	-	3,486	(4,168)	-	-	(4,168)
Stormwater plant and facilities	(109)	-	-	-	109	(122)	-	-	(122)
Landfill plant and facilities	(415)	-	-	-	415	(429)	-	-	(429)
Total	(26,513)	-	-	-	44,648	(47,903)	-	-	(29,768)
Net book value as at 30 June	1,930,188	47,518	6,997	-	67,239	(47,903)	-	-	2,004,039

Current Year	Balance as at 1 July 2017	Additions (assets constructed or purchased)	Vested Assets (assets transferred)	Disposals	Net revaluation/ (decrements)	Depreciation	Impairment	Reclassification	Total at 30 June 2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Restricted assets									
Gross carrying amount									
Land	170,752	415	-	(69)	(1,323)	-	-	-	169,775
Buildings and structures	39,984	332	-	-	4,709	-	-	11	45,036
Road reserve	191,762	15	1,131	-	-	-	-	-	192,908
Hard surfaces and reticulation systems	12,291	8	-	-	3,939	-	-	-	16,238
Fixed plant and equipment	3,073	-	-	-	-	-	-	-	3,073
Playground and soft-fall areas	5,506	316	-	-	-	-	-	-	5,822
Total	423,368	1,086	1,131	(69)	7,325	-	-	11	432,852
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	-	-	-	-	-	-
Buildings and structures	(3,542)	-	-	-	5,387	(1,845)	-	-	-
Road reserve	-	-	-	-	-	-	-	-	-
Hard surfaces and reticulation systems	(2,218)	-	-	-	2,219	(706)	-	-	(705)
Fixed plant and equipment	(638)	-	-	-	-	(90)	-	-	(728)
Playground and soft-fall areas	(458)	-	-	-	-	(465)	-	-	(923)
Total	(6,856)	-	-	-	7,606	(3,106)	-	-	(2,356)
Net book value as at 30 June	416,512	1,086	1,131	(69)	14,931	(3,106)	-	11	430,496

Current Year	Balance as at 1 July 2017	Additions (assets constructed or purchased)	Vested Assets (assets transferred)	Disposals	Net revaluation/ (decrements)	Depreciation	Impairment	Reclassification	Total at 30 June 2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Heritage assets									
Gross carrying amount									
Land	4,388	-	-	-	322	-	-	-	4,710
Buildings	8,310	1,046	-	-	(1,633)	-	-	-	7,723
Collections	66,231	182	-	-	-	-	-	99	66,512
Monuments	12,155	14	-	-	(2,019)	-	-	-	10,150
Total	91,084	1,242	-	-	(3,330)	-	-	99	89,095
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	-	-	-	-	-	-
Buildings	(280)	-	-	-	439	(159)	-	-	-
Collections	(492)	-	-	-	-	-	-	(3)	(495)
Monuments	(145)	-	-	-	217	(73)	-	1	-
Total	(917)	-	-	-	656	(232)	-	(2)	(495)
Net book value as at 30 June	90,167	1,242	-	-	(2,674)	(232)	-	97	88,600
Capital work in progress									
Water and waste systems	17,698	(4,473)	-	-	-	-	-	-	13,225
Land and buildings	1,444	(382)	-	-	-	-	-	-	1,062
Other assets	1,035	625	-	-	-	-	-	-	1,660
	20,177	(4,230)	-	-	-	-	-	-	15,947
Council total net book value as at 30 June	2,757,929	49,454	8,128	(91)	117,409	(64,288)	-	(391)	2,868,150

Current Year	Balance as at 1 July 2017	Additions (assets constructed or purchased)	Vested Assets (assets transferred)	Disposals	Net revaluation/ (decrements)	Depreciation	Impairment	Reclassification	Total at 30 June 2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Subsidiaries assets									
Gross carrying amount									
Land	10,043	30	-	(290)	-	-	-	290	10,073
Forest land	35,755	3,373	-	-	2,277	-	-	389	41,794
Buildings and structures	20,047	617	-	(1,641)	-	-	-	552	19,575
Fixed plant and equipment	23,761	1,839	-	(7,982)	-	-	-	2,690	20,308
Roadways and bridges	7,188	698	-	-	-	-	-	-	7,886
Stadium	223,614	-	-	-	-	-	-	-	223,614
Networks	542,316	60,603	-	(1,265)	-	-	-	-	601,654
Vehicle, mobile plant	26,934	2,302	-	(2,849)	-	-	-	331	26,718
Rolling stock and rail track	5,378	206	-	(670)	-	-	-	-	4,914
Construction	41,366	18,012	-	(139)	-	-	-	(298)	58,941
Office equipment	1,001	515	-	(74)	-	-	-	83	1,525
Total	937,403	88,195	-	(14,910)	2,277	-	-	4,037	1,017,002
Accumulated depreciation/ amortisation and impairment									
Land	-	-	-	30	-	-	-	(30)	-
Forest land	-	-	-	-	-	-	70	(389)	(319)
Buildings and structures	(4,764)	-	-	264	-	(322)	1,081	(260)	(4,001)
Fixed plant and equipment	(17,359)	(7)	-	3,771	-	(1,616)	3,159	(2,054)	(14,106)
Roadways and bridges	(4,072)	-	-	-	-	(180)	-	-	(4,252)
Stadium	(45,862)	-	-	-	-	(7,027)	-	-	(52,889)
Networks	(145,888)	-	-	555	-	(16,039)	-	-	(161,372)
Vehicle, mobile plant	(15,493)	-	-	2,313	-	(2,420)	77	(116)	(15,639)
Rolling stock and rail track	(2,749)	-	-	755	-	(292)	-	-	(2,286)
Construction	-	-	-	-	-	-	-	-	-
Office equipment	(762)	(21)	-	66	-	(109)	2	(81)	(905)
Total	(236,949)	(28)	-	7,754	-	(28,005)	4,389	(2,930)	(255,769)
Net book value as at 30 June	700,454	88,167	-	(7,156)	2,277	(28,005)	4,389	1,107	761,233
Group total net book value as at 30 June									
	3,458,383	137,621	8,128	(7,247)	119,686	(92,293)	4,389	716	3,629,383

Last 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

Last 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
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
Other infrastructural assets	-	-	-	-	-	-	-	-	-
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)
Other infrastructural assets	-	-	-	-	-	-	-	-	-
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

Last 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
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 sy:	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 sy:	(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

Last 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

Last 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
Subsidiaries assets									
Gross carrying amount									
Land	10,323	-	-	(2)	-	-	-	(278)	10,043
Forest land	31,217	954	-	-	3,584	-	-	-	35,755
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	890,485	51,731	-	(4,771)	3,584	-	-	(3,626)	937,403
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	673,598	51,731	-	(211)	3,584	(27,128)	-	(1,120)	700,454
Group total net book value as at 30 June									
	3,260,726	87,065	10,006	(301)	192,627	(87,558)	-	(4,182)	3,458,383

15 Investment Property

	CORE COUNCIL		CONSOLIDATED	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Opening balance	90,438	88,288	90,438	88,288
Plus additions	802	-	802	-
	91,240	88,288	91,240	88,288
Less disposals	-	-	-	-
	91,240	88,288	91,240	88,288
Net gains / losses from fair value adjustments	420	2,150	420	2,150
Closing balance	91,660	90,438	91,660	90,438
Classified:				
Investment Property General	50,160	49,238	50,160	49,238
Investment Property Endowment *	41,500	41,200	41,500	41,200
	91,660	90,438	91,660	90,438

* Endowment Property held pursuant to the Dunedin City Council Endowment Lands Act 1988.

Trend statement for the six years to 30 June 2018 (the Council)

	Actual 2018 \$000	Actual 2017 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2013 \$000
Fair market value of investment properties	91,660	90,438	88,288	89,684	95,217	91,413

Investment properties and properties intended for sale

All investment properties were valued by Daryl Taggart, David Paterson, Jon Parker and Louie Lim 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

	CORE COUNCIL	
	Actual 2018 \$000	Actual 2017 \$000
Rental from investment properties	7,868	7,929
Operating expenditure investment properties	(3,051)	(2,891)
	4,817	5,038
Plus internal rental for car-park buildings	987	890
Less internal management fees and salaries	(577)	(548)
	5,227	5,380
Net gains or (losses) from fair value adjustments	420	2,150
Net income including fair value gains and losses	5,647	7,530

Investment return including fair value gains and losses but excluding the interest paid on loans borrowed: 6.16% (2017: 8.33%).

16 Intangible Assets

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Opening cost	9,121	8,856	15,105	14,389
Additional intangible assets	333	382	768	833
Disposals	-	-	(161)	-
Carbon credits surrendered	-	(117)	-	(117)
Closing cost	9,454	9,121	15,712	15,105
Accumulated amortisation opening balance	7,239	6,342	11,743	10,344
Impairments	-	-	10	-
Disposals	-	-	(45)	-
Amortisation	747	897	1,300	1,399
Accumulated amortisation closing balance	7,986	7,239	13,008	11,743
Net book value	1,468	1,882	2,704	3,362
Computer intangibles	1,446	1,860	2,682	3,340
Carbon credits	22	22	22	22
	1,468	1,882	2,704	3,362

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

17 Forestry Assets

	CONSOLIDATED	
	Actual	Actual
	2018	2017
	\$000	\$000
Forestry assets		
Opening balance	136,333	123,802
Add costs capitalised in establishing forests during year	2,353	2,083
Increase in forest from acquisition	2,575	3,212
Revaluation	13,585	9,629
Less value of logs harvested	(4,674)	(2,393)
Closing balance	150,172	136,333

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 crop and an independent market value has been used to establish the forest land value and land resource. 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 year to year 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% (2017: 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 +\$7.78 mil/ - \$7.09 mil. A 10% increase or decrease in assumed log prices would change the valuation by +\$12.09 mil/ -\$12.07 mil; (note that these sensitivities shown are independent and different outcomes would result from combined changes in discount and log prices).

At 30 June 2018 the company owned stands of trees on 17,284 hectares of a total land holding (including lease, Joint Venture & Forestry Right) of 21,094 hectares. During the year the company harvested approx. 303,922 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 19, 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. Other inventories are valued at the lower of cost and 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 2,319,923 Post-89 derived NZU's, being the carbon sequestered by these forests during the 2008 to 2018 calendar years. In 2017, 30,967 ERU's were purchased. There has been carbon credit sales during the financial year of 400,000 units.

As at 30th June 2018, 1,280,834 units were unsold (2017: 1,369,304). 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	Actual
	2018	2017
	\$000	\$000
New Zealand carbon credits	27,024	23,413

18 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 2018

	Actual 2018 \$000	Actual 2017 \$000
Income	3,273	3,222
Less expenditure	(222)	(213)
Net operating income	3,051	3,009
Plus unrealised gains/(loss)	3,503	2,700
Net surplus to equity	6,554	5,709
Less inflation adjustment	(926)	(1,782)
Available for distribution to Council	5,628	3,927

Waipori Fund - Statement of Movement in Equity as at 30 June 2018

	Actual 2018 \$000	Actual 2017 \$000
Equity at the beginning of the year	84,217	82,263
Plus net surplus for the year	6,554	5,709
	90,771	87,972
Less distribution	(3,482)	(3,755)
	87,289	84,217

Waipori Fund - Balance Sheet as at 30 June 2018

	Actual 2018 \$000	Actual 2017 \$000
Current assets		
Bank account	315	1,857
Accounts receivable	355	312
Current investments		
- Other	8,587	6,614
- Dunedin City Council	-	-
Total current assets	9,257	8,783
Investments		
Equities	41,009	42,986
Non-current investments		
- Other	36,562	31,649
- Dunedin City Council	473	808
Total investments	78,044	75,443
Total assets	87,301	84,226
Current liabilities		
Accruals	12	9
Total current liabilities	12	9
Equity		
Principal of the fund	56,000	56,000
Inflation adjustment reserve	27,007	26,081
Retained earnings	4,282	2,136
Total equity	87,289	84,217
Total equity and liabilities	87,301	84,226

Waipori Fund - Trend Statement for the 6 years to 30 June 2018

	Actual 2018 \$000	Actual 2017 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2013 \$000
Main income sources						
Interest	1,774	1,819	1,669	1,743	1,675	1,681
Dividend	1,423	1,625	1,869	1,876	1,630	1,790
Rent	-	-	-	-	-	197
Realised gains/loss on asset sales	76	(222)	(1,028)	(347)	217	359
Main assets						
Term financial investments	45,922	40,812	34,503	32,880	31,741	36,352
Equity	41,009	42,986	47,594	48,678	43,397	39,578
Return on assets before unrealised gains or losses						
Financial instruments	3.86%	4.46%	4.84%	5.30%	5.28%	4.71%
Equity	3.47%	3.78%	3.93%	3.85%	3.75%	4.52%
Return on assets after unrealised gains or losses	7.78%	6.94%	6.30%	13.10%	6.08%	9.91%

19 Financial Instruments

The consolidated entity's corporate treasury function provides services to the business, co-ordinates access to domestic financial markets and monitors 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

2018	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	5,490	5,490	5,490	-	-
Dunedin City Holdings Limited advance	112,000	112,000	-	-	112,000
Trade and other receivables	18,758	18,758	18,758	-	-
Current financial assets	8,424	8,424	8,424	-	-
Other financial assets	78,529	78,529	-	29,287	49,242
Loans and advances	143	143	-	-	143
Total	223,344	223,344	32,672	29,287	161,385
Financial liabilities					
Short term borrowing	-	-	-	-	-
Trade and other payables	28,237	28,237	28,237	-	-
Revenue received in advance	3,676	3,676	3,676	-	-
Derivative financial liability	6,841	7,384	3,671	3,713	-
Term liabilities	200,473	291,165	31,580	71,152	188,433
Total	239,227	330,462	67,164	74,865	188,433

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

Contractual cash-flow profile of financial instruments of the Group

2018	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	7,533	7,533	7,533	-	-
Trade and other receivables	46,137	46,137	46,137	-	-
Current financial assets	10,472	10,472	10,472	-	-
Derivative financial assets	4,421	12,486	3,572	8,014	900
Other financial assets	78,538	78,538	-	29,287	49,251
Loans and advances	143	143	-	-	143
Total	147,244	155,309	67,714	37,301	50,294
Financial liabilities					
Short term borrowing	3,638	3,638	3,638	-	-
Trade and other payables	55,807	55,807	55,807	-	-
Revenue received in advance	3,676	3,676	3,676	-	-
Derivative financial liability	21,675	36,039	11,343	21,995	2,701
Term liabilities	610,043	676,466	203,233	338,425	134,808
Total	694,839	775,626	277,697	360,420	137,509

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

Maturity profile of financial instruments of the Council

2018	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		5,490	-	5,490	-	-	5,490
Dunedin City Holdings Limited advance	5.27%	112,000	-	-	-	112,000	112,000
Trade and other receivables		-	18,758	18,758	-	-	18,758
Current financial assets	3.93%	8,424	-	8,424	-	-	8,424
Other financial assets	3.63%	78,529	-	-	29,287	49,242	78,529
Loans and advances		-	143	-	-	143	143
Total		204,443	18,901	32,672	29,287	161,385	223,344
Financial liabilities							
Short term borrowing		-	-	-	-	-	-
Trade and other payables		-	28,237	28,237	-	-	28,237
Revenue received in advance		-	3,676	3,676	-	-	3,676
Term liabilities	5.26%	200,473	-	30,000	57,515	112,958	200,473
Total		200,473	31,913	61,913	57,515	112,958	232,386
Financial instrument exposures							
Derivative financial asset		-	-	-	-	-	-
Derivative financial liability		6,841	-	552	6,289	-	6,841
Interest rate swaps		-	-	-	-	-	-
Foreign currency forward exchange contracts		-	-	-	-	-	-

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		-	-	-	-	-	-
Maturity profile of financial instruments of the Group							
2018	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		7,533	-	7,533	-	-	7,533
Trade and other receivables		-	46,137	46,137	-	-	46,137
Current financial assets	5.00%	10,472	-	10,472	-	-	10,472
Other financial assets	3.63%	78,538	-	-	29,287	49,251	78,538
Loans and advances		-	143	-	-	143	143
Total		96,543	46,280	64,142	29,287	49,394	142,823
Financial liabilities							
Short term borrowings	2.24%	3,638	-	3,638	-	-	3,638
Trade and other payables		-	55,807	55,807	-	-	55,807
Revenue received in advance		-	3,676	3,676	-	-	3,676
Term liabilities	4.62%	610,043	-	65,000	414,389	130,654	610,043
Total		613,681	59,483	128,121	414,389	130,654	673,164
Financial instrument exposures							
Derivative financial asset		4,421	-	-	-	4,421	4,421
Derivative financial liability		21,675	-	-	-	21,675	21,675
Interest rate swaps		-	-	-	-	-	-
Foreign currency forward exchange contracts		-	-	-	-	-	-

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		-	-	-	-	-	-

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 2018

	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	5,490	5,490	-	5,490	-
Receivables from subsidiary	112,000	112,000	-	-	112,000
Receivables	18,758	18,758	-	-	18,758
Current financial assets	8,424	8,424	-	8,424	-
Other financial assets	78,529	78,529	41,009	37,520	-
Loans and advances	143	-	-	-	143
Financial liabilities					
Short term borrowings	-	-	-	-	-
Trade and other payables	28,237	28,237	-	-	28,237
Revenue received in advance	3,676	3,676	-	-	3,676
Term liabilities	200,473	200,473	-	200,473	-
Financial instrument exposures					
Derivative financial asset	-	-	-	-	-
Derivative financial liability	6,289	6,289	-	6,289	-
Interest rate swaps	-	-	-	-	-

Current Year 30 June 2018

	CONSOLIDATED				Significant Non- Observable Inputs \$000
	Carrying Value \$000	Fair Value \$000	Quoted Market Price \$000	Observable Inputs \$000	
Financial assets					
Bank balance	7,533	7,533	-	7,533	-
Receivables	46,137	46,137	-	-	46,137
Current financial assets	10,472	10,472	-	10,472	-
Other financial assets	78,538	78,538	37,035	41,503	-
Loans and advances	143	143	-	-	143
Financial liabilities					
Short term borrowings	3,638	3,638	-	3,638	-
Trade and other payables	55,807	55,807	-	-	55,807
Revenue received in advance	3,676	3,676	-	-	3,676
Term liabilities	610,043	610,043	-	610,043	-
Financial instrument exposures					
Derivative financial asset	4,421	4,421	-	4,421	-
Derivative financial liability	21,675	21,675	-	21,675	-
Interest rate swaps	-	-	-	-	-

Last Year 30 June 2017

	CORE COUNCIL				Significant Non- Observable Inputs \$000
	Carrying Value \$000	Fair Value \$000	Quoted Market Price \$000	Observable Inputs \$000	
Financial assets					
Bank balance	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	-	-	-	-	-

Last 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	-	-	-	-	-

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.

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Past due, but not impaired, receivables are as follows				
Age analysis:				
30 - 60 days	159	69	1,535	511
60 - 90 days	68	48	333	278
90 days plus	612	409	1,748	1,190

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 2018

	CORE COUNCIL		
	AA	AA- No Rating	Total 2018
Financial assets analysis			
Bank balance		5,490	5,490
Receivables from subsidiary	112,000		112,000
Receivables		18,758	18,758
Current financial assets		8,424	8,424
Other financial assets		78,044	78,529
Loans and advances		143	143

	CONSOLIDATED		
	AA	AA- No Rating	Total 2018
Financial assets			
Bank balance		7,533	7,533
Receivables		46,137	46,137
Current financial assets		10,472	10,472
Other financial assets		78,538	78,538
Loans and advances		143	143

Last 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	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

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 2018	Actual 2017	Actual 2018	Actual 2017
Effectiveness	100%	100%	100%	100%

c) Interest rate risk

Under the Dunedin City Council Treasury Risk Management Policy approved on 29 August 2017, Dunedin City Treasury Limited utilise a portfolio approach to manage interest rate risk for the Group.

The Group uses interest rate swaps to manage its exposure to interest rate movements on its multi-option 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	
	2018 \$000	2017 \$000
Maturing in less than one year	42,500	32,500
Maturing between one and five years	437,500	250,000
Maturing after five years	382,500	507,500
	<u>862,500</u>	<u>790,000</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 instruments purchased are only against the currency in which the exports are sold.

Projected sales of City Forests Limited, up to two 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	
	2018 \$000	2017 \$000
Forward foreign exchange contracts		
- fair value	(799)	656
- nominal value	14,400	8,800
(sale of USD and purchase of NZD)		
Forward foreign exchange contracts		
- fair value	-	-
- nominal value	-	-
(sale of NZD and purchase of USD)		

All contracts are current.

20 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 0.6754. A parallel shift of +1%/-1% in the NZD market interest rate from the year end 90 day BBBR of 2.01% (2017: 2.41%).

Should these movements occur, the impact on consolidated profit and loss and equity for each category of financial instrument 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		+100bp		-10%	10%
		Profit	Equity	Profit	Equity	Profit	Profit
Financial assets							
Derivatives - designated as cash flow hedges (interest rate swaps, forward currency deals separately disclosed)	4,421	-	-	-	-	2,369	(1,938)
Other financial assets	89,153	-	-	-	-	209	(171)
	93,574	-	-	-	-	2,578	(2,109)
Financial liabilities							
Derivatives - designated as cash flow hedges (interest rate swaps, forward currency deals separately disclosed)	21,675	-	(22,137)	-	20,284	-	-
Other financial liabilities	-	-	-	-	-	-	-
	21,675	-	(22,137)	-	20,284	-	-

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. Changes to interest rates charged caused by any change to the credit standing of the Group cannot be hedged.
3. 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.

21 Commitments, Contingencies, Guarantees and Insurance

	CORE COUNCIL		CONSOLIDATED	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Capital commitments approved and contracted				
Other property plant and equipment capital commitments	1,362	588	24,135	11,928
Roading capital commitments	16,924	2,424	16,924	2,424
Water and waste capital commitments	13,942	8,332	13,942	8,332
	32,228	11,344	55,001	22,684
Non-cancellable operating lease commitments				
Not later than one year	53	31	2,875	2,992
Later than one year and not later than 5 years	114	31	4,326	4,949
Later than five years	-	-	579	535
	167	62	7,780	8,476
Significant Council operating commitments				
Not later than one year	35,613	32,796		
Later than one year and not later than 5 years	51,392	77,916		
Later than five years	2,527	5,459		
	89,532	116,171		

The Council has a number of commitments as lessor from leasehold property. As at 30 June 2018 the amount has not been quantified.

The Council has guarantees of \$390,463 (2017: \$500,628). 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 10 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	Actual	Actual	Actual
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Golden Block Investments Limited	1,325	1,325	1,325	1,325
Performance bonds	-	-	666	700
	1,325	1,325	1,991	2,025

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.

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

Breach of Default Price-Quality Path Reliability Standards

Network reliability standards are contained in the Commerce Commission's Default Price-Quality Path for Electricity Distribution Businesses. The regulations provide for pecuniary penalties in the event that a company breaches its standards in 2 of any 3 successive years.

During the 2016/17 financial reporting period, the Commerce Commission initiated an investigation into Aurora Energy Limited's breach of regulated network reliability standards in the 2015, 2016 and 2017 disclosure years.

Aurora Energy Ltd has since also breached its regulated network reliability targets for the 2018 disclosure year, giving rise to a third instance of breaching 2 of any 3 successive years.

The maximum fines for each instance of breaching the regulated reliability targets are \$500,000 for an individual and \$5,000,000 in any other case. Any such fine(s) must be sought through the courts and determined by a court ruling.

Subsequent to year end and to the finalisation of the audit of Aurora Energy Ltd, the Commerce Commission announced that it had decided to file court proceedings against Aurora Energy Ltd for breaching its regulated quality standards in 2016 and 2017. The Commerce Commission will be asking the High Court to impose financial penalties on Aurora Energy Ltd under the Commerce Act. The financial consequences of this matter (if any) were not known.

The Commerce Commission has issued a notice requiring Dunedin City Holdings Limited to supply documents as part of its investigation of contraventions by Aurora Energy Limited of the regulated network reliability standards imposed by clause 9.1 of the Electricity Distribution Services Default Price-Quality Determination 2015. This is to examine if any persons may be secondarily liable for Aurora Energy Limited's network reliability breaches. As the investigation is ongoing, the financial impact on Dunedin City Holdings Limited is not known yet.

Insurance of assets

The total value of property plant and equipment of the Council covered by insurance contracts for the 2018/19 year is \$1,644,184,000 (2017/18: \$1,533,083,000).

The maximum amount to which assets are insured for non-natural disaster under the Council insurance policies is \$250,000,000 (2017: \$250,000,000).

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

An insurance reserve fund of \$272,000 (2017: \$293,000) exists to meet the cost of claims that fall below deductible limits under the Council insurance policies.

22 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.

23 Explanations of Major Variances Against Budget

Explanations for major variances from the Council's budget figures in its 2017/18 annual plan are as follows:

Statement of Comprehensive Revenue and Expense

Total operating revenue was greater than budget due to the following: higher than expected vested assets (\$5.6 million), unbudgeted fair value gains related to the Waipori Fund (\$3.6 million), additional grants revenue to fund remediation across the roading network following the July 2017 weather event (\$3.1 million) and higher than expected revenue from the Green Island Landfill (\$2.9 million).

In addition, development and financial contributions from across the city were greater than budgeted, including income from continued development in Mosgiel.

Other expenses were greater than budget due to the following: unbudgeted infrastructure remediation following the July 2017 weather event (\$7.4 million), and unbudgeted expenditure as Council completed asset assessments and condition remediation across a number of portfolios (\$5.3 million).

Financial expenses were less than budget by \$1.9 million due to a lower debt position and favourable floating interest rate.

Depreciation expenditure was \$3.0 million greater than budget due to the impact of a revaluation of Three Waters assets effective from 1 July 2017.

Statement of Financial Position

The term loan balance as at 30 June 2018 was \$200.5 million or \$10.9 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 \$7.0 million less than budget driven by the revenue and expense variances discussed above.

Net cash outflow from investing activities was \$16.9 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 - Logan Park Artificial Turf, Peninsula road widening, LED lighting and urban cycleways. These projects are now either underway or scheduled for the 2018/19 financial year.

This underspend was partially offset by unbudgeted cash outflow on investments (\$1.0m) related to acquisitions by the Waipori Fund (bonds and equities).

24 Post Balance Date Events

There are no post balance date events.