DUNEDIN CITY HOLDINGS LIMITED

2014 annual report

contents

annual report 2014

WHAT WE DO

Dunedin City Holdings Limited is an investment company and its purpose is to provide a steady flow of payments to its shareholder, the Dunedin City Council. In recent years, this has meant cash payments to Dunedin Venues Limited in addition to direct payments to the Council.

The role of the company involves continual reviews of subsidiary companies' financial and non-financial performance against the performance measures as outlined in their respective Statements of Intent. Particular attention is given to cash generation performance. It also includes the assessment of any major business case brought forward by the subsidiaries. In carrying out these reviews, the board will assess the risks of the activities undertaken by its subsidiaries in the light of the financial needs of the Dunedin City Council.

Where there is a conflict between maximising the return on investment in each subsidiary and the level of free cash flow required to meet the shareholder's objectives, the latter will prevail while ensuring that the company/group remains operationally secure.

OUR STRATEGY

Our strategy, of adding value to our existing businesses and ensuring that the subsidiary companies receive the synergistic advantages available from being part of a group of companies is unchanged. The strongest companies in our portfolio will receive support to develop in the areas where they have the greatest competitive advantage. The current focus on cash generation will continue.

In recent years, the high level of distributions to support the capital expenditure of the Dunedin City Council has meant that Shareholder's Funds could not grow. However with lower levels of distribution now agreed the board will seek to avoid debt funded dividend payments and Shareholder's Funds should increase once more.

OUR CHALLENGE

Our challenge is to maintain investment in our businesses without interrupting the longer-term strength in our cash flows.

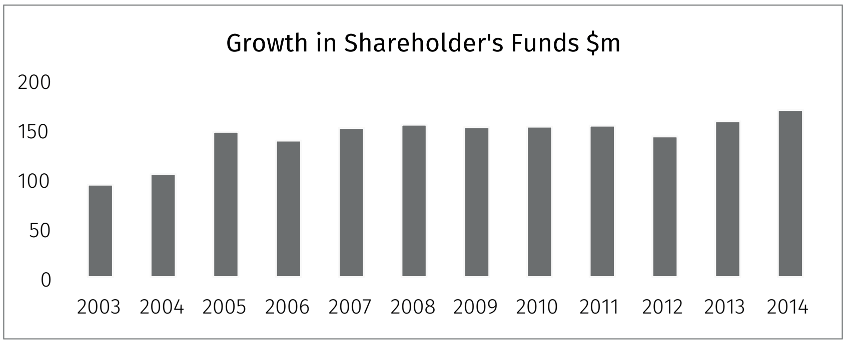
our performance

Our job is to oversee the commercial investments of the Dunedin City Council to maximise returns. To do this, we must earn enough to:

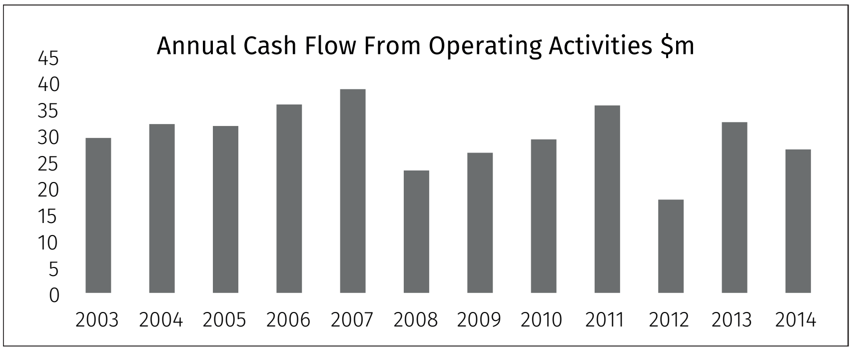
- pay cash to the Council regularly in the form of dividends and interest;
- maintain an adequate level of shareholder's funds; and
- generate cash for reinvestment.

We have:

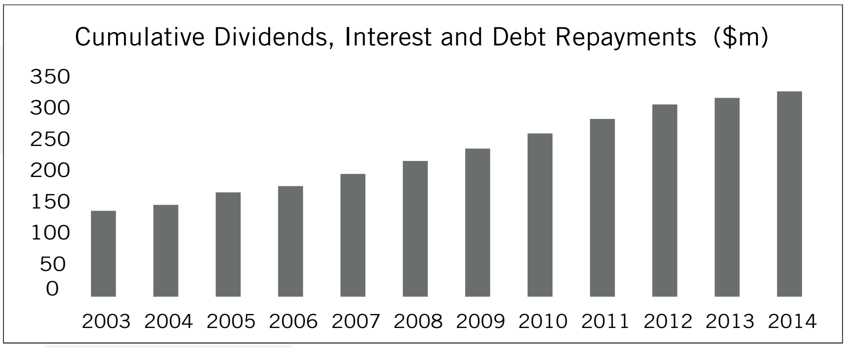
Paid cash to the Council since the Company was formed in 1993



Maintained an adequate level of Shareholder's Funds



Over the long-term, created cash for Dividends and Reinvestment



our mission

Dunedin City Holdings Limited will monitor and support the performance of its subsidiary and associated companies to ensure each company provides maximum advantages in all respects to the ultimate shareholder, the Dunedin City Council.

2014 highlights

- We have returned the group a profit of $12.5m after tax.
- We have increased cash on hand by $22.5m to $37.0m.
- We have made distributions to the Dunedin City Council and Dunedin Venues Limited of $15.7m.
- We have reduced debt across the Dunedin City Holdings Limited group by $5m.
- We have made significant progress in restructuring governance.
- City Forests Limited produced a very strong performance which included an increase dividend payment.
- Aurora Energy Limited started work on its programme to increase investment and expenditure on its network.
- Delta Utility Services Limited completed its exit of non-profitable businesses units.
- Taieri Gorge Railway Limited experienced another difficult year through the continuing impact of stagnant international and domestic tourism market.
- Dunedin International Airport Limited produced another commendable performance.

chairman's review

I'm pleased to report on the results of Dunedin City Holdings Limited and its group of companies for the year to 30 June 2014. Whilst initial reading of the result for the year indicates that there was a drop in the financial result for the group compared to last year, the majority of the movement is made up of non-operating changes including a decrease in the level of the City Forests Limited revaluation in income, plus an increase in the interest paid to the Dunedin City Council by the parent company reflecting increasing interest rates.

During the year the board of Dunedin City Holdings Limited farewelled both Denham Shale and Bill Baylis as directors. Both directors served the company well during their tenure and I thank them for the work that they performed during their directorship. Linda Robertson and Brian Wood have subsequently replaced Denham and Bill on the board. Both come to the board with extensive corporate knowledge and add a wealth of experience to the board.

There were a number of changes in directorships within the group of companies during the year. I'd like to pass on my thanks for the service of all directors who resigned during the year. I'd like to specifically record the service of two directors who resigned this year after serving as members of the group's board of directors for a significant number of years. Both Ray Polson and Ross Liddell resigned as directors during the year and contributed in a significant way to the development of the DCHL group in a wide range of roles. It is with sadness that I must note the passing of Ross in July of this year.

During the year the group was able to maintain its level of distribution to the Dunedin City Council and its companies outside of the Dunedin City Holdings Group. A total of $15.7m was distributed in the year under review. This maintains the level of distributions advised to the Dunedin City Council as either dividends, interest on the advance from the Dunedin City Council or subvention payments to Dunedin Venues Limited. DCHL has already indicated that due to upcoming capital expenditure requirements within the group it is anticipated that the level of distributions to the Dunedin City Council will decrease for a short period of time in the coming years.

Delta Utility Services Limited completed its exit from its water and civil construction operations during the year, and also entered into unconditional contracts for the sale of its remaining development properties. With the removal of these activities, Delta can now concentrate on its core activities which will have a positive impact on the profitability of the group as a whole.

Aurora Energy Limited is entering into a phase of significant capital expenditure over the next five years. This capital expenditure will ensure that the network is maintained and will provide for anticipated growth in the networks connections.

City Forests Limited encountered a year of improving operational returns for the forestry industry. The company performed strongly and was able to reduce its borrowings, increase its dividend and increase its investment in its forestry assets.

Dunedin City Treasury Limited continues to achieve good results for the Dunedin City Council and its group of companies. The company maintained its Standard and Poor's AA long term credit rating and its A1+ short term rating during the year. John Knight the Chief Executive Officer of Dunedin City Treasury Limited retired in July 2014. The Dunedin City Holdings Limited group thanks John for his dedicated and loyal service to the group.

Taieri Gorge Railway Limited continues to experience a difficult tourism market. The effect of the Christchurch earthquake on decisions being made by visitors on where they visit has continued to be felt in the South.

Overall the group of companies achieved a good operational result, was able to maintain its distribution to the Dunedin City Council and its group of companies, was able to decrease its level of borrowings and increase its level of capital expenditure.

The companies are well served by a dedicated team of directors and employees. I would like to pass on my thanks to these individuals for the work they have done during the year in ensuring that the group of companies are providing a significant level of service both operationally and financially to their ultimate shareholder the ratepayers of Dunedin.

Given the normal operational challenges facing the members of the group the board of Dunedin City Holdings Limited remain positive on the outlook for the group of companies.

Graham W Crombie
Chairman

directors' report

Results for the Year Ended 30 June 2014

	Group $'000	Parent $'000
Revenue	233,978	13,224
Profit before tax	21,324	3,595
Income Tax	7,524	(723)
Net profit for the year from continuing operations	13,800	4,318
Discontinued operations net of tax	(1,317)	-
Net profit for the year	12,483	4,318

State of Affairs

Overall, the directors are of the view that the affairs of the group and the parent company are satisfactory.

The net surplus of the Group for the year was $12.5m (2013: $20.5m). The drop in surplus for the year was due to three main factors:

- A decrease in the revaluation level of the forestry assets in 2013/14 year compared to 2012/13. The 2012/13 financial year recorded a revaluation of $7.0m compared to a $1.6m revaluation in 2013/14
- An increase in the interest rate payable to the Dunedin City Council on the advance resulted in a $0.9m increase in interest paid
- Lower energy usage during the year associated with a mild winter in 2013 and above average temperatures resulting in a decrease in surplus for Aurora

The directors are confident that each of these three factors do not present unfavourable long term implications for the Group.

Fluctuations in forestry revaluations are to be expected and a symptomatic of volatility of log prices.

Due to the set level of distribution required by the Dunedin City Council, any movement in the interest expense on the advance is offset by a corresponding movement on the dividend paid by Dunedin City Holdings Limited to the Dunedin City Council. Hence the increase in the interest expense for 2013/14 was offset by a decrease in the dividend paid by Dunedin City Holdings Limited to the Dunedin City Council.

Fluctuations in energy usage based on variable climatic conditions are to be expected. Forecasts for the Aurora electricity network indicate a continuing increase in network connections and demand with the company undertaking a major programme of capital works that is intended to renew and upgrade both primary and secondary network assets over the next few years.

Parent Company

Dunedin City Holdings Limited, as the parent company of the group, made a net surplus of $4.3m compared to a $16.9m net surplus for the previous year.

A write back of $9.8m in the value of the investment in City Forests Limited last year had a significant impact on the surplus reported in the previous year. This year no write back was required and hence the level of surplus reported has decreased.

Distributions were made to Dunedin City Council as required, details of which are shown below.

DCHL Group Payments to the Dunedin City Council

The distribution of cash to the shareholder, the Dunedin City Council, has been maintained at a high level. In total, cash payments made to the Council in respect of this last financial year were:

	$'000
Dividends from DCHL	3,719
Interest payments from DCHL on shareholders' advance	6,731
Net tax subvention payment from Aurora Energy Limited to Dunedin Venues Limited	5,250
Total cash distribution to the Council and Council CCTOs outside the DCHL group from DCHL and subsidiaries	15,700

REVIEW OF OPERATIONS

Parent Company

The parent company continues to work closely with all its subsidiary companies. It has assisted in undertaking operational reviews of certain activities within the group, participated in the resolution of commercial issues, and provided strategic guidance, the benefits of which we are confident will be evident in ensuing years.

Subsidiary Companies

Detailed comment on the performance of all subsidiaries is contained later in this report.

Dunedin International Airport Limited (Associate)

Dunedin International Airport Limited achieved an operating surplus for the year of $1.8m. Excluding gains and losses on investments, revenue increased by 8.2% on last year. The majority of the increase in revenue was in non-aeronautical income which increased by 14.5% on the previous year. This year saw pressure on aeronautical revenue through airline changes to both schedules and capacity.

Work continued on the apron rehabilitation programme and the main taxiway ensuring the airside asset is maintained.

OUTLOOK

With significant capital investment and constant growth in consumer network connections, the long term outlook for the two electricity companies is positive. The capital investment will place strain on cash reserves and result in increased debt levels and reduced dividend payments in the short term, but will ensure the financial profitability of the Companies in the long term.

Forestry operations remain profitable but the volatility of log prices will always be the key factor in the determination of financial returns for City Forests Limited. The upcoming financial year will be no exception.

The south is still experiencing the impacts on tourism from the Christchurch earthquakes. Expectations are that this situation will reverse and result in increased patronage on the Taieri Gorge excursion. The ongoing question though is when this reversal will occur. In the meantime, Taieri Gorge Railway Limited continues to operate effectively and efficiently in the current environment.

Dunedin City Treasury Ltd continues to provide benefit to the Group of companies and the Dunedin City Council Group as a whole through a soundly based and conservatively managed treasury function.

FINANCIAL STATEMENTS

The audited financial statements for the year ended 30 June 2014 are attached to this report.

AUDITORS

The principal auditor is Audit New Zealand, on behalf of the Controller and Auditor-General. Fees were paid to other audit service providers. The total of the audit fees for the group's continuing businesses for the year was $230,000.

On behalf of the Board of Directors

Graham W Crombie
Chairman

29 September 2014

principal activities of the group

Dunedin City Holdings Limited, as the parent company of the group, has the primary role of monitoring the operating performance of its subsidiary companies on behalf of the ultimate shareholder, the Dunedin City Council.

Dunedin City Holdings Limited is responsible for the overall strategic direction of the group and provides guidance and support to its subsidiary companies.

Dunedin City Holdings Limited endeavours to ensure that each of its subsidiary companies has a sustainable competitive position, a basis for growth and that they each receive the advantages available from being part of a group of companies.

The parent company also ensures that the group's financial strength is maintained through innovative and sound financial management.

The principal activities of the subsidiary and associate companies are as follows.

- **Aurora Energy Limited** is New Zealand's sixth-largest electricity distributor, annually receiving 1,400GWh of electricity for distribution to more than 82,300 homes and businesses in Dunedin and Central Otago.

- **City Forests Limited** manages approximately 16,326 hectares of land from which forest products are grown, harvested and marketed.

- **Dunedin City Treasury Limited** provides the group with funding and financial services and manages the financial risks of the group.

- **Delta Utility Services Limited** is a multi-utility service provider specialising in delivering essential services to community, corporate and private customers. As asset manager to Aurora Energy Ltd it is responsible for the efficient distribution of electricity in Dunedin city and an increasingly large proportion of Central Otago.

- **Taieri Gorge Railway Limited** operates a tourist and community-orientated train on the Taieri Gorge railway line and provides other train services in the South Island, principally for charters and excursions.

- **Dunedin International Airport Limited** (Associate) operates the Dunedin Airport. It also farms adjacent land in partnership with sharemilkers and owns a small residential housing estate on land adjoining the airfield to the north.

Aurora Energy Limited

WHAT WE DO

Aurora Energy Limited owns the electricity network assets of poles, lines, cables and substations in Dunedin and Central Otago. Its function is to transfer electricity from the national grid and local generation to the consumer. Its customers are the electricity retailers who sell electricity to commercial and household consumers.

WHAT WE DID THIS YEAR

Aurora Energy Limited continued to perform well and consistently. Revenue increased to $92.9m, up on the $90.6m achieved last year. The surplus after tax, at $7.7m, was down on last year's $8.6m. The company paid a $7.3m cash subvention payment to Dunedin Venues Limited that effectively dropped the tax paid profit by $5.3m. The cash generation performance of the company continues to be very strong and provides a high level of dividend to the parent company.

Infrastructure networks tend to follow cycles of build and maintenance. Ageing assets are common across the New Zealand electricity supply sector as assets installed in the network builds of the 1950s and 60s near the end of their useful life. The Aurora Energy network is no exception and this year it entered a phase of increased investment and expenditure to replace and upgrade older assets, primarily in Dunedin, and to build new assets to cater for growth in electricity demand, primarily in Central Otago. Over the next decade, Aurora Energy is planning to make significant lifecycle asset investments, with $202 million expenditure projected in the first five years and $156 million in the five years after that.

This year, Aurora Energy invested $5.3m in overhead line reconstruction and vegetation management work to improve the reliability of the network in Dunedin and Central Otago. A further $21.3m was invested in capital projects, including the completion of upgrades to the Roxburgh and Queenstown substations and the replacement of 33-kilovolt underground cables in Anderson's Bay, Dunedin, to future-proof power supply to the surrounding area.

The company began a major, five-year project to modernise and upgrade its network management, control and communication systems. The technology upgrade will support future management of the distribution network and provide a platform capable of integrating with new technologies and the future growth in distributed generation.

Growth in consumer connections to the network followed a consistent pattern to prior years. In Central Otago, there was 2.0% growth (last year 2.0%) and in Dunedin, 0.2% growth (last year 0.2%). At year end, the total number of connections in Dunedin was 54,112 and in Central Otago 30,352. In the short to medium term, overall energy demand is expected to remain stable or increase modestly across the Aurora Energy network.

At the time of writing, the Commerce Commission was in consultation on pricing that will apply to electricity distributors over the next five-year regulatory period from 1 April 2015. The draft default price-quality paths have signalled a reduction in the price limit for Aurora Energy of 6.5 per cent which, if confirmed, would see a material reduction in allowable revenue. The company will continue to seek an outcome that adequately accounts for local circumstances – in particular local demand projections and network age and configuration – and supports the transition to the smart grid of the future.

For more information, visit www.electricity.co.nz.

THE PEOPLE

Directors	I M Parton (Chairman)
	D J Frow
	S J McLauchlan
	T J Kempton (appointed 1 November 2013)
	R S Polson (retired 1 November 2013)
Chief Executive	G W Cameron

AT A GLANCE

Financial Highlights

	Group 2014 $'000	**Group 2013 $'000**
Revenue	92,895	90,560
Net Surplus for the Year	7,650	8,624
Shareholder's Funds	180,983	178,005
Total Assets	390,814	383,272

City Forests Limited

WHAT WE DO

City Forests Limited is a forest owner that actively harvests and markets the products from the 16,326 hectares of forests that it owns. Products are sold in both the export and domestic markets.

WHAT WE DID THIS YEAR

City Forests has had a successful year generating a healthy profit and strong cash flows that have enabled the payment of a record $5.1m dividend to our shareholder.

The primary driver of profit has been strong harvesting returns from both the domestic and export log markets.

The company supplied 54% of logs harvested to export customers principally in South Korea where log prices have been strong due to competition from China, our other principal export market. The key factors of market price, freight rates and exchange rates, when considered together, have been favourable delivering top quartile New Zealand Dollar returns from harvesting.

The domestic log market consumed 46% of the company's log production. Domestic log prices have also been favourable as local mills compete with log export markets.

The Board and Management of the Company have always been committed to achieving best practice in Health and Safety performance. Board and Management resources allocated to governance and oversight of this key operational area has been further increased this year.

During the year the company incrementally added to its forest estate through the purchase of two blocks, in total 204ha, adjacent to its Tokoiti Forest.

Under NZ IFRS accounting rules, the value of the forest growth is brought directly into the annual income. This year, the adjustment was a positive $1.1m after tax ($5.1m last year) and the value of the company's forests increased from $108.6m to $111.1m. The reasons for this increase have been the recent market price increases that improve the long term pricing curve used in the valuation model, positive growth in the forest and the addition of purchased forest area.

Trading conditions in the forestry market have always been volatile and it can be expected that this volatility will continue. This has been demonstrated during the first quarter of the 2014/15 year when a downward log price correction has occurred however prices are now trending up again. Operations remain profitable however the extent of this log price recovery will ultimately determine our financial results for the coming year.

The company has now reached its long term sustainable harvest yield of approximately 275,000 m3 per annum. The forest is harvest ready and is capable of maximising the advantage currently provided by a positive global economy.

For more information, visit www.cityforests.co.nz.

THE PEOPLE

Directors	J F Gallaher (appointed Chairman Nov 2013)
	R D Liddell (Chairman, retired Oct 2013)
	T D Allison
	T M Mepham (appointed December 2013)
	M C Horne (appointed December 2013)
	M O Coburn (retired October 2013)
Chief Executive	G A A Dodson

AT A GLANCE

Financial Highlights

	Group 2014 $'000	Group 2013 $'000
Revenue	40,965	47,321
Net Surplus for the Year	8,291	14,614
Shareholder's Funds	95,932	91,725
Total Assets	151,457	148,199

Delta Utility Services Limited

DELTA
THINK.INFRASTRUCTURE

WHAT WE DO

Delta is an infrastructure specialist providing a range of electrical and environmental services to local authority and private sector customers. It is based in Dunedin, with service depots throughout the South Island.

WHAT WE DID THIS YEAR

Delta's refocus on its core energy and environmental businesses has resulted in improved profitability and a stronger balance sheet. The company completed a progressive exit from water and civil construction operations following the previously signalled strategic review of its position in that market. Its former subsidiary, Delta Investments Limited, also entered unconditional contracts for the sale of all of its remaining development properties. These actions have lowered the risk profile of Delta's business and customer portfolio and the company is now well positioned to continue to build on its improved profitability in the future.

Throughout the period, the company continued to achieve measured growth and solid performance in its energy, solid waste and greenspace businesses. The phased exit from water and civil activities during the year saw turnover reduce to $96.6m from $105.7m last year. Profit after tax of $4.4m, remained similar to last year's result of $4.6m.

The sales of vehicles, plant and equipment from Delta's former civil construction business and development properties saw total assets reduce from $77.1m to $56.5m. The proceeds from these sales were applied predominantly to reduce term debt, and the company's term borrowings reduced by $14.6m from $44.4m to $29.8m during the year.

Delta continued to deliver asset management and distribution services to the Aurora Energy electricity network under a long term services agreement. During the year, it managed $21.3 million of capital projects for Aurora Energy and a total of $5.3 million of overhead line reconstruction and vegetation management work.

The company continued to expand its revenues from the wider electricity sector. Its success is based on a reputation for combining technical expertise and a partnership approach with our customers. In generation, Delta was awarded the contract to provide technical and tunnel services to Contact Energy on its Clutha hydroelectric power stations.

The greenspace and sports turf management business was successful in securing new customers and expanding its geographic coverage, delivering a range of turf, horticulture and roadside vegetation control services throughout the South Island from Southland to Tasman.

The solid waste business performed well and its capability and presence in regional waste services continued to develop. During the year, Delta provided solid waste services to all three local authorities in coastal Otago – Clutha, Dunedin City and Waitaki. The company operated Dunedin City Council's Green Island landfill and once again had its environmental gold accreditation re-confirmed.

Delta has an ongoing commitment to improving its health and safety performance. That is critical given the high hazard environments its people work in every day. The company has introduced a new health and safety strategy that sets out Delta's next round of improvement in safety performance.

For more information, visit www.thinkdelta.co.nz

THE PEOPLE

Directors	I M Parton (Chairman)
	D J Frow
	S J McLauchlan
	T J Kempton (appointed 1 November 2013)
	R S Polson (retired 1 November 2013)
Chief Executive	G W Cameron

AT A GLANCE

Financial Highlights

	Group 2014 $'000	**Group 2013 $'000**
Revenue	88,238	79,481
Net Surplus for the Year	4,377	4,606
Shareholder's Funds	13,757	11,675
Total Assets	56,530	77,104

Dunedin City Treasury Limited

Dunedin City Treasury Ltd

WHAT WE DO

Dunedin City Treasury Limited provides funding and financial services to other entities in the group. The principal role of the company is to fund the group, including the Dunedin City Council, and to identify and manage financial risks. The use of a single, centralised treasury function has maximised financial efficiency and effectiveness. Through the accumulation of group funds, interest rates are being achieved which might not have been otherwise possible.

WHAT WE DID THIS YEAR

The Company continues to achieve good results with its promissory note programme. Over the year the average rate achieved was 11.5 basis points over the 90 Day Bank Bill Reference Rate, which when compared to our peers in the market was an excellent result given the uncertainty in the financial markets.

Group companies and the Dunedin City Council, using facilities arranged through the company, have had the benefit of very good interest rates on both the funds they have borrowed and surplus funds which they have invested through the Company. In addition, an interest rate/fees adjustment totalling $1,163,966 has been paid to members of the Dunedin City Council Group in December 2013 and June 2014.

The Company's Standard and Poor's long term credit rating was reaffirmed at AA in December 2013. The A1+ short term rating remained the same as previously reported.

The Company continues to provide management services to the Waipori Fund which is a large Dunedin City Council investment fund. The result for the year was a $4,590,673 surplus, before an inflation adjustment, of $1,180,499 which was a return of 6.02%. With an inflation factor of 1.50% the return after inflation was 4.52%.

THE PEOPLE

Directors	G W Crombie (Chairman – appointed October 2013)
	K E Grant (appointed October 2013)
	L M Robertson (appointed October 2013)
	B J Wood (appointed October 2013)
	R D Liddell (retired October 2013)
	G W Cameron (retired October 2013)
	G A A Dodson (retired October 2013)
	B R N Dodds (retired October 2013)
Chief Executive	M J Knight

AT A GLANCE

Financial Highlights

	Group 2014 $'000	Group 2013 $'000
Revenue	39,825	40,367
Net Surplus for the Year	22	16
Shareholder's Funds	255	233
Total Assets	637,137	654,446

Taieri Gorge Railway Limited

WHAT WE DO

Taieri Gorge Railway Limited operates a tourist train on the Taieri Gorge railway line and provides other train services, principally for charters and excursions. Year after year, the train trip through the Taieri Gorge remains a key attraction for visiting cruise ship passengers.

WHAT WE DID THIS YEAR

The Taieri Gorge Railway Limited operates in the international and domestic tourism market and has experienced another difficult year. International visitor numbers to New Zealand rose by 5.7% but the continuing negative effect of the Christchurch earthquakes and the tendency for shorter stays in New Zealand resulted in a flat market in this part of the country. Our daily tourist train carried 47,041 passengers, which resulted in a 0.6% decrease in fare paying customers on the previous year. However, revenue in this division rose by 3.6% ($99K) to $2,862,213 and the margin achieved increase by 5.4% from $1,168,357 to $1,231,831. The train continues to receive high satisfaction ratings in visitor surveys of Dunedin's attractions and continues to feature in the must-do activities in Dunedin in the latest international guidebooks and is therefore well placed to thrive as markets recover.

The coming summer season is likely to show recovery in tourist numbers. Business initiatives have been introduced in the company's on-going efforts to increase passenger numbers on the daily train and to maximise revenue on cruise ship days. Forward predictions show a return to profitability in the year ahead. The company faces the potential threat of cruise ship visits reducing as a result of ship repositioning to North Island port visits.

We are served by a strong and loyal team of employees and volunteers. The staff structure is lean and we continue to use multi-skilling in many divisions of the company. The company has a strong trading base and is highly regarded in the market-place. The continuing strategy is to target growth opportunities while managing our maintenance work load in such a way to ensure that safety is not compromised. While the company is not likely to generate substantial profits in the medium term its true value is best measured by the contribution it makes to the wider Dunedin economy.

For more information, visit www.taieri.co.nz.

THE PEOPLE

Directors
G R Thomas
(Chairman – appointed December 2013)
G M T Williams
F J McCall
Hon S Rodger
J D Holmes
D W Wood
J M Chapman (retired September 2013)
B R N Dodds (retired December 2013)
J E Farry (retired December 2013)

Chief Executive M J Bond

AT A GLANCE

Financial Highlights

	Group 2014 $'000	Group 2013 $'000
Revenue	5,552	5,768
Net Surplus for the Year	(51)	39
Shareholder's Funds	1,713	1,764
Total Assets	3,520	3,666

corporate governance

The group defines corporate governance as the means by which it controls its activities in order to protect the shareholder's interests.

THE ROLE OF DUNEDIN CITY HOLDINGS LIMITED

Dunedin City Holdings Limited is a Council Controlled Trading Organisation (CCTO), as are all the subsidiaries of Dunedin City Holdings Limited. Aurora Energy Ltd is also an electricity company as defined by the Electricity Reform Act 1998.

Dunedin City Holdings Limited is responsible for the preparation of its Statement of Intent which must be delivered to Dunedin City Council as its shareholder by 1 March each year for comment. Following receipt of Council's comments the company is required to deliver its completed Statement of Intent before 30 June, which outlines the company's activities and intentions for the following year. In addition to the obligations under the Local Government Act 2002, Dunedin City Holdings Limited must comply as required with the relevant provisions of the Companies Act 1993 and is governed by its directors who must act in accordance with the law and in the best interests of the company. They should also act in accordance with best governance practice.

Dunedin City Holdings Limited communicates the performance of the group to the shareholder on a quarterly basis. Half-yearly and annual reports of financial and operational performance are also provided. Other reporting requirements are detailed in the Statement of Intent.

SUBSIDIARY COMPANIES

To enhance efficiency, Dunedin City Holdings Limited has the various group businesses carried on by its subsidiary companies each of which is governed by its own board and senior management. Each of the subsidiaries is also a CCTO and is required to present a Statement of Intent to Dunedin City Holdings Limited as its shareholder. The delegated powers and capacity for the individual subsidiaries to acquire assets and/or shares in a third party company are contained within the Statement of Intent.

The group treasury policy and a Deed of Understanding between the group companies determine the overall policy applying to the conduct of all treasury activities. The Chief Executive Officers of some subsidiaries are able to formally delegate certain authorities to their managers and those reporting to those managers.

BOARD MEMBERSHIP

Each company within the group has its own board of directors which meets on a regular basis to direct and control the company's activities. The qualification for board membership includes a requirement that non-executive directors be free from any relationship with the executive management of the company that could materially interfere with the exercise of their independent judgement. The role of Chairman and Chief Executive Officer must be kept separate at all times.

The New Zealand Stock Exchange's Corporate Governance Best Practice Code recommends that the minimum number of independent directors must be two, or one third of the directors. The Dunedin City Holdings Limited Board currently comprises four directors, all of whom are non-executive.

A non-executive director must be considered independent when the board determines that the director is independent in character and judgement and there are no relationships or circumstances which could affect, or appear to affect, the director's judgement.

The group supports the need for the highest standards of behaviour and accountability from directors and accordingly endorses the principles set out in the Code of Best Practice for Directors approved and adopted by the Institute of Directors in New Zealand (Incorporated). Where conflicts of interest do exist in law directors may excuse themselves from discussions.

REVIEW OF BOARD MEMBERSHIP

The procedures for the appointment and removal of directors are ultimately governed by a company's Constitution and the policy of the Council. From time to time, the company boards consider their composition and the range of skills represented. In terms of nominations, the boards have previously considered the suitability of possible new directors based on a range of factors, including the candidate's background, experience, professional skills, personal qualities and availability to commit themselves to the board's activities.

Directors are appointed following approval by the Dunedin City Council in the case of Dunedin City Holdings Limited, and notification to Dunedin City Council in the case of appointments to the other companies' boards, using procedures set out by the Council. These procedures require Dunedin City Holdings Limited to maintain a list of suitable applicants from which its evaluation and recommendation to the Council is made.

The Constitution provides that one third of directors (to the nearest whole number) must retire from office each year and they may offer themselves for re-election at the Annual General Meeting.

BOARD MEETINGS

The Dunedin City Holdings Limited board and subsidiary boards typically meet formally 11 times each year. All directors have access to executive and senior management to discuss issues or obtain information on specific areas in relation to items to be considered at the meeting, or other areas as they consider appropriate. Further, directors have unlimited access to company records. A number of the boards have separate audit and remuneration committees and these also meet regularly to carry out their functions.

THE WORK OF THE BOARDS

The role of a director of a CCTO is defined in Section 58 of the Local Government Act 2002 as being to assist the organisation to meet its objectives and any other requirements set out in its Statement of Intent. Section 60 goes on to provide that all decisions relating to the operation of the CCTO must be made pursuant to the authority of its board and in accordance with its Statement of Intent and its Constitution.

Strategic issues and management's detailed budget and five year business plans are reviewed annually by the board and visits to key operational locations are encouraged. Audit and remuneration committees are created where appropriate and oversee these important functions.

Dunedin City Holdings Limited's group boards are committed to sound, practical corporate governance and have put in place a corporate governance framework which includes suitably qualified and dedicated teams focused on managing:

- group strategy, including vision and values;
- the achievement of financial objectives;
- the identification and control of areas of business risk;
- a quality system of internal control appropriately maintained;
- the employment of quality people;
- supervision and development of staff; and
- regulatory compliance.

environmental, social and economic performance

For the Year Ended 30 June 2014

SUMMARY

All companies in the group have policies that require them to act as socially responsible and environmentally aware citizens. However, environmental and social performance is about more than policies and we accept that the outcome of how we live up to our policies, the effect of our operations and products, and our overall contribution to society is important.

Underpinning everything that the companies do is profitability – the means to reward our shareholder, the Council. Our profits support the social programmes and environmental activities of our shareholder. Without superior competitive performance and strong companies, we cannot be sustainable over the long-term and provide the Council with the financial resources to deliver the higher standards of environmental performance.

	Environmental	**Social**	**Economic**
Commitment	We will act as an environmentally aware business.	We will consult with stakeholders through our six – monthly reports and through the website notice boards of the larger DCHL companies.	We will undertake continual performance monitoring of the operating activities of the group.
Summary	The forestry business will be operated in a sustainable manner. We will include environmental considerations in our operational and planning decisions. We will assist third party projects promoting environmental protection.	We will operate personnel policies which promote a non-discriminatory, culturally sensitive, equal employment opportunity (EEO) workplace. We will maintain a safe workplace for our staff.	We will achieve financial projections. An international credit rating will be maintained at the highest level consistent with the strategic plans of the shareholder and company boards.

group highlights

HEALTH AND SAFETY

The health and safety of staff is a top priority for all the companies. Sound health and safety policies, subject to annual review, are in place. Our end goal is clear: no accidents and no harm to people.

During the year City Forests Limited significantly improved its health and safety systems in the areas of log transport, tree felling and breaking out, improved the internal safety audit systems and carried out drug and alcohol training and testing.

Delta Utility Services Limited has established a health and safety committee that met twice in FY14. The Board of Delta Utilility Services has reviewed and endorsed a new health and safety strategy that renews the commitment to getting everyone home safe every day and sets out Delta's next round of improvement in safety performance.

In May 2014, Aurora Energy Limited constituted a new Health and Safety Committee which met twice during the year. The Committee has formal terms of reference that are consistent with the Institute of Directors in New Zealand guidelines for health and safety leadership. Aurora Energy has maintained compliance with its public safety obligations under the Electricity Act 1992.

Taieri Gorge Railway Limited has developed improved safety management procedures during the year including the formation of a Board Safety Subcommittee which meets formally with key management staff three monthly.

ENVIRONMENTAL

The group is aware of the effect of electricity poles and wires in certain environments. The cost of placing sections of the electricity network underground is very high but Aurora Energy Limited is committed, over time, to increasing its underground network in highly scenic areas.

City Forests Limited has continued its Forest Stewardship Council certification. The company continues to improve its knowledge and management of environmental and cultural issues within the forest.

In addition, City Forests Limited continues to maintain a significant network of walking tracks, picnic areas and other public amenities.

The stored carbon balance in the forests increased by approximately 11,100 tonnes of carbon during the year, helping to provide a positive carbon footprint, not only to the Group of companies but also to the Dunedin district as a whole.

COMMUNITY INVOLVEMENT

Our community involvement continues to cover a wide range of civic, charitable, sporting and recreational activities. In 2014, this support comprised a combination of financial sponsorship or assistance, the provision of staff resources and other forms of non-financial donation, such as loads of firewood, from within the group's resources.

The promotion of education, culture and health receives assistance from all companies across the group. The Otago Science and Technology Fair, Child Cancer Foundation, Heart Kids Otago, Nelson Tasman Regional Hospice Trust, Prostate cancer Foundation New Zealand, Ronald McDonald House South Island, SPCA Otago, and St John Wanaka and others all benefited from contributions during the year.

The total value of these contributions is difficult to calculate as many of the costs are not directly measured in cash but overall, across the group.

financial information

- GROUP FINANCIAL STATISTICS
- STATEMENT OF COMPREHENSIVE INCOME
- STATEMENT OF CHANGES IN EQUITY
- BALANCE SHEET
- STATEMENT OF CASH FLOWS
- NOTES TO THE FINANCIAL STATEMENTS

group financial statistics

	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Revenue	**233,978**	231,234	254,922	245,784	224,598
Profit before tax, impairment and subvention payment from continuing operations	**28,616**	38,586	15,543	26,554	24,422
Profit/(Loss) before tax from continuing operations	**13,800**	24,053	(2,249)	26,554	24,422
Tax	**7,524**	7,166	2,838	7,704	5,918
Surplus/(deficit) after tax	**12,483**	20,512	(5,087)	16,244	18,110
Net interest paid to the Council on advance	**6,731**	5,903	7,213	7,616	8,223
After tax cost of Dunedin Venues Limited subvention payment	**5,250**	5,250	5,250	-	-
Net surplus before shareholder interest and subvention	**24,464**	31,665	7,376	23,860	26,333
Cash flows from operating activities	**30,084**	35,745	19,549	39,206	32,136
Shareholder's funds	**169,549**	159,197	142,289	153,175	152,238
Shareholder's advance	**112,000**	112,000	112,000	112,000	112,000
Total shareholder's interest	**281,069**	271,197	254,289	265,175	264,238
Rate of return (on shareholder funds)	**7.4%**	12.9%	(3.5)%	10.6%	11.9%
Dividend paid	**3,719**	4,547	10,737	15,584	14,877
Net interest paid to the Council on advance	**6,731**	5,903	7,213	7,616	8,223
After tax cost of Dunedin Venues Limited subvention payment	**5,250**	5,250	5,250	-	-
Total interest, subvention and dividends paid to the Council	**15,700**	15,700	23,200	23,200	23,100
Total assets	**1,034,432**	1,036,228	1,022,319	965,829	889,710
Shareholder's funds to total assets	**16.4%**	15.3%	13.9%	15.8%	17.1%

statement of comprehensive income

For the Year Ended 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Continuing Operations					
Revenue	*3*	202,649	194,694	305	316
Forest revaluation	*32, 3*	1,571	7,046	-	-
Financial income	*4*	28,834	28,631	12,919	15,481
Share of profit of associates		924	863	-	-
Total revenue		233,978	231,234	13,224	15,797
Less expenses					
Audit fees	*5*	230	241	20	24
Contractors		22,232	21,948	-	-
Depreciation and amortisation		17,406	16,802	-	-
Directors fees		667	696	247	210
Employee expenses		39,006	35,535	243	241
Financial expenses	*6*	46,177	45,541	8,832	7,987
Raw materials and consumables used		45,164	43,574	-	-
Other expenses	*5*	34,480	28,311	287	237
Profit before tax, impairment and subvention		28,616	38,586	3,595	7,098
Less					
Subvention payments to DVL and DVML		7,292	7,367	-	-
Impairment in value of assets in subsidiary companies			-	-	(9,786)
Profit /(loss) before tax		21,324	31,219	3,595	16,884
Income tax expense	*9*	7,524	7,166	(723)	-
Net profit/(loss) for the year from continuing operations		**13,800**	**24,053**	**4,318**	**16,884**
Discontinued operations					
Gain / (Loss) for the year from discontinued operation net of tax	*22*	(1,317)	(3,541)	-	-
Profit/(loss) for the year		**12,483**	**20,512**	**4,318**	**16,884**
Other comprehensive income					
Forest land revaluation		(101)	-	-	-
Interest rate swap hedge gains/(losses) during period		1,055	2,078	178	72
Foreign exchange hedge gains/(losses) during period		1,067	(1,091)	-	-
Share of other comprehensive income of associates			236	-	-
Income tax on other comprehensive income		(594)	(280)	(50)	(20)
Other comprehensive income		1,427	943	128	52
Total comprehensive income/(loss) for the year, net of tax		13,910	21,455	4,446	16,936

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

statement of comprehensive income (continued)

For the Year Ended 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Profit attributable to:					
Equity holders of the parent		12,497	20,501	4,318	16,884
Minority Interest		(14)	11	-	-
Net Profit for the Year		12,483	20,512	4,318	16,884
Total comprehensive income attributable to:					
Equity holders of the parent		13,924	21,444	4,446	16,936
Minority Interest		(14)	11	-	-
Total comprehensive income		13,910	21,455	4,446	16,936

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

statement of changes in equity

For the Year Ended 30 June 2014

GROUP	Note	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Minority Interest $'000	Total Equity $'000
Balance at 1 July 2013		100	38,664	119,939	494	159,197
Comprehensive income						
Profit for the year		-	1,131	11,366	(14)	12,483
Other comprehensive income						
Forest land revaluation		-	(101)	-		(101)
Interest rate swap hedge gains/(losses) during year		-	760	-		760
Foreign exchange hedge gains/(losses) during year		-	768	-		768
Share of other comprehensive income of associates		-	161	-		161
Total comprehensive income for the year		100	41,383	131,305	480	172,545
Less distribution to owners	*8*	-		(3,719)		(3,719)
Equity at 30 June 2014		100	41,383	127,586	480	169,549

GROUP	Note	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Minority Interest $'000	Total Equity $'000
Balance at 1 July 2012		100	32,648	109,058	483	142,289
Comprehensive income						
Profit for the year		-	5,073	15,428	11	20,512
Other comprehensive income						
Forest land revaluation		-	-	-	-	-
Interest rate swap hedge gains/(losses) during year		-	1,492	-	-	1,492
Foreign exchange hedge gains/(losses) during year		-	(785)	-	-	(785)
Share of other comprehensive income of associates		-	236	-	-	236
Total comprehensive income for the year		-	6,016	15,428	11	21,455
Less distribution to owners	*8*	-	-	(4,547)	-	(4,547)
Equity at 30 June 2013		100	38,664	119,939	494	159,197

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

statement of changes in equity (continued)

For the Year Ended 30 June 2014

PARENT	*Note*	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2013		100	(465)	23,868	23,503
Comprehensive income					
Profit for the year		-	-	4,318	4,318
Other comprehensive income					
Interest rate swap hedge gains/(losses) during year		-	128	-	128
Total comprehensive income		100	(337)	28,186	27,949
Dividends	8	-		(3,719)	(3,719)
Equity at 30 June 2014		100	(337)	24,467	24,230

PARENT	*Note*	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2012		100	(517)	11,531	11,114
Comprehensive income					
Profit for the year		-	-	16,884	16,884
Other comprehensive income					
Interest rate swap hedge gains/(losses) during year		-	52	-	52
Total comprehensive income		-	52	16,884	16,936
Dividends	*8*	-	-	(4,547)	(4,547)
Equity at 30 June 2013		100	(465)	23,868	23,503

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

balance sheet

As at 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Equity					
Share capital	*10*	100	100	100	100
Associate company asset revaluation reserve	*11*	10,501	10,340	-	-
Forest revaluation reserve	*11*	29,853	28,823	-	-
Cash flow hedge reserve	*11*	1,029	(499)	(337)	(465)
Retained earnings	*12*	127,586	119,939	24,467	23,868
Total equity attributable to Dunedin City Council		169,069	158,703	24,230	23,503
Minority Interest in Subsidiary Company		480	494	-	-
Total Equity		169,549	159,197	24,230	23,503
Current Liabilities					
Short term borrowings	*13*	7,531	5,100	-	-
Trade and other payables	*14*	22,430	20,340	322	323
Derivative financial instruments	*15*	17,594	27,852	469	646
Other current liabilities	*16*	1,128	2,991	-	8
Provisions	*17*	4,413	5,096	-	9
Provisions for tax		2,537	2,768	-	-
Current portion of term borrowings		141,686	61,765	-	-
Total current liabilities		197,319	125,912	791	986
Non-Current Liabilities					
Shareholders advance – DCC	*18*	112,000	112,000	112,000	112,000
Term borrowings	*19*	471,781	558,872	37,201	37,401
Other liabilities	*16*	320	320	-	-
Provisions	*17*	331	389	-	-
Deferred tax liability	*20*	83,132	79,538	(131)	(181)
Total non-current liabilities		667,564	751,119	149,070	149,220
Total Liabilities		864,883	877,031	149,861	150,206
TOTAL EQUITY AND LIABILITIES		1,034,432	1,036,228	174,091	173,709

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

balance sheet (continued)

As at 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Current Assets					
Cash and cash equivalents	*23*	36,993	14,469	1,915	2,057
Trade and other receivables	*24*	38,902	37,974	27	226
Derivative financial instruments	*15*	19,015	27,165	-	-
Inventories	*25*	4,579	5,447	-	-
Prepayments		1,085	2,038	-	-
Current tax asset		739	-	723	-
Investments		16,355	20,662	-	-
Investments in jointly controlled operations	*30*	-	133	-	-
Current assets held for sale	*26*	4,459	7,970	-	-
Total current assets		122,127	115,858	2,665	2,283
Non-Current Assets					
Investments in subsidiary company shares	*27*	-	-	167,026	167,026
Investments in associate companies	*28,29*	22,661	22,449	4,400	4,400
Other investments	*31*	341,727	351,952	-	-
Forestry assets	*32*	111,093	108,589	-	-
Property, plant and equipment	*33*	436,213	436,998	-	-
Intangible asset		611	382	-	-
Total non-current assets		912,305	920,370	171,426	171,426
TOTAL ASSETS		1,034,432	1,036,228	174,091	173,709

For and on behalf of the Board of Directors

Graham W Crombie
Director

Kathy Grant
Director

29 September 2014

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

statement of cash flows

For the Year Ended 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Cash Flows from Operating Activities					
Cash was provided from					
Receipts from customers		205,018	211,105	517	315
Interest received		384	351	4	2
Dividends from other equity investments		-	-	12,915	15,480
Subvention receipts			-	-	-
		205,402	211,456	13,436	15,797
Cash was disbursed to					
Payments to suppliers and employees		116,849	120,638	783	879
Interest paid		47,389	38,956	8,863	7,982
Income tax paid		2,497	648		-
Net GST paid		151	28	13	(48)
Subvention to DVL/DVML		7,893	9,575	-	-
		174,779	169,845	9,659	8,813
Net Cash Inflows/(Outflows) from Operating Activities from Continuing Activities		30,623	41,611	3,777	6,984
Net Cash Inflow / Outflows from Operating Activities from Discontinued Operations		(539)	(5,866)	-	-
Net Cash Inflows/(Outflows) from Operating Activities	34	**30,084**	**35,745**	**3,777**	**6,984**
Cash Flows from Investing Activities					
Cash was provided from					
Sale of property, plant and equipment		898	875	-	-
Investments realised		28,930	428	-	-
		29,828	1,303	-	-
Cash was disbursed to					
Purchase of property, plant and equipment		28,354	22,891	-	-
Purchase of investments		2,365	5,661	-	-
		30,719	28,552	-	-
Net Cash Inflows/(Outflows) from Investing Activities from Continuing Operations		(891)	(27,249)	-	-
Net Cash Inflows/(Outflows) from Investing Activities from Discontinued Operations		14,812	3,334	-	-
Net Cash Inflows/(Outflows) from Investing Activities		**13,921**	**(23,915)**	**-**	**-**

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

statement of cash flows (continued)

For the Year Ended 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Cash Flows from Financing Activities					
Cash was provided from					
Proceeds from borrowings		-	5,457	1,750	-
		-	5,552	1,750	-
Cash was disbursed to					
Repayment of borrowings		9,376	6,570	1,950	365
Dividends paid		3,719	4,547	3,719	4,547
		13,095	11,117	5,669	4,912
Net Cash Inflows/(Outflows) from Financing Activities from Continuing Operations		(13,095)	(5,660)	(3,919)	(4,912)
Net Cash Inflows/(Outflows) from Financing Activities from Discontinued Operations		(8,386)	3,861	-	-
Net Cash Inflows/(Outflows) from Financing Activities		**(21,481)**	**(1,799)**	**(3,919)**	**(4,912)**
Net Increase / (Decrease) in Cash, Cash Equivalents and Bank Overdraft		22,524	10,031	(142)	2,072
Cash and cash equivalents at the beginning of the year		14,469	4,438	2,057	(15)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		36,993	14,469	1,915	2,057
Composition of Cash					
Cash and cash equivalents		36,993	14,469	1,915	2,057
Bank overdraft		-	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		36,993	14,469	1,915	2,057

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

notes to the financial statements

For the Year Ended 30 June 2014

1 REPORTING ENTITY

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

Dunedin City Holdings Limited is a Council Controlled Trading Organisation as defined in the Local Government Act 2002. The company, incorporated in New Zealand under the Companies Act 1993, is wholly owned by the ultimate parent of the group, Dunedin City Council.

The financial statements of Dunedin City Holdings Limited are for the year ended 30 June 2014.

The registered address of the company is 50 The Octagon, Dunedin 9016

Dunedin City Holdings Limited is a profit orientated entity.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993 and the Financial Reporting Act 1993.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the company and group operate.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The Company is a Tier 1 for–profit entity as defined by the External Reporting Board (expenses over $30 million) and has reported in accordance with Tier 1 For-profit Accounting Standards. These annual financial statements are general purpose financial reports which have been prepared in accordance with NZIAS1, additional information as requested by Directors, and in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRS, and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

The financial statements were authorised for issue by the directors on 29 September 2014.

Basis of Accounting

The financial statements have been prepared on the historic 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.

The accounting policies have been applied consistently by group entities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company 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 profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest value are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 inter-company balances and transactions, and unrealised profits arising within the consolidated entity, are eliminated in full.

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 (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Where a group company transacts with an associate of the group, profits and losses 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.

Investment in Associates

The financial statements of the company (parent) include the investment in entities over which the company is in a position to exercise significant influence (associates) at the cost of the acquisition.

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint venture. The Group had a 50% interest in Luggate Park Developments Joint Venture. The financial statements were prepared using the proportionate method of consolidation from 1 July 2013 until 31 December 2013, the date at which the assets and liabilities of this joint venture were fully liquidated. The joint venture is now dissolved.

IFRS 11 Joint Arrangements effective for annual periods beginning on or after 1 January 2013 only allows the equity method of consolidation. Given the joint venture was dissolved as at 31 December 2013 this accounting standard change has no material impact on the results for the year ending 30 June 2014.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least at each reporting date. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Any negative goodwill arising on an acquisition is recognised directly in profit or loss.

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.

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 shareholder's rights to receive payment have been established.

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. 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 charged to income 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 recognised 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 translated 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 directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare 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.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Government Loans

Forestry term liabilities include Ministry of Agriculture and Forestry Suspensory Loans and Ministry of Agriculture and Forestry Repayable Loans. Interest is calculated annually on the suspensory loans. However, the interest and principal may be forgiven when the loan conditions are met. Interest is also calculated annually on the repayable loans.

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 goods and services tax (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 profit as reported in the income statement 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

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

Forestry 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 NZ.

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 income statement 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 asset.

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.

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 assets 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 profit and loss. 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.

Depreciation rates and methods used by all companies except for City Forests Limited are as follows:

	Rate	*Method*
Buildings	1% to 5%	Straight Line
Metering Equipment	10% to 20%	Straight Line
Electricity Network Assets	1% to 20%	Straight Line
Plant and Equipment	5% to 50%	Straight Line
Motor Vehicles	5% to 25%	Straight Line
Railway Assets	1% to 20%	Straight Line
Office Equipment and Fittings	5% to 48%	Straight Line
Construction in Progress	no depreciation charged	
Software	20% to 100%	Straight Line

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

	Rate	*Method*
Buildings	2% to 3%	Straight Line
Roads	5% to 24%	Diminishing Value
Bridges	2% to 2.4%	Diminishing Value
Plant and Equipment	6% to 80.4%	Diminishing Value
Fences	10% to 13%	Diminishing Value
Motor Vehicles	6.6% to 36%	Diminishing Value
Office Equipment	10% to 60%	Diminishing Value

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 income statement.

Derecognition of Non-Financial Assets

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 income statement 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 income statement 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 Income Statement on a straight line basis over the estimated useful life, which is a maximum period of five years.

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

At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previous revaluation increase for that asset (or cash generating unit) that remains in the revaluation reserve. Any additional impairment is immediately transferred to the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised as income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Log inventories are initially valued at fair valueless estimated point of sale costs. 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 cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. 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.

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 through profit and loss at balance date. Any resultant gains or losses are recognised in the income statement 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 Income Statement 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 Liability 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, the price of oil 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 NZ IFRS rules, are accounted for as trading instruments with fair value gains/losses being taken directly to the income statement.

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

Derivative financial instruments are recognised at fair value on the date the derivative is entered into and are subsequently re-measured to their fair value. The fair value on initial recognition is the transaction price. Subsequently fair values are based on independent bid prices quoted in active markets as provided for us by our banking counterparties.

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 any ineffective portion is recognised immediately in the Income Statement. 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 income statement in the same period in which the hedged item affects net profit or loss.

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 income statement. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in the income statement.

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge relationship is more than twelve months and as a current liability if the remaining maturity of the hedge relationship is less than twelve months.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement 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, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement 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 income statement.

Carbon Credits

Emissions units held are treated as intangible assets, and initially recorded at:

- Cost in the case of purchased units.
- Government granted units are recognised at fair value (initial market value) when there is reasonable assurance that the company will comply with the attached conditions and the grant will be received.

Emissions unit fair value is marked to market (revalued) annually at 30 June subsequent to initial recognition and annually thereafter. The difference between initial fair value or previous annual revaluation and disposal or revaluation value of the units is treated as revenue if positive or expense if negative. Emissions obligations are recognised as a current or future liability depending on the legislated liability period. Emissions liability is recorded at the market value of emissions units at the end of the period. Increases in emissions liabilities at 30 June are treated as expenses and reductions are treated as revenue.

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.

Critical Accounting Estimates and Assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year include:

- impairment of investments in subsidiaries, associate companies and jointly controlled operations (notes 27, 28, 29 and 30);
- valuation of forestry assets (note 32);
- valuation of derivative financial instruments (note 15);
- carrying value of the deferred tax liability (note 20).

Discontinued Operations

Discontinued operations consist of business units and other non-core assets that have either been sold or discontinued during the year or are classified as held-for-sale at year end.

Changes in Accounting Policy

There has been no change in accounting policy. Policies for the current year and comparative year have been applied on a consistent basis, as the below standards introduced or amended did not materially impact the Group.

Standards amended or Issued during the year

During the year the following accounting standards became effective or were amended.

Standard	Brief overview of effect on Group and Parent
Amendments to NZ IAS 1 Presentation of Financial Statements	The amendment is limited to additional disclosure only; it has no impact in the current period or subsequent reporting period on the financial performance or net asset position of the Parent or Group.
Amendments to NZ IAS 19 Employee Benefits	The adoption of the amendments has had no impact on the recognition or measurement of financial asset or liabilities, and changes have been limited to additional note disclosure.
NZ IFRS 10 Consolidated Financial Statements was issued	The standard supersedes the consolidation requirements in NZ IAS 27 Consolidated and Separate Financial Statements and NZ SIC-12 Consolidation – Special Purpose Entities. The changes do not result in any change to the mechanics of consolidation and the accounting for any controlling interests and changes in control remains the same.
NZ IFRS 11 Interests in Joint Arrangements	The standard supersedes the consolidation requirements in NZ IAS 31 Interests in Joint Ventures. The Directors have reviewed the composition of the Group and its relationship with other entities in light of the revised definition of control under this new standard and have not identified additional subsidiaries, joint ventures or associates which had not been previously recognised.
Standard	Brief overview of effect on Group and Parent
NZ IFRS 12 Disclosures of Interests in Other Entities	NZ IFRS 12 Includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests
NZ IFRS 13 Fair Value Measurements	The standard establishes a single source of guidance for fair value measurements. The application of the new standard in the current year has not significantly changed the basis for determining the carrying amounts of assets and liabilities measured at fair value.
NZ IAS 28 Investment in Associates and Joint Ventures	NZ IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) supersedes NZ IAS 28 Investments in Associates (2004), as a result of the issue of NZ IFRS 11 Joint Arrangements and NZ IFRS 12 Disclosure of Interests in Other Entities NZ IAS 28 (as amended in 2011) prescribes the accounting for investments in associates and joint ventures, and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Disclosure requirements relating to these investments are now contained in NZ IFRS 12.

Standards Issued but not yet Effective

The following accounting standards are relevant to the Group, but as they are not yet compulsory have not been adopted.

Standard	Brief Outline
Amendments to NZ IAS 32 Offsetting Financial Assets and Financial Liabilities Adoption date: year ended 30 June 2015	The key change from the amendment is the introduction of additional criterion that must be met to demonstrate that an entity "currently has legally enforceable right to set off the recognised amounts" and that an entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously". The amendment only changed the application guidance. There were no other changes to the standard.
Amendments to NZ IFRS 10, NZ IFRS 11, NZ IFRS 12 and NZ IAS 27 Adoption date: year ended 30 June 2015	The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with NZ IFRS 9 Financial Instruments in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in NZ IFRS 12 and NZ IAS 27.
Amendments to NZ IFRSs arising from the Annual Improvements Project (2010-2012) Adoption date: year ended 30 June 2015	The following standards have been amended: NZ IFRS 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to NZ IAS 37. NZ IFRS 13 – Amendments to clarify the measurement requirements for those short-term receivables and payables. NZ IAS 16 & NZ IAS 38 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. NZ IAS 24 – Defines a management entity providing Key Management Personnel (KMP) Services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of NZ IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be disclosed separately.

Standard	Brief overview of effect on Group and Parent
Amendments to NZ IFRSs arising from the Annual Improvements Project (2011-2013) Adoption date: year ended 30 June 2015	The following standards have been amended: NZ IFRS 3 – Amends to the scope paragraph for the formation of a joint arrangement. NZ IFRS 13 – Clarifies that the portfolio exception in paragraph 52 of NZ IFRS 13 applies to all contracts within the scope of NZ IAS 39 or NZ IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in NZ IAS 32. NZ IAS 40 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of NZ IFRS 3 that includes an investment property. That judgement is based on guidance in NZ IFRS 3.

Standard	Brief overview of effect on Group and Parent
NZ IFRS 15 Revenue from contracts with customers Adoption date: year ended 30 June 2017	NZ IFRS 15 Revenue from contracts with customers addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services
NZ IFRS 9 Financial Instruments Adoption date: year ended 30 June 2018	NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 and most of Phase 3 has been completed. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit.

3 OPERATING REVENUE

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Sales revenue	202,631	194,137	305	316
Gain on sale of assets	18	557	-	-
Forest revaluation	1,571	7,046	-	-
	204,220	201,740	305	316

4 FINANCIAL INCOME

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Subvention income	-	-	-	-
Interest on advances to related parties	24,758	24,819	4	1
Interest on other investments	2,397	2,055	-	-
Dividends	-	-	12,915	15,480
Net gain on foreign currency transactions	1,679	1,757	-	-
	28,834	28,631	12,919	15,481

No interest was earned on impaired or restructured assets.

5 OTHER EXPENSES

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Audit fees				
for audit of financial statements	178	187	20	24
for audit services in relation to regulatory (information disclosure) reporting	38	13	-	-
for audit services in relation to price and quality thresholds and other regulatory reporting	14	32		
Internal audit	-	9		
Total audit fees	230	241	20	24
Bad debts written off	17	32	-	-
Impairment of intangible assets	-	12	-	-
Increase/(decrease) in impairment provision for receivables	3,225	1,500	-	-
Donations	31	51	-	-
Rental expense on operating leases	1,489	1,275	6	6
Research expenditure	117	118	-	-
Other expenses	29,601	25,323	281	231
Total other expenses	34,480	28,311	287	237

6 FINANCIAL EXPENSES

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Interest – related parties	6,739	5,883	8,832	7,987
Interest – term loans	39,438	39,658	-	-
Total financial expenses	46,177	45,541	8,832	7,987

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net surplus attributable to the shareholder of the group by the weighted average number of ordinary shares on issue during the year.

	Group 2014	Group 2013
Number of shares		
Shares at year end	850,000,000	850,000,000
Weighted average number of ordinary shares	850,000,000	850,000,000
Basic earnings per share – Continuing and discontinued operations	1.47 cents	2.41 cents
Earnings per paid up share from continuing operations	$138.00	$240.53

Diluted earnings per share The group had no dilutive potential ordinary shares during the current or previous period.

8 DIVIDENDS

		Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Interim dividend					
December	0.18 cents /share				
	(2013: 0.18 cents/share)	1,500	1,500	1,500	1,500
Final dividend					
June	0.26 cents/share				
	(2013: 0.36 cents/share)	2,219	3,047	2,219	3,047
		3,719	4,547	3,719	4,547

9 INCOME TAX

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Operating surplus/(loss) – continuing operations	21,324	26,289	3,595	16,884
– discontinued operations	(2,052)	14	-	-
Operating surplus/(loss) before income tax	19,272	26,303	3,595	16,884
Tax thereon at 28%	5,397	7,365	1,007	4,727
Plus/(Less) the Tax Effect of Differences				
Revenue not liable for taxation	(337)	(3,182)	(3,616)	(4,727)
Expenditure not deductible for taxation	2,094	3,251	1,887	-
Under/(over) tax provision in prior years	(7)	(1,643)	-	-
Other	(358)	-	(1)	-
Tax effect of differences	1,392	(1,574)	(1,730)	(4,727)
Tax expense	6,789	5,791	(723)	-
Effective tax rate	35.2%	27.6%	(20.11)%	0%
Tax expense continuing activity	7,524	7,166	(723)	-
Tax expense discontinued activity	(735)	(1,375)	-	-
Represented by				
Current tax provision	3,202	5,576	(723)	-
Deferred tax provision	3,594	1,858	-	-
Under/(over) tax provision in prior years	(7)	(1,643)	-	-
Income tax	6,789	5,791	(723)	-

Income tax benefits arising from the ability of companies within the group to offset against their taxable profit the income tax losses generated by Dunedin City Holdings Limited are recognised as an income tax benefit in Dunedin City Holdings Limited. In previous years, tax losses in Dunedin City Holdings Limited have been offset against the tax profits of other companies in the group for no consideration.

Dunedin City Holdings Limited, Aurora Energy Limited, Delta Utility Services Limited, Delta Investments Limited and the Dunedin City Council have formed an income tax consolidated group. This means that the Council and the other companies within the group are taxed as a single entity and each are jointly and severally liable for the group's income tax liability.

Dunedin City Holdings Limited as a member of the income tax consolidated group has access to the group's imputation credit account. After taking into account imputation credits attached to accrued dividends and known income tax payments/refunds, Dunedin City Holdings Limited has direct access to consolidated group imputation credits that relate to 30 June 2014 and earlier years which will be available for use in subsequent reporting periods totalling $9,039,524 (2013: $8,065,535).

10 EQUITY – SHARE CAPITAL

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Issued Capital				
850,000,000 ordinary shares	100	100	100	100

On incorporation, Dunedin City Holdings Limited issued 100,000,000 ordinary shares in favour of the Dunedin City Council. Only $100,000 was 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 are uncalled. The amounts and dates of issue are:

- May 1996 75,000,000 ordinary shares
- March 1999 100,000,000 ordinary shares
- June 2002 75,000,000 ordinary shares
- September 2008 250,000,000 ordinary shares
- April 2011 250,000,000 ordinary shares

11 RESERVES

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Forest Revaluation Reserve				
Balance at beginning of the year	28,823	23,750		
Net revaluations of forest	1,131	5,073		
Net revaluation of forest land	(101)	-		
Balance at the end of the year	29,853	28,823		
Hedging Reserve				
Balance at beginning of the year	(499)	(1,206)	(465)	(517)
Gain/(loss) recognised on cash flow hedges:				
Interest rate swaps/fx forwards	1,067	1,000	178	72
Deferred tax arising on hedges (note 20)	(594)	(165)	(50)	(20)
Gain on settlement of interest rate swaps to equity	1,055	(128)		-
Balance at the end of the year	1,029	(499)	(337)	(465)

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.

	Group 2014 $'000	Group 2013 $'000
Associate Company Asset Revaluation Reserve		
Balance at beginning of the year	10,340	10,104
Gain/(loss) recognised on cash flow hedges/assets	161	236
Balance at end of year	10,501	10,340

The reserve relates to assets of Dunedin International Airport Limited.

12 RETAINED EARNINGS

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Balance at the beginning of the year				
Group companies	112,763	101,882	23,868	11,531
Associate companies	7,176	7,176	-	-
	119,939	109,058	23,868	11,531
Net profit for the year	12,483	20,512	4,318	16,884
Dividend distributions	(3,719)	(4,547)	(3,719)	(4,547)
Minority share of surplus	14	(11)	-	-
Transfer to reserves – forest (note 11)	(1,131)	(5,073)	-	-
Balance at the end of the year	127,586	119,939	24,467	23,868
Represented by				
Group companies	120,410	112,763	24,467	23,868
Associate companies	7,176	7,176	-	-
Balance at the end of the year	127,586	119,939	24,467	23,868

13 SHORT TERM BORROWINGS

Consolidated Group				
Bank loans repayable within one year	7,531	5,100	-	-

The group's bank loans are unsecured, short term, and are arranged at floating interest rates thus exposing the group to cash flow interest rate risk. The weighted average interest rate was 5.1% (2013: 5.6%).

14 TRADE AND OTHER PAYABLES

Trade payables	17,967	18,656	20	63
Due to related parties				
– DCHL subsidiaries	-	-	282	260
– Dunedin City Council and subsidiaries	701	44	-	-
Accruals	3,762	1,640	20	-
	22,430	20,340	322	323

The directors consider that the carrying amount of trade payables approximates their fair value.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2014 Asset $'000	Group 2014 Liability $'000	Group 2013 Asset $'000	Group 2013 Liability $'000
Group				
Fair Value				
Forward foreign exchange contracts	1,418	-	601	323
Interest rate swaps	17,597	17,594	26,564	27,529
	19,015	17,594	27,165	27,852
Analysed as:				
Current	19,015	17,594	27,165	27,852
	19,015	17,594	27,165	27,852

	Parent 2014 Asset $'000	Parent 2014 Liability $'000	Parent 2013 Asset $'000	Parent 2013 Liability $'000
Parent				
Fair Value				
Interest rate swaps	-	469	-	646
Analysed as:				
Current	-	469	-	646
	-	469	-	646

16 OTHER LIABILITIES

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Current Liabilities				
GST payable	634	969	-	8
Other current liabilities	494	2,022	-	-
	1,128	2,991	-	8
Non-Current Liabilities				
Other non-current liabilities	320	320	-	-
	320	320	-	-

17 PROVISIONS

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Current Liabilities				
Long service leave	247	230	-	-
Annual leave	3,636	4,208	-	9
Gratuities	315	175	-	-
Sick leave	115	103	-	-
Other provisions	100	380	-	-
	4,413	5,096	-	9
Non-Current Liabilities				
Long service leave	231	270	-	-
Gratuities	100	119	-	-
	331	389	-	-

18 SHAREHOLDER'S ADVANCE

Consolidated Group and Parent Company				
Balance at the end of the year	112,000	112,000	112,000	112,000

The shareholder's advance owing to the Dunedin City Council is unsecured. The directors' view is that this advance forms an integral part of the Council's investment in the company. The terms of the advance agreement between shareholder and company are such that there is no obligation on the company to transfer economic benefit at any specific time. This year, the cash payment to the Council was $6.7m (2013: $5.9m) on the advance. The interest rate is struck annually, each July, based on rates paid in the market. In 2014, the gross interest on the debt averaged 6.01% (2013: 5.27%).

19 TERM BORROWINGS (SECURED)

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Multi-option note facility	462,830	550,507		-
Forestry loans	8,951	8,365		-
Due to subsidiaries		-	37,201	37,401
	471,781	558,872	37,201	37,401

The term borrowings, which allow Dunedin City Treasury Limited to lend to the Dunedin City Council and its subsidiaries in addition to the Dunedin City Holdings Limited group, are secured against certain assets and undertakings of the group.

The Dunedin City Treasury Limited multi-option note facility was increased by $250 million to $850 million in April 2011. Three independent banks have provided committed facilities to the amount of $100 million (2013: $90m). These are presently undrawn.

The amount of unamortised premium or (discount) on bonds on issue at 30 June 2014 is $nil (2013: $79,098). Under the multi-option facility, cash is raised using two methods – promissory notes and bonds.

The tender of promissory notes under the multi-option note facility generally raises debt for a term of 90 days before being re-tendered. This type of borrowing is executed at the floating rate at the date of borrowing and exposes the group to cash flow interest rate risk. Interest rate derivatives are taken out to manage that risk. The credit risk from each derivative is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

19 TERM BORROWINGS CONTINUED

The second method involves the issuance of bonds at fixed interest rates that exposes the group to fair value interest rate risk. Several issues of bonds have been made, or agreed, as follows:

a) $40m issued for 15 months maturing 15/09/14 @ a margin of 28 bp over BKBM

b) $25m issued for 2 years, maturing 07/10/14 @ a margin of 65 bp over BKBM

c) $75m issued for 5 years, maturing 25/11/14 @ a coupon rate of 6.40%

d) $50m floating rate notes, maturing 15/10/15 @ margin of 90 bp over BKBM

e) $90m floating notes, maturing 15/04/16 @ a margin of 107 bp over BKBM

f) $50m issued for 10 years, maturing 15/11/16 @ a coupon rate of 6.79%

g) $20m issued for 4 years, maturing 15/02/17 @ a margin of 80 bp over BKBM

h) $60m issued for 10 years, maturing 15/10/17 @ a coupon rate of 7.81%

i) $20m issued for 4 years, maturing 15/05/18 @ a margin of 43 bp over BKBM

j) $50m issues for 7.5 years, maturing 15/07/18 @ a coupon rate of 6.57%

k) $15m issued for 10 years, maturing 17/12/18 @ a coupon rate of 6.85%

l) $50m issued for 7 years, maturing 16/11/20 @ a coupon rate of 5.56%

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

The repayment period on the term borrowings is as follows:

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Repayable between one to two years	140,000	217,797		-
Repayable between two to five years	274,516	274,450	37,200	37,401
Repayable later than five years	57,265	66,621	-	-
	471,781	558,872	37,200	37,401

The weighted average interest rate for the multi-option note facility at year end, inclusive of any current portion, was 5.29% (2013: 4.99%).

The weighted average interest rate for the forestry loans is 6.09%, (2013: 6.09%).

With the exception of borrowings, the directors' view is that the carrying value of financial assets and liabilities equals their fair value.

The directors estimate the fair value of the group's borrowings, by discounting their future cash flows at the market rate, to be as follows:

Multi-option note facility	626,236	642,344
Forestry loans	8,583	8,365

20 DEFERRED TAX

	Group 2014 $'000 *Opening Balance Sheet*	Group 2014 $'000 *Charged to Equity*	Group 2014 $'000 *Charged to Income*	Group 2014 $'000 *Closing Balance Sheet Assets*	Group 2014 $'000 *Closing Balance Sheet Liabilities*	Group 2014 $'000 *Closing Balance Sheet Net*
Property, plant and equipment	53,248		237	(113)	53,598	53,485
Employee benefits	(1,467)		202	(1,265)		(1,265)
Forest	17,889		440		18,329	18,329
Forest costs capitalised	9,263		166		9,429	9,429
Other Investments	797	3	1,956	(1,634)	4,390	2,756
Hedge reserve – foreign exchange contracts	78	299			377	377
Hedge reserve – interest rate swaps	(270)	291		(349)	370	21
Balance at the end of the year	79,538	593	3,001	(3,361)	86,493	83,132

	Group 2013 $'000 ***Opening Balance Sheet***	Group 2013 $'000 ***Charged to Equity***	Group 2013 $'000 ***Charged to Income***	Group 2013 $'000 ***Closing Balance Sheet Assets***	Group 2013 $'000 ***Closing Balance Sheet Liabilities***	Group 2013 $'000 ***Closing Balance Sheet Net***
Property, plant and equipment	52,364	-	884	-	53,248	53,248
Employee benefits	(1,590)	-	123	(1,467)	-	(1,467)
Forest	15,916	-	1,973	-	17,889	17,889
Forest costs capitalised	8,924	-	339	-	9,263	9,263
Other Investments	2,570	(32)	(1,741)	(1,743)	2,540	797
Hedge reserve – foreign exchange contracts	384	(306)	-	-	78	78
Hedge reserve – interest rate swaps	(888)	618	-	(616)	346	(270)
Balance at the end of the year	77,680	280	1,578	(3,826)	83,364	79,538

20 DEFERRED TAX CONTINUED

	Parent 2014 $'000	Parent 2014 $'000	Parent 2014 $'000	Parent 2014 $'000	Parent 2014 $'000	Parent 2014 $'000
	Opening Balance Sheet	***Charged to Equity***	***Charged to Income***	***Closing Balance Sheet Assets***	***Closing Balance Sheet Liabilities***	***Closing Balance Sheet Net***
Revaluations of interest rate swaps	181	(50)		131	-	131

	Parent 2013 $'000	Parent 2013 $'000	Parent 2013 $'000	Parent 2013 $'000	Parent 2013 $'000	Parent 2013 $'000
	Opening Balance Sheet	***Charged to Equity***	***Charged to Income***	***Closing Balance Sheet Assets***	***Closing Balance Sheet Liabilities***	***Closing Balance Sheet Net***
Revaluations of interest rate swaps	201	(20)	-	181	-	181

21 CONTINGENT LIABILITIES

	Group 2014 $'000	Group 2013 $'000
Performance bonds	4,548	4,168

The performance bonds issued are principally in favour of South Island Local Authorities for contract work. There is no indication that any of the above contingent liabilities will crystallise in the foreseeable future.

22 DISCONTINUED OPERATIONS

Discontinued operations represent components of the Group that have been disposed of or classified as held-for-sale during the period. In accordance with IFRS 5 'Non-Current Assets Held For Sale and Discontinued Operations', the results and cash flows of these "disposal business units" are reported separately from the performance of continuing operations at each reporting date.

On 12 July 2013 Delta Utilities Ltd announced plans to cease operations in the civil construction sector. All Civil construction business units completed their contracts before exiting the sector by the end of June 2014. The civil construction business units are reported as discontinued operations.

A special resolution was passed on the 1 May 2014 by Delta Utility Services Limited to have its subsidiary Delta Investments Limited removed from the Companies Register. The Company was removed from the register on 11 July 2014. Delta Investments Limited's operations are included as discontinued operations

The Directors of City Forests Limited agreed as at 30th June 2012 to cease operating the wood processing site at Milburn. This has been leased to a third party as at 1st July 2012. The activities related to the wood processing plant have been reclassified to discontinued operations.

The Directors of City Forests Limited determined an impairment on the wood processing fixed assets as at 30th June 2014 of $1,500,000.

The results from discontinued operations which are included in the consolidated income statement have been disclosed below. All discontinued operations are within the Group only as they took place in the subsidiaries of Dunedin City Holdings Limited.

Net Profit from Discontinued Operations	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Revenue	8,851	27,373	-	-
Financial Income	15	1	-	--
Total Revenue	8,866	27,374		-
Less Expenses				
Financial Expenses	19	19	-	-
Impairment of wood processing assets	1,500	-	-	-
Other Expenses	9,399	32,266	-	-
Total Expenses	10,918	32,285	-	-
Net Profit/(Loss) before Income Tax	(2,052)	(4,911)	-	-
Income tax benefit	735	1,370	-	-
Net Profit/(Loss) from Discontinued Operations	(1,317)	(3,541)	-	-

23 CASH AND CASH EQUIVALENTS

Cash and Bank	36,993	14,469	1,915	2,057

Cash and short-term deposits comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Short-term deposits are made at call deposit rates.

The credit risk on liquid funds is limited as the banks used are banks with high credit ratings assigned by international credit rating agencies.

24 TRADE AND OTHER RECEIVABLES

Trade receivables	39,033	34,634	13	-
Estimated impairment	(4,931)	(2,074)	-	-
	34,102	32,560	-	-
Due from related Parties:				
Subsidiaries		-		111
Other related parties	4,731	5,414	14	115
Other current receivables	69	-		-
	38,902	37,974	27	226

The directors consider that the carrying amount of the trade and other receivables approximates their fair value.

The estimated doubtful debts provision relates entirely to individually impaired Trade receivable balances.

Opening doubtful debts provision	(2,074)	(151)	-	-
Additional provisions made during the year	(3,292)	(1,949)	-	-
Receivables written off during the year	430	2	-	-
Provisions reversed during the year	5	24		
Closing doubtful debts provision	(4,931)	(2,074)	-	-

25 INVENTORIES

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Raw materials and stores	2,877	2,919	-	-
Work in progress	1,686	2,050	-	-
Finished goods	16	478	-	-
	4,579	5,447	-	-

26 CURRENT ASSETS HELD FOR SALE

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Land	762	5,104	-	-
Development in progress	618	2,480	-	-
New Zealand carbon credits	3,079	386	-	-
	4,459	7,970	-	-

Development property intended for resale is stated at the current market value as determined by reference to unconditional sale and purchase agreements.

27 INVESTMENTS IN SUBSIDIARY COMPANY SHARES

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Shares in subsidiary companies	-	-	167,026	167,026

Parent Company	**Percentage Interest Held**	
Name of Entity (Principal Activities)		
City Forests Limited (Forestry)	100	100
Dunedin City Treasury Limited (Finance)	100	100
Aurora Energy Limited (Energy)	100	100
Taieri Gorge Railway Limited (Transport)	72	72
Delta Utility Services Limited (Contractor and Asset Manager)	100	100

All subsidiary companies have balance dates of 30 June 2014.

Estimates of the recoverable amounts supporting the carrying amounts of the investments in these subsidiary companies have been based on their future estimates of revenue, expenditure and cash flows.

28 INVESTMENTS IN ASSOCIATE COMPANIES

	Group 2014	Group 2013
Consolidated Group	**Percentage Interest Held**	
Name of Entity (Principal Activities, Place of Business)		
Dunedin International Airport Limited (Transport, Momona NZ)	50.0	50.0
Otago Chipmill Limited (Forestry, Milburn NZ)	49.9	49.9
Intelogic Online Limited (Internet, Dunedin NZ)	36.1	36.1

For the purpose of applying the equity method of accounting, the financial statements of Dunedin International Airport Limited and the Intelogic Online Limited for the year ended 30 June have been used. The financial statements of Otago Chipmill Limited for the year ending 31 December 2013 were used as these were the financial statements closest to the year end of Dunedin City Holdings Limited

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

28 INVESTMENTS IN ASSOCIATE COMPANIES CONTINUED

The Directors of City Forests Ltd resolved to write down the value of the Otago Chipmill Limited investment to $nil.

There are no contingent liabilities arising from the group's involvement in the associate companies.

Set out below is the summarised financial information of associates which are accounted for using the equity method:

Summarised Balance Sheet	**Dunedin International Airport Limited**		**Other Associates**	
	As at 30 June		**As at 30 June**	
	2014	**2013**	**2014**	**2013**
Current Assets				
Cash and cash equivalents	469	31	-	-
Other current assets	631	651		
Total Current Assets	1,100	682		
Non Current Assets	75,036	78,137		
Total Assets	**76,136**	**78,819**	**70**	**569**
Current Liabilities	1,431	1,414		
Non Current Liabilities				
Financial Liabilities	15,500	18,000		
Other financial liabilities	13,833	15,073		
Total Non Current Liabilities	29,333	33,073		
Total Liabilities	**30,764**	**34,487**	-	**6**
Net Assets	**45,372**	**44,332**	**70**	**563**
Less				
Impairment	-	-	70	-
Other adjustments	(50)	4	-	-
Net Assets after impairment and other adjustments	**45,322**	**44,336**	-	**563**
Carrying value of associates 50%, 49.9%	**22,661**	**22,168**	**-**	**281**

28 INVESTMENTS IN ASSOCIATE COMPANIES CONTINUED

Summarised Statement of Comprehensive Income	Dunedin International Airport Limited		Other Associates	
	For the year ending 30 June		For the year ending 30 June	
	2014	2014	2014	2013
Revenue (excl interest received)	12,576	12,405		
Interest received	15	49		
Total Revenue	12,591	12,454	5	717
Less expenses				
Depreciation and amortisation	3,045	2,770		
Interest expense	1,222	1,526		
Other expenses	5,896	4,968		
Total expenses	10,163	9,264		
Operating surplus/(deficit) before tax	2,428	3,190	(97)	(301)
Income tax	579	773	10	(10)
Operating surplus/(deficit) after tax	1,849	2,417	(107)	(297)
Other comprehensive income	322	472	-	-
Total comprehensive income/(deficit)	2,171	2,889	(107)	(297)
Dividends received from associate	565	330	-	-

29 INVESTMENTS IN ASSOCIATE COMPANIES

Parent Company

	Parent 2014	Parent 2013
	Percentage Interest Held	
Dunedin International Airport Limited (Transport)	50.0	50.0
Intelogic Online Limited (Internet)	36.1	36.1

	2014 $'000	2013 $'000
Interest in associate companies	4,400	4,400

The associate companies have a balance date of 30 June.

30 INVESTMENT IN JOINTLY CONTROLLED OPERATIONS

	Group 2014	Group 2013
	Percentage Interest Held	
Luggate Park Development	-	50.0

	2014 $'000	2013 $'000
Long term advance		
Long term advance representing a 50% share in the land value of Luggate Park – Balance at the beginning of the year	133	288
Less impairment/loss	(133)	(165)
Total investment in jointly controlled operations at Luggate Park	-	133
Interest in joint venture		
Current assets		
Development property	-	682
Non-current assets		
Development property	-	-
Total assets	-	682
Current Liabilities		
Westpac Banking Corporation loan	-	857
Other	-	370
Retained earnings	-	(545)
Total equity and liabilities		682
Revenue	501	107
Less expense	381	272
Net (deficit) for the year	120	(165)

As at 30 June 2014, the assets and liabilities of the joint venture had been fully liquidated and the joint venture partners had formally dissolved the joint venture.

31 INVESTMENTS NON-CURRENT

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Loan repayments due from Dunedin City Council				
Maturity one to five years	80,120	73,953	-	-
Maturity over five years	261,360	277,482	-	-
	341,480	351,435	-	-
Shares and units in other companies and funds	11	11	-	-
Mortgage receivables				
Maturity one to five years	236	506	-	-
Maturity over five years	-	-	-	-
	236	506	-	-
Total other investments	341,727	351,952	-	-

No mortgage receivables are past due or impaired, either in the current year or the previous comparative period.

31 INVESTMENTS NON-CURRENT CONTINUED

Advances Consolidated Group

The advances (above) due from the Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited group had a weighted average interest rate of 6.46% (2013: 6.32%).

Shares and units in other companies and funds

The investments included above represent investments in listed equity securities that offer the group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

32 FORESTRY ASSETS

	Group 2014 $'000	Group 2013 $'000
Balance at the beginning of the year	108,589	103,528
Add		
Costs capitalised in establishing forests during the year	2,111	2,147
Increase in forest from acquisition	1,309	-
Revaluation	1,571	7,046
Less		
Value of logs harvested	(2,487)	(4,132)
	111,093	108,589
Gains/(losses) arising from changes in fair value less point of sale costs		
Attributable to physical changes	6,510	(12,137)
Attributable to price changes	(4,006)	17,198

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

The valuation methodology used establishes the fair value of the collective forest and land resource and then subtracts the value of the forestry land at $25,573,800 value. The NZ IFRS 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 income.

32 FORESTRY ASSETS CONTINUED

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 7.0%.

At 30 June 2014 the company owned stands of trees on 16,326 hectares of a total land holding of 20,191 hectares. During the year the company harvested approx. 284,373 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 36.3, 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 the company 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 Chandler Fraser Keating. 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.

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 26th 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 1,418,115 Post-89 derived NZU's, being the carbon sequested by these forests during the 2008 to 2014 calendar years. In 2014 877,607 ERU's were purchased, these were surrendered later in the year to meet a liability the Company had for carbon credits. There has been no carbon credit sales for the financial year.

As at 30th June 2014, 751,028 units were unsold (2013 214,277). Under the accrual principle, the unsold credits have been valued based on the current market prices and recognised in the financial statements. The value has been carried in the financial statements as follows:

	As at 30 June 2014 $'000	As at 30 June 2013 $'000
New Zealand carbon credits	3,079	386

33 PROPERTY, PLANT AND EQUIPMENT

	Group 2014 Land $'000	Group 2014 Forest Land $'000	Group 2014 Buildings $'000	Group 2014 Roads Bridges $'000	Group 2014 Network $'000	Group 2014 Plant Equipment $'000	Group 2014 Sub-Total $'000
Cost or Valuation							
Balance at beginning of year	11,776	25,114	19,302	6,378	441,121	25,315	529,006
Increase through acquisition							
Purchases/revaluation	341	460	281		22,744	638	24,464
Sales	(500)		(309)		(508)	(5,500)	(6,817)
Transfer to assets held for sale							
Balance at end of year	11,617	25,574	19,274	6,378	463,357	20,453	546,653
Accumulated Depreciation							
Balance at beginning of year	110		3,517	3,430	97,544	17,148	121,749
Depreciation			320	153	12,814	1,259	14,546
Impairment			403			1,077	1,480
Sales			(85)		(120)	(3,633)	(3,838)
Transfer to assets held for sale							
	110		4,155	3,583	110,238	15,851	133,937
Balance at end of year	11,507	25,574	15,119	2,795	353,119	4,602	412,716
Comprising							
Cost	11,507	460	15,119	2,795	353,119	4,602	387,602
Valuation		25,114					25,114

	Sub-Total $'000	Motor Vehicles $'000	Office Equipment $'000	Locomotives $'000	Railway Track $'000	Construction $'000	Total $'000
Cost							
Balance at beginning of year	529,006	38,284	1,666	4,023	409	11,251	584,639
Increase through acquisition							
Purchases/revaluation	24,464	2,391	92	345			27,292
Sales	(6,817)	(12,974)	(100)	(21)		(1,993)	(21,905)
Transfer to assets held for sale							
Balance at end of year	546,653	27,701	1,658	4,347	409	9,258	590,026
Accumulated Depreciation							
Balance at beginning of year	121,749	22,667	1,224	1,817	184	-	147,641
Depreciation	14,546	3,027	94	218			17,885
Impairment	1,480	21	1				1,502
Sales	(3,838)	(9,290)	(87)				(13,215)
Transfer to assets held for sale							
	133,937	16,425	1,232	2,035	184	-	153,813
Balance at end of year	412,716	11,276	426	2,312	225	9,258	436,213
Comprising							
Cost	387,602	11,276	426	2,312	225	9258	411,099
Valuation	25,114						25,114

33 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Group 2013 Land $'000	Group 2014 Forest Land $'000	Group 2013 Buildings $'000	Group 2013 Roads Bridges $'000	Group 2013 Network $'000	Group 2013 Plant Equipment $'000	Group 2013 Sub-Total $'000
Cost or Valuation							
Balance at beginning of year	11,337	25,114	19,301	6,349	427,222	25,138	514,461
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	439	-	1	29	13,899	694	15,062
Sales	-	-	-	-	-	(517)	(517)
Transfer to assets held for sale	-	-	-	-	-	-	-
Balance at end of year	11,776	25,114	19,302	6,378	441,121	25,315	529,006
Accumulated Depreciation							
Balance at beginning of year	110	-	3,218	3,268	85,035	15,741	107,372
Depreciation	-	-	299	162	12,509	1,726	14,696
Impairment	-	–	-	- -		-	-
Sales	-	-	-	-	-	(319)	(319)
Transfer to assets held for sale	-	-	-	-	-	-	-
	110	-	3,517	3,430	97,544	17,148	121,749
Balance at end of year	11,666	25,114	15,785	2,948	343,577	8,167	407,257
Comprising							
Cost	11,666	-	15,785	2,948	343,577	8,167	382,143
Valuation	-	25,114	-	-	-	-	25,114

	Sub-Total $'000	Motor Vehicles $'000	Office Equipment $'000	Locomotives $'000	Railway Track $'000	Construction $'000	Total $'000
Cost							
Balance at beginning of year	514,461	42,619	1,748	3,519	409	6,475	569,231
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	15,062	1,714	70	504	-	4,787	22,137
Sales	(517)	(6,049)	(91)	-	-	(11)	(6,668)
Transfer to assets held for sale	-	-	(61)	-	-	-	(61)
Balance at end of year	529,006	38,284	1,666	4,023	409	11,251	584,639
Accumulated Depreciation							
Balance at beginning of year	107,372	23,745	1,228	1,634	184	-	134,163
Depreciation	14,696	3,762	94	183	-	-	18,735
Impairment	-	-	-	-	-	-	-
Sales	(319)	(4,840)	(98)	-	-	-	(5,257)
Transfer to assets held for sale	-	-	-	-	-	-	-
	121,749	22,667	1,224	1,817	184	-	147,641
Balance at end of year	407,257	15,617	442	2,206	225	11,251	436,998
Comprising							
Cost	382,143	15,617	442	2,206	225	11,251	411,884
Valuation	25,114	-	-	-	-	-	25,114

33 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Parent 2014 Office Equipment $'000	Parent 2013 Office Equipment $'000
Cost		
Balance at beginning of year	10	10
Purchases	-	-
Sales	-	-
Balance at end of year	10	10
Accumulated Depreciation		
Balance at beginning of year	10	9
Depreciation	-	1
Sales	-	-
Balance at end of period	10	10
Property plant and equipment at end of year	-	-

The directors assess the fair value of land and buildings as the carrying value shown above.

34 RECONCILIATION OF NET SURPLUS FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Net surplus/(deficit) for the year	12,483	20,512	4,318	16,884
Share of net surplus/(deficit)				
in associate companies	(924)	(863)	-	-
Items Not Involving Cash Flows				
Depreciation	17,885	18,735	-	-
Depletion of forest	2,487	4,132	-	-
Deferred tax	3,066	1,858		(20)
Asset impairment	1,955	-		(9,786)
Forest revaluation	(1,571)	(7,046)		-
Other non-cash items	4,365	1,717		20
Impact of Changes in Working Capital Items				
(Increase)/Decrease in trade and other receivables	(4,219)	(758)	198	(137)
(Increase)/Decrease in other current assets	(2,790)	-		
(Increase)/Decrease in inventories	866	187		-
(Increase)/Decrease in prepayments	(223)	(1,338)		-
(Increase) /Decrease in tax refund due	(172)	533		-
Increase /(Decrease) in trade and other payables	2,936	(1,449)	2	5
Increase /(Decrease) in provision for tax	(797)	1,832	(723)	-
Increase /(Decrease) in other current liabilities	(1,001)	(651)	(18)	18
Items Classified as Investing or Financing Activities				
Gain on sale of property, plant and equipment	(1,757)	(1,672)		-
Loss on sale of property, plant and equipment		-		-
Items related to development property	(1,992)			
Net cash inflows from operating activities	30,084	35,745	3,777	6,984

35 CAPITAL EXPENDITURE COMMITMENTS

Plant and equipment	14,179	8,163

The parent company has no capital expenditure commitments. (2013 nil).

36 FINANCIAL RISK

Dunedin City Treasury Limited provides services and loans to the businesses and the shareholder, co-ordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the group. These risks include market risk, credit risk and liquidity risk.

36.1 Capital Management Strategy

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The mission statement in the parent company's Statement of Intent is to drive the performance of its Subsidiary and Associated Companies so as to ensure each company provides the maximum advantages in all respects to the ultimate shareholder, the Dunedin City Council. The parent company meets with its shareholder on a regular basis and advises what capacity it has to provide tax effective distributions. The parent board seeks to maximise those distributions while balancing the ongoing need to grow the overall group business and to maintain the group's financial strength through sound and innovative financial management.

The intentions of the parent company in respect of distributions for each three-year period are disclosed in the annual Statement of Intent submitted to the Council in public.

36.2 Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The company aims to maintain flexibility in funding by keeping committed credit lines available.

The 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 profile and effective interest rates of the group term borrowings are set out in note 19. The maturity profiles of the group's financial assets and liabilities, with the exception of equity investments are explained in note 36.9.

36.3 Interest Rate Risk

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

36.3 Interest Rate Risk continued

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 treasury policies of each company recommend that the level of the fixed interest hedge should be limited to a series of ranges within set debt time periods.

Group Interest Rate Risk

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

	Group 2013 $'000	Group 2013 $'000
Maturing in less than one year	2,500	7,500
Maturing between one and five years	210,400	168,000
Maturing in more than five years	138,000	155,500
	350,900	331,000

Parent Interest Rate Risk

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

	Parent 2014 $'000	Parent 2013 $'000
Maturing in less than one year	-	-
Maturing between one and five years	-	-
Maturing in more than five years	5,000	5,000
	5,000	5,000

36.4 Currency Market Risk

City Forests Limited is the one company within the Dunedin City Holdings Limited group that consistently generates cash flows in foreign currency. NZD is the functional currency of both City Forests Limited and the Dunedin City Holdings Limited 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 foreign exchange policy established by directors. This 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 up to three years out may be covered by forward exchange hedging instruments. Transactions may be undertaken only 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 meeting of directors.

Other companies within the group will occasionally purchase forward cover against expected purchases in foreign currency.

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

36.4 Currency Market Risk continued

	Group 2014 $'000	Group 2013 $'000
Forward foreign exchange contracts		
– fair value	1,346	278
– nominal value	14,298	21,486
(sale of USD and purchase of NZD)		
Forward foreign exchange contracts		
– fair value	-	-
– nominal value	-	-
(sale of NZD and purchase of USD)		
Forward foreign exchange contracts		
– fair value	-	-
– nominal value	-	-
(sale of AUD and purchase of NZD)		

All contracts are current.

36.5 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 hedge instrument and the underlying transaction are matched.

	Group 2014 %	Group 2013 %	Parent 2014 %	Parent 2013 %
Effectiveness	100	100	100	100

36.6 Credit Risk

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

The Company has processes in place to review the credit quality of customers prior to the granting of credit.

In financial transactions, the group deals only with credit-worthy counterparties that are rated the equivalent of investment grade and above. This information is supplied by credit rating agencies. The group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is spread among the approved counterparties.

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 amounts presented in the balance sheet for trade receivables are net of allowances for doubtful debts. Credit terms differ between companies within the group.

Past due, but not impaired, receivables are as follows:

36.6 Credit Risk continued

		Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Past due receivables					
Age analysis:	30-60 days	748	557	-	-
	60-90 days	508	188	-	-
	90 days plus	389	858	-	-

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

Financial Assets Analysis 2014

	AA	AA-	No Rating	Group 2014
Cash and cash equivalents		36,993		36,993
Trade and other receivables	2,131		36,771	38,902
Advances due from related parties	219,211		138,586	357,797
Mortgage receivables			236	236
Derivatives		19,015		19,015
NZ carbon credits			3,079	3,079
	221,342	56,008	178,672	456,022

Financial Assets Analysis 2013

	AA	AA-	No Rating	Group 2013
Cash and cash equivalents	-	14,469	-	14,469
Trade and other receivables	1,351	-	36,623	37,974
Advances due from related parties	227,357	-	145,927	373,284
Mortgage receivables	-	-	552	552
Derivatives	-	27,165	-	27,165
NZ carbon credits	-	-	386	386
	228,718	41,634	183,488	453,830

36.7 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 0.8986 and against the AUD, from the year end rate of 0.9480. A parallel shift of +1%/-1% in the NZD market interest rate from the year end 90 day BBBR of 3.54% (2013: 2.64%).

Should these movements occur, the effect 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.

2014	Carrying Amount $'000	Interest Rate				FX			
		-100bp		+100bp		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial Assets									
Derivatives – designated as cash flow hedges (interest rate swap and forward currency deals separately disclosed)	19,015	(11,895)	-	11,252		1,335		(1,093)	-
Other financial assets	433,729	(613)	-	613		192		(157)	-
	452,744								
Financial Liabilities									
Derivatives – designated as cash flow hedges (interest rate swaps and forward currency deals separately disclosed)	27,852	10,312	-	(9,838)	-	-	-	-	-
Other financial liabilities	747,897	4,546	-	(4,546)	-	-	-	-	-
	775,749								
TOTAL INCREASE/ (DECREASE)		2,350	-	(2,519)	-	1,527	-	1,250	-

36.7 Sensitivity Analysis of Financial Assets and Liabilities continued

2013	Carrying Amount $'000	Interest Rate				FX			
		-100bp		+100bp		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial Assets									
Derivatives – designated as cash flow hedges (interest rate swap and forward currency deals separately disclosed)	27,165	-	(10,520)	-	10,010	-	2,241	-	(1,833)
Other financial assets	426,674	3,721	(3,721)	3,721	3,721	-	-	-	-
	453,839								
Financial Liabilities									
Derivatives – designated as cash flow hedges (interest rate swaps and forward currency deals separately disclosed)	27,852	-	13,671	-	(12,876)	-	-	-	-
Other financial liabilities	768,528	2,003	2,003	(2,003)	(2,003)	-	-	-	-
	796,380								
TOTAL INCREASE/ (DECREASE)		(1,718)	1,433	1,718	(1,148)	-	2,241	-	(1,833)

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 hedging policy. Sensitivity to any movement in the interest rate in the Income Statement is limited to the effect on the amount of floating rate debt that exceeds the amount of the fixed rate hedge.
4. The shareholder's advance of $112m from the Dunedin City Council to Dunedin City Holdings Limited is variable rate debt that is not hedged.

36.8 Fair value of financial instruments

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2014			
	Level 1 NZ $'000	**Level 2 NZ $'000**	**Level 3 NZ $'000**	**Total NZ $'000**
Financial assets				
Derivative financial assets		19,015		19,015
New Zealand carbon credits	3,079			3,079
	3,079	19,015		22,094
Financial liabilities				
Derivative financial liabilities		17,594		17,594
		17,594		17,594

	2013			
	Level 1 NZ $'000	**Level 2 NZ $'000**	**Level 3 NZ $'000**	**Total NZ $'000**
Financial assets				
Derivative financial assets	-	27,165	-	27,165
New Zealand carbon credits	386	-	-	386
	386	27,165	-	27,551
Financial liabilities				
Derivative financial liabilities	-	27,852	-	27,852
	-	27,852	-	27,852

36.9 Contractual Maturity Analysis of Financial Assets and Liabilities

The tables below analyse the group's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Contractual amounts for the interest expense and balance of the shareholder advance have not been included as the interest is currently payable on a year by year basis and there is no contractual date for the repayment of the outstanding balance.

36.9 Contractual Maturity Analysis of Financial Assets and Liabilities continued

Financial Assets

2014 year	Carrying Amount $000's	Contractual cash flows $000's	Less than 1 year $000's	1 to 2 years $000's	2 to 5 years $000's	More than 5 years $000's
Cash and cash equivalents	36,993	36,993	36,993			
Trade and other receivables	38,902	38,902	38,902			
Derivative financial instruments	19,015	28,468	6,342	6,065	11,856	4,205
Investments	358,082	406,564	40,767	34,964	330,815	
Total	**452,992**	**520,258**	**123,004**	**41,029**	**342,671**	**4,205**

2013 year	Carrying Amount $000's	Contractual cash flows $000's	Less than 1 year $000's	1 to 2 years $000's	2 to 5 years $000's	More than 5 years $000's
Cash and cash equivalents	14,461	14,461	14,461			
Trade and other receivables	37,974	37,974	37,974			
Derivative financial instruments	27,165	47,983	8,420	9,085	20,507	9,971
Investments	372,614	418,785	37,641	27,121	354,023	
Total	**452,214**	**519,203**	**98,496**	**36,206**	**374,530**	**9,971**

Financial Liabilities

2014 year	Carrying Amount $000's	Contractual cash flows $000's	Less than 1 year $000's	1 to 2 years $000's	2 to 5 years $000's	More than 5 years $000's
Trade and other payables	24,341	24,341	24,341			
Derivative financial instruments	17,594	26,281	6,130	5,908	10,681	3,562
Borrowings	620,998	678,054	230,509	164,454	228,188	54,903
Total	**662,150**	**728,676**	**260,980**	**170,362**	**238,869**	**58,465**

2013 year	Carrying Amount $000's	Contractual cash flows $000's	Less than 1 year $000's	1 to 2 years $000's	2 to 5 years $000's	More than 5 years $000's
Trade and other payables	23,331	23,331	23,331			
Derivative financial instruments	27,852	49,198	8,633	9,315	21,026	10,224
Borrowings	625,737	702,223	158,161	171,740	305,165	67,157
Total	**676,920**	**774,752**	**190,125**	**181,055**	**326,191**	**77,381**

37 RELATED PARTY TRANSACTIONS

The parent entity in the consolidated group is Dunedin City Holdings Limited which is wholly owned by the Dunedin City Council.

Group

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27 to the Financial Statements.

Details of the percentage of ordinary shares held in associates are disclosed in note 28 to the Financial Statements.

Amounts receivable from and payable to related parties at balance date are disclosed in notes, 14 and 24.

Transactions with Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited Group

Dunedin City Holdings Limited and its subsidiary companies undertake transactions with the Dunedin City Council on an arms-length commercial basis. The group provided services and traded with the Dunedin City Council in respect of the following transactions.

	Group 2014 $'000	Group 2013 $'000
Sales of services to the Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited group:		
Contracting services	8,013	10,434
Interest income	24,820	24,820
Transport services	-	127
	32,833	35,381
Purchases of goods and services from the Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited group:		
Interest	6,749	5,903
Dividends	3,719	4,547
Materials/network assets	185	253
Rates and property rentals	613	745
Administration and office services	180	55
	11,446	11,503
As at balance date:		
Receivable from the Dunedin City Council and subsidiaries	362,565	377,511
Payable to the Dunedin City Council and subsidiaries (inclusive of shareholders advance)	112,701	112,044

37 RELATED PARTY TRANSACTIONS CONTINUED

Transactions with Associate Companies

The group also conducted the following commercial transactions with associate companies.

	Group 2014 $'000	Group 2013 $'000
Received or receivable from associate companies:		
Forest products sold to chipmill	-	6
Dividends	565	330
Management fee	8	22
	573	358
Paid or payable to associate companies:		
City Forests Limited purchases from chipmill	-	7
As at balance date.		
Receivable from associate companies	-	1
Payable to associate companies	-	-

No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables due from related parties.

Transactions with companies in which key management personnel have an interest and with close members of the family of key management personnel.

Key management personnel within the group include the Chief Executives, any manager with the title of Chief Financial Officer or equivalent and any manager with general management responsibilities over a major division. Amounts are to the nearest $1,000.

During the course of the year:

- City Forests Limited paid $9,000 (2013: $5,000) for materials and mechanical services to Palmers Mechanical Limited, an organisation of which Mr R D Liddell was a director. $9,000 was outstanding at 30 June 2013 (2013:nil). No contracting services were provided to Palmer Mechanical (2013: $52,000). No monies were outstanding at 30 June.
- City Forests Limited, Delta Utility Services Limited and Taieri Gorge Railway Limited paid $203,000 (2013: $363,000) for materials to Blackhead Quarries Limited, an organisation of which Mr R D Liddell and Mr A W Baylis were directors. $41,000 was outstanding at 30 June 2013 (2013: $20,000).
- City Forests Limited, Delta Utility Services Limited and Taieri Gorge Railway Limited paid $15,000 (2013: $8,000) for training services to the Otago and Southland Employers Association, an organisation of which Mr S J McLauchlan and Mr T D Allison are directors. No monies were outstanding at 30 June. (2013: nil)
- Dunedin City Holdings Ltd, City Forests Limited, Aurora Limited and Delta Utility Services Limited paid $545,000 for services from Deloitte, an organisation of which Mr M C Horne is a director. $45,000 was outstanding at 30 June.
- Delta Utility Services Limited and Aurora Limited provided services to the value of $51,000 (2013: $53,000) were provided and $18,000 (2013: $26,000) of services were purchased from the University of Otago, an organisation of which Mr S J McLauchlan is the Pro-Chancellor. An amount of $9,000 (2013: $2,000) was receivable at 30 June. No monies were payable at 30 June (2013: $4,000).
- No services were purchased (2013: $12,000) from Ruboc Holdings Limited, an organisation of which Mr M O Coburn was a director. No monies were outstanding at 30 June (2013: nil)

37 RELATED PARTY TRANSACTIONS CONTINUED

- Delta Utility Services Limited purchased $28,000 (2013: $30,000) of services from Rosebury Holdings Limited, an organisation of which Mr S J McLauchlan is a director. No monies were outstanding at 30 June (2013: nil).
- Delta Utility Services Limited provided contracting services and credits to the value of $3,000 (2013: $25,000) from Lund South Limited, an organisation of which Mr S J McLauchlan is a director. No monies were outstanding at 30 June (2013: nil).
- Delta Utility Services Limited purchased $1,000 (2013: $3,000) of services from Cargill Hotel 2002 Limited, an organisation of which Mr S J McLauchlan is a director. No monies were outstanding at 30 June.
- Delta Utility Services Limited and Aurora Limited purchased $28,000 of services and Delta Utility Services Limited provided services of $330,000 to the Otago Regional Council, an organisation of which Mr T J Kempton is a director. No monies were outstanding at 30 June.
- Delta Utility Services Limited and Aurora Limited purchased $28,000 of services from Long Beach Consulting Limited, an organisation of which Mr T J Kempton is a director. No monies were outstanding at 30 June.
- Delta Utility Services Limited provided contracting services were provided of $46,000 (2013: $33,000) and no services were purchased from (2013: $4,000) Oceana Gold Corporation, an organisation of which Mr J D Shale is a director. No amounts were receivable (2013: $3,000) or payable (2013: $nil) at 30 June.
- Taieri Gorge Railway Limited paid $8,000 (2013: $47,000) for services from Action Engineering Limited an organisation of which Mr G Crombie is a director. No monies were outstanding at 30 June (2013: nil)
- Delta Utility Services purchased materials and services to the value of $1,544,000 (2013: $1,031,000) from ETEL an organisation of which Mr D Frow is a director. No amounts were outstanding at 30 June (2013: $31,000)
- Taieri Gorge Railway Limited paid $14,000 (2013: $16,000) to Mr J Chapman for train staffing and workshop services.
- No consulting services (2013: $21,000) were paid by Dunedin City Holdings Limited to Mr J D Shale. Mr Shale was a director of Dunedin City Holdings Limited
- No consulting services were purchased (2013: $14,000) from Edincorp Business Services Limited by Dunedin City Holdings Limited whilst Mr A W Baylis was a director of Dunedin City Holdings Ltd. Mr A W Baylis was a director of both Dunedin City Holdings Limited and Edincorp Business Services Limited.
- No consulting services were purchased (2013: $2,000) from Mrs K E Grant by Dunedin City Holdings Limited. Mrs K E Grant is a director of Dunedin City Holdings Limited.
- Aurora Energy Limited paid $98,000 (2013: $186,000) for legal services to Gallaway Cook Allan, an organisation of which Mrs K E Grant is a Consultant. No amounts were outstanding at 30 June. (2013: nil).
- Taieri Gorge Railway Limited paid $2,000 (2013: nil) for services from The Otago Polytechnic, an organisation of which Mrs K E Grant is a Director. No amounts were outstanding at 30 June. (2013: nil).

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows.

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Short-term benefits	3,602	3,466	377	451
Termination benefits	113	-	113	-

The remuneration of directors is agreed annually by the Dunedin City Council in accordance with the policies that it sets from time to time. The remuneration of management is determined by the remuneration committees of each board having regard to the performance of individuals and market trends.

37 RELATED PARTY TRANSACTIONS CONTINUED

Parent Company

The parent company has executed transactions with the Dunedin City Council (its owner) and its subsidiaries and associates (as listed in Notes 27 and 28). Transactions with all four parties are called 'related party transactions' and were made on commercial terms and conditions and at market contained in Notes 2,4, 6,14, and 24.

Purchases of goods and services, payments made	**Parent 2014 $'000**	**Parent 2013 $'000**
Dunedin City Council		
Dividends	3,719	4,547
Interest	6,731	5,903
Other	83	29
Subsidiaries	2,100	2,085
	12,633	12,564
Sales of goods and services, payments received		
Dunedin City Council	-	-
Subsidiaries		
Dividends	12,350	15,150
Other	300	312
Associates		
Dividends	565	330
	13,215	15,792

38 LEASE COMMITMENTS

	Group 2014 $'000	**Group 2013 $'000**	**Parent 2014 $'000**	**Parent 2013 $'000**
Minimum Operating Lease Payments				
Payable within one year	1,086	1,172	6	6
Payable between one to five years	1,523	2,051	-	-
Payable later than five years	208	303	-	-
	2,817	3,526	6	6

39 EVENTS AFTER BALANCE SHEET DATE

There were no significant events after balance date.

statutory information

INFORMATION ON THE DIRECTORS OF DUNEDIN CITY HOLDINGS LIMITED

Graham William Crombie
Date appointed – 17 July 2012

Responsibilities Chairman, Company Director

Declarations of Interests
Chairman, NZ Institute of Chartered Accountants
Chairman, Otago Museum Trust
Independent Chairman, Action Engineering Limited
Director, Australia/NZ Chartered Accountants
Director, Surf Life Saving NZ
Chairman, NZ Genomics Limited
Trustee, Arai Te Uru Kokiri Centre Charitable Trust
Director and Shareholder, Innovatio Limited
Chairman, Dunedin City Treasury Ltd

Kathleen Enid Grant
Date appointed – 17 July 2012

Responsibilities Company Director

Declarations of Interests
Consultant, Gallaway Cook Allan
Chair of Council, Otago Polytechnic
Trustee, Sport Otago
Director, Dunedin City Treasury Limited
Director, Dunedin International Airport Limited
Director, Southern Sinfonia

Linda May Robertson
Date appointed – 17 October 2013

Responsibilities Company Director

Declarations of Interests
Chairman, Statistics New Zealand Audit and Risk Committee
Director, Dunedin City Treasury Limited
Director, Hunter Downs Development Limited
Employee and shareholder, Meridian Energy Limited
Director and Shareholder, RML Consulting Limited

Brian John Wood
Date appointed – 17 October 2013

Responsibilities Company Director

Declarations of Interests
Chairman, Buller Holdings Limited
Chairman, Westreef Services Limited
Chairman, Buller Recreation Limited
Chairman, Westport Harbour Limited
Chairman, Canterbury Linen Services Limited
Chairman, Abley Transportation Consultants Limited
Director, Interpret Geospatial Solutions Limited
Director, Lyttelton Port of Christchurch Limited
Director, Dunedin City Treasury Limited
Director, Harrison Grierson Holdings Limited

A W (Bill) Baylis
Date appointed – 31 October 2011
Date ceased – 17 October 2013

Responsibilities Company Director

Declarations of Interests
Chairman, Blackhead Quarries Limited
Chairman, Dairy Holdings Limited
Chairman , Institute of Directors Accreditation Board
Chairman, Landcorp Farming Limited and Subsidiaries
Director, Palmer Oliver Holdings Limited
Director, Port of Tauranga Limited
Director, Tenby Estate Limited
Director, Edincorp Business Services Limited
Trustee, Carisbrook Stadium Trust

J D (Denham) Shale
Date appointed – 31 October 2011
Date ceased – 17 October 2013

Responsibilities Company Director

Declarations of Interests
Chairman, The Farmers Trading Company Limited Group
Chairman, Jenkin Timber Limited
Chairman , Mercy Hospital Auckland Foundation
Director, Carlaw Heritage Trust Inc
Director, Carlaw Heritage Limited
Director, Carlaw Heritage (Stage Two) Limited
Director, Carlaw Campus GP Limited
Director, Carlaw Campus GP Limited
Director, Carlaw Stage 2 GP Limited
Director, Consortium Limited
Director, Consortium Media Limited
Director, D'Ardent Trust Limited
Director, Oceana Gold Limited
Director, Oceana Gold Corporation
Director, Turners Auctions Limited
Director, Whitcoulls 2011 Limited

The constitution of Dunedin City Holdings Limited states that one third of the directors retire by rotation and directors appointed through the year must also retire.

Directors' Interests in Contracts

Disclosures of interests made by the directors are recorded in the company's interest register. Any transaction entered into was in the group's normal course of business and on its usual terms and conditions.

Directors' Insurance

Dunedin City Holdings Limited and its subsidiary companies have arranged directors' liability insurance policies, which ensure that the directors will incur no monetary loss as a result of actions undertaken by them. Certain actions are specifically excluded, such as, the incurring of penalties and fines imposed in respect of breaches of the law and any matters arising from dishonesty or criminal behaviour.

Directors' Remuneration and Benefits

	Remuneration $	Company
Parent Company		
Graham W Crombie	84,376	Dunedin City Holdings Limited
Kathleen E Grant	50,877	Dunedin City Holdings Limited
Linda M Robertson	38,786	Dunedin City Holdings Limited
Brian J Wood	38,728	Dunedin City Holdings Limited
A W (Bill) Baylis	14,302	Dunedin City Holdings Limited
J D (Denham) Shale	20,251	Dunedin City Holdings Limited
Parent Company Total	***$247,320***	
Subsidiaries		
David J Frow	23,250	Aurora Energy Limited
	23,250	Delta Utility Services Limited
Trevor J Kempton	13,667	Aurora Energy Limited
	13,667	Delta Utility Services Limited
Stuart J McLauchlan	24,375	Aurora Energy Limited
	24,375	Delta Utility Services Limited
	27,779	Dunedin International Airport Limited
Raymond S Polson	14,250	Aurora Energy Limited
	14,250	Delta Utility Services Limited
Ian M Parton	31,875	Aurora Energy Limited
	31,875	Delta Utility Services Limited
Tony D Allison	27,000	City Forests Limited
John F Gallaher	45,000	City Forests Limited
Michael C Horne	16,000	City Forests Limited
Timothy J Mepham	16,000	City Forests Limited
Ross D Liddell	13,000	City Forests Limited
	9,328	Dunedin City Treasury Limited
Michael O Coburn	9,000	City Forests Limited
John D Holmes	7,933	Taieri Gorge Railway Limited
F John McCall	11,900	Taieri Gorge Railway Limited
Hon Stanley J Rodger	5,950	Taieri Gorge Railway Limited
Gary M T Williams	11,900	Taieri Gorge Railway Limited
David W Wood	7,933	Taieri Gorge Railway Limited
Geoffrey R Thomas	9,000	Taieri Gorge Railway Limited
	15,574	Dunedin International Airport Limited
John M Chapman	2,975	Taieri Gorge Railway Limited
John E Farry	9,000	Taieri Gorge Railway Limited
Bevan R N Dodds	4,958	Taieri Gorge Railway Limited
	nil	
Linda M Robertson	Nil	Dunedin City Treasury Limited
Brian J Wood	Nil	Dunedin City Treasury Limited
Kathleen E Grant	nil	Dunedin City Treasury Limited
	18,907	Dunedin International Airport Limited
Patricia A Oakley	18,907	Dunedin International Airport Limited
Mark Rogers	3,333	Dunedin International Airport Limited
Peter J Brown	nil	Dunedin Venues Limited
	16,000	Dunedin Venues Management Limited
Sir John W Hansen	nil	Dunedin Venues Limited
	24,000	Dunedin Venues Management Limited
Peter J Hutchison	nil	Dunedin Venues Limited
	16,000	Dunedin Venues Management Limited
Jennifer H Rolfe	nil	Dunedin Venues Limited
	16,000	Dunedin Venues Management Limited
Peter G Stubbs	nil	Dunedin Venues Limited
	16,000	Dunedin Venues Management Limited
Subsidiaries Total	***$594,211***	
Group Total	**$841,531**	

No director of Dunedin City Holdings Limited has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total remuneration received or due, and receivable by the directors as disclosed in the group financial statements). No directors have received loans from the parent company or the group.

Since resigning as a director, Bill Baylis has taken up a role as consultant to Dunedin City Holdings Limited.

There were no notices from directors of the company requesting to use company information which had been received in their capacity as directors, and which would not otherwise have been available to them.

Events Subsequent to Balance Date

The directors are not aware of any matters or circumstances since the end of the financial year not otherwise dealt with in this report or the group financial statements that have significantly, or may significantly, affect the operations of Dunedin City Holdings Ltd, the results of those operations or the state of affairs of the parent company or the group.

Employee Remuneration

Details of remuneration ranges (inclusive of retirement allowances) for employees of the holding company and subsidiaries are:

	Number of Employees	
Remuneration Range	**Parent Company**	**Subsidiaries**
$470,000-479,999	-	1
$270,000-279,999	-	2
$250,000-259,999	-	1
$240,000-249,999	1	1
$230,000-239,999	-	1
$220,000-229,999	-	1
$180,000-189,999	-	1
$170,000-179,999	-	3
$160,000-169,999	-	1
$150,000-159,999	-	5
$140,000-149,999	-	4
$130,000-139,999	-	9
$120,000-129,999	-	4
$110,000-119,999	-	12
$100,000-109,999	-	27

statement of service performance

For the Year Ended 30 June 2014

The performance targets established in the 2013/14 Statement of Intent for Dunedin City Holdings Limited, and group, and the results achieved for the Year Ended 30 June 2014 are as follows.

Performance Targets		Outcome Achieved
Economic		
1.0	Statement of Intent Review	
	A review of the draft Statements of Corporate Intent for 2015 to be completed by 31 December 2013.	The review of the draft 2014/2015 Statements of Corporate Intent were completed by 31 December 2013.
2.0	Operating Activities	
	Reviews of the operating activities of the subsidiaries are to be performed regularly by the board of Dunedin City Holdings Limited.	Monthly reviews of the operating activities of the group companies have been performed.
3.0	Matters of Substance	
	Dunedin City Holdings Limited is to report matters of substance to Dunedin City Council within five days of the board becoming aware of them.	All matters of substance were reported to the Council within five days of occurrence.
Financial		
4.0	Performance Monitoring	
	Continual reviews to be performed on a monthly basis in relation to operating initiatives and financial performance of each of the group companies.	Continual reviews of performance throughout the group have been undertaken.
5.0	Reporting	
	Monthly reports to be received from each of the group companies within 30 days from the end of the month under review	Monthly reports received within 30 days for inclusion in the Dunedin City Holdings Limited monthly board agendas.
6.0	Financial Strength	
	The capital structure of the group companies will be reviewed at the half year and full year balance dates.	The Company's Standard and Poor's long term credit rating was reaffirmed at AA in December 2013. The A1+ short term rating remained the same. Ongoing reviews of capital structures within the group were performed.
Non-financial		
7.0	Corporate Citizen	
	A review of the activities undertaken by the group companies for purposes of being a good corporate citizen will be completed annually.	A review of activities undertaken in the group in support of being a good corporate citizen was completed and disclosed in the earlier social section of this report.

Financial Projections

The 2013/2014 Statement of Intent, presented to the shareholder in February 2013, projected that the parent company surplus after tax would be $4.188m and that the shareholder's funds at year end would be $13.14m based upon the continual application of the accounting policies that applied at the date of the Statement of Intent. The actual surplus after tax was $4.318m, slightly higher than expected. The shareholder's funds at the end of the period is $24.23m, higher than expected. The dividends to the Dunedin City Council, the interest on the shareholders advance from the Dunedin City Council plus the net subvention payment from Aurora Energy Limited to Dunedin Venues Limited in February 2013 were projected to be $15.7m. A total of $15.7m was paid.

independent auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Dunedin City Holdings Limited and group's financial statements and statement of service performance for the year ended 30 June 2014

The Auditor-General is the auditor of Dunedin City Holdings Limited (the company) and group. The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 19 to 70, that comprise the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company and group on pages 71 to 72.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company and group on pages 19 to 70:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the company and group's:
    - financial position as at 30 June 2014; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company and group on pages 71 to 72:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company and group's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 29 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the

Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

Ian Lothian

Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

directory

Directors

G W (Graham) Crombie	BCom, FCA(CPP), AM Inst D, MD Ent
K E (Kathy) Grant	BA, LLB, Dip Law, M Inst D
L M Robertson	BComm, Dip Banking (Treasury),INFINZ (Fellow), GAICD, AMInstD, CSNZ (Fellow) (appointed 17 October 2013)
B J Wood	MBA (Otago), FNZIM, AF Inst D (appointed 17 October 2013)

Consultant

A W (Bill) Baylis	MComm (Hons), FCA, FNZIM, AF Inst D

Chief Executive

Bevan R N Dodds	BCA (Hons), CA, FCIS, M Inst D (resigned 20 December 2013)

Group Chief Financial Officer

Grant A McKenzie	BCom, CA, M Inst CA (appointed 16 January 2014)

Registered Office

50 The Octagon
Dunedin
New Zealand

Bankers

ANZ

Taxation Advisors

Deloitte

Solicitors

Anderson Lloyd

Auditor

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