



DUNEDIN CITY HOLDINGS LIMITED

Annual Report 2015



DUNEDIN CITY HOLDINGS LIMITED

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.

Dunedin City Holdings Limited as the parent company of the group has a primary role to provide leadership and oversight of its subsidiary and associated companies on behalf of the ultimate shareholder, the Dunedin City Council.

The subsidiaries and associate companies within the group are as follows:

- Aurora Energy Limited
- City Forests Limited
- Dunedin City Treasury Limited
- Delta Utility Services Limited
- Taieri Gorge Railway Limited
- Dunedin International Airport Limited

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 sustainability 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, 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.

As a holding company, Dunedin City Holdings Limited is the manager of a portfolio of corporate investments. If it is to maximise benefit to its shareholder, the Dunedin City Council, it may wish from time to time to rebalance the composition of its portfolio by purchases or sales in response to, or in anticipation of, ongoing changes in the marketplace.

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 endeavour to ensure that dividend payments will no longer be funded through debt 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.



DUNEDIN CITY HOLDINGS LIMITED

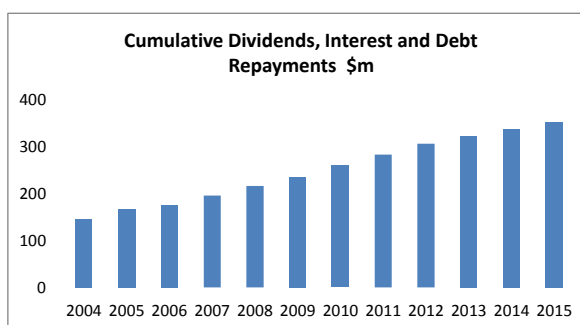
Our Performance

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

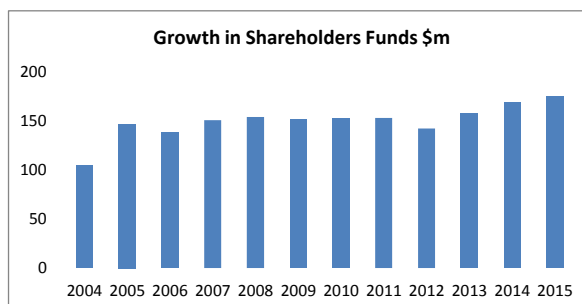
- pay cash to the Council regularly in the form of dividends and interest;
- maintain an adequate level of shareholders funds; and
- generate cash for reinvestment

We have:

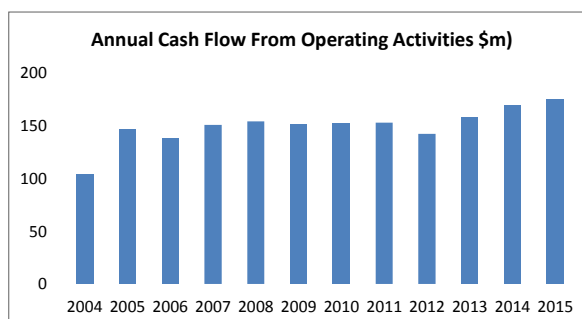
Paid cash to the council since the Company was formed in 1993



Maintained an adequate level of Shareholders Funds



Over the long-term, created cash for Dividend Reinvestment





DUNEDIN CITY HOLDINGS LIMITED

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.

2015 highlights

- I We have returned the group a profit of \$12.9 million after tax
- I We have increased operating cash flows by \$3 million compared to the previous year
- I We have reduced debt by \$23 million during the year
- I We have made distributions to the Dunedin City Council and Dunedin Venues Limited of \$15.7 million
- I Aurora Energy Limited undertook significant capital work on its network
- I Delta Utility Services Limited consolidated its core services and returned a healthy surplus
- I City Forests Limited provided a good surplus in a continuing volatile market
- I Taieri Gorge Limited returned a surplus on improving demand in the tourism sector
- I Dunedin International Airport was able to increase its dividend to Dunedin City Holdings Limited



DUNEDIN CITY HOLDINGS LIMITED

Chairperson's Review

I am pleased once again to present the annual report for Dunedin City Holdings Limited for the year to 30 June 2015. The consolidated result of Dunedin City Holdings Limited continues to highlight the strong commercial base of the entities within the Group.

The net surplus for the year after tax was consistent with that generated in the previous financial year at \$12.9 million (2014: \$12.5 million), a return on shareholders' funds of 7.4%. The Group also generated operating cash flows of \$33 million (up from \$30 million in the previous year).

The level of surplus and operating cash flows generated enabled the Group to maintain the level of distribution to the shareholder (the Dunedin City Council) as in the previous year. The total distributions to the Dunedin City Council amounted to \$15.7 million, made up of interest, dividend and subvention payments to Dunedin Venues Limited.

The 2014/15 financial year marked a year of growth in the underlying assets of the group highlighted with a \$21 million increase in property plant and equipment. This is a reflection of the significant capital investment being undertaken by Aurora Energy Limited in renewal investment on the Dunedin network and investment in the Central Otago network driven by growing consumer demand. Overall capital investment in the network over the next ten years is expected to be \$372 million.

A pleasing aspect of the financial performance is the continued drop in borrowings within the Group's balance sheet. Borrowings have decreased from \$621 million at June 2014 to \$598 million at June 2015. The majority of this decrease has come from improved cash flow management within the group assisted by significantly reducing the interest costs for borrowing entities. All of the subsidiaries, other than Aurora Energy Limited, were able to reduce their debt levels during the year. An increase in debt levels by Aurora Energy Limited is expected given their capital investment programme.

The Statement of Intent that was presented to the Dunedin City Council for the year to 30 June 2016 indicates that the Company will need to reduce its distribution to the Council from \$15.7 million to \$11.2 million for the next three years. As discussed earlier, with the planned capital investment being undertaken by Aurora Energy Limited it is prudent that Aurora Energy Limited reduce dividend distributions to Dunedin City Holdings Limited over the next three years to ensure the funds are invested into capital and to maintain an appropriate equity to total assets ratio. This naturally impacts in the distribution that Dunedin City Holdings Limited can make to the Dunedin City Council.

In 2014/15 Delta Utility Services Limited was able to concentrate on its core services. This saw a marked increase in demand and reflected positively on its financial results. Significant contract work was undertaken in its Energy, Communications and Environmental sectors. The year saw Delta undertake significant capital work for Aurora Energy Limited, renew its electricity network maintenance contract with Network Tasman for a further five years, undertake work for PowerNet, secure a nine year contract with Christchurch City Council to deliver parks services, and also maintain its existing energy, communication, greenspace and solid waste contracts.

City Forests Limited continues to consolidate its financial position through reduction in borrowings, an increase in its forestry investment and maintenance of its dividend distribution.

Dunedin City Treasury Limited maintained its Standard and Poor's AA long term credit rating and its A1+ short term rating during the year.

Taieri Gorge Railway Limited had a favourable year returning a net surplus, symptomatic of a slight increase in the tourism market. Projections are that the tourism market should continue to improve in the upcoming twelve months.

Dunedin International Airport Limited achieved an operating surplus of \$1.7 million for the year, consistent with its result of \$1.8 million for the previous financial year. The Company was able to increase its dividend to Dunedin City Holdings Limited in the year from \$565,000 in the 2013/14 year to \$640,000 in the 2015/16 financial year.

Overall the upcoming twelve months for the Group looks favourable. The capital investment by Aurora Energy Limited will provide financial stability for the company, Delta Utility Services Limited continues to grow its core contracts whilst maintain its current contract base, improvements in the tourism market will continue to assist Taieri Gorge Limited City, a favourable interest rate environment will assist in the cost of debt for Dunedin City Treasury Limited, and City Forests Limited continues to operate well in the fluctuating forestry environment.

In 2015 the Board of Dunedin City Holdings Limited was pleased to have Mr Keith Cooper join us as a director. Keith has brought a wealth of commercial and governance knowledge to the Board and we very much look forward to continue working with him in the future.

I would also like to thank the management, staff and directors of all the companies in the group for their invaluable contributions and energy shown in the 2015 financial year.

Graham W Crombie
Chairperson



DUNEDIN CITY HOLDINGS LIMITED

Directors' Report

Results for the Year Ended 30 June 2015

	Group \$'000	Parent \$'000
Revenue	251,067	13,209
Profit before tax	19,137	4,452
Income Tax	6,382	(712)
Net Profit for the year from continuing operations	12,755	5,164
Discontinued operations net of tax	197	-
Net profit for the year	12,952	5,164

State of Affairs

The net surplus for the Group over the year has remained consistent with the financial results of the previous year. Net surplus for 2014/15 was 12.9 million compared to 12.5 million in the previous year.

Healthy revenue increases in both Aurora Energy Limited and Delta Utility Services Limited along with an increase in the forestry valuation, have seen an increase in operating revenue from \$202 million to \$219 million.

There was a corresponding increase in costs representative of:

- Additional costs associated with the increased revenue generated by Delta Utility Services Limited and Aurora Energy
- Additional costs associated with an increase in forestry harvest

The balance sheet of the Company remains strong. The current year saw Aurora Energy Limited's capital programme go into full swing resulting in a significant increase in the asset base of the Group. This was achieved without an overall increase in debt, largely due to utilising significant cash reserves to repay down long term debt.

The Group continues to maintain healthy cash flows. Significant opening cash reserves along with an increase in operating cash flows were utilised to repay down debt and partly fund Aurora Energy Limited's capital programme.

Parent Company

Dunedin City Holdings Limited, as the parent company of the group, made a net surplus of \$5.2 million, compared to \$4.3 million the previous year.

The Company received an overall stable level of dividends from the subsidiary companies which resulted in overall consistent revenue levels to the previous year.

A decrease in the interest rate payable on the shareholder advance from the Dunedin City Council was the main driver of a \$0.9 million decrease in operating expenditure.

Parent Company Payments to the Dunedin City Council

The Statement of Intent provided for a \$15.7 million distribution of funds to the Dunedin City Council, made up of interest payments on the shareholders' advance, subvention payments to Dunedin Venues Management Limited and dividends to the Dunedin City Council.

The final distribution was made up as follows:

	\$'000
Dividends from Dunedin City Holdings Limited	4,548
Interest payments from Dunedin City Holdings Limited on shareholders' advance	5,902
Net tax subvention payment from Aurora Energy Limited to Dunedin Venues Limited	5,250
Total cash distribution to the Dunedin City Council and Dunedin City Council CCTOs outside the Dunedin City Holdings Limited group from Dunedin City Holdings Limited 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 comments 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 of \$1.7 million for the year, consistent with its result of \$1.8 million for the previous financial year. Both revenue and expenditure levels were consistent with the result achieved in the previous financial year resulting in the similar surplus level.

The Company was able to increase its dividend to Dunedin City Holdings Limited in the year from \$565,000 in the 2013/14 year to \$640,000 in the 2014/15 financial year.

Outlook

With the continuation of the capital development programme at Aurora Energy Limited and the consolidation of the strong revenue base at Delta Utility Services Limited the outlook for Dunedin City Holdings Limited is strong.

Forward planning by the Group has enabled early signals to be sent to Dunedin City Council about cash flow requirements to ensure that future dividends over the next three years are representative of the cash flow generating capability of the Group whilst Aurora Energy Limited undertakes its capital development programme.

The volatility of the forestry sector will always place uncertainty over the levels of profit for City Forests Limited, but the company continues to trade strong.

Taieri Gorge Limited is operating well in a constrained tourism market, but indications are of an improvement in this sector.

Dunedin City Treasury Limited 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 2015 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 audit fees for the Group's continuing business for the year was \$219,000.

Graham W Crombie
Chairperson

23 September 2015



DUNEDIN CITY HOLDINGS LIMITED

Statement of Responsibility

For the Year Ended 30 June 2015

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

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

In the opinion of the Board of Dunedin City Holdings Limited, the annual financial statements for the financial year ended 30 June 2015 fairly reflect the financial position and operations of Dunedin City Holdings Limited.

Director

Director

23 September 2015

23 September 2015



DUNEDIN CITY HOLDINGS LIMITED

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** owns approximately 16,315 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 has made substantial progress during the year to meet growing demand, renewal assets due for replacement and made improvements to the risk profile of its infrastructure assets.

Revenue increased to \$99.5m, up on the \$92.9m achieved last year. The surplus after tax, at \$8.2m, was up on last year's \$7.7m. 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.

Aurora Energy made solid progress on its asset investment programme this year with substantial increases in capital and maintenance spends. Between 2015 and 2025, Aurora Energy plans to outlay total expenditures of \$372 million, increasing preventative maintenance and renewal investment on the Dunedin network, and catering for growing consumer demand on the Central Otago network.

Aurora Energy invested \$35.4 million in capital projects in the year to 30 June 2015, including completion of a new, higher-capacity substation at Lindis Crossing, Central Otago. Power to the Ōtākou area on the Otago Peninsula was upgraded, increasing the distribution voltage from 6.6 kilovolts to 11 kilovolts. The Port Chalmers switchboard and associated protection and cabling was upgraded to allow for future expansion.

Close to 800 power poles were replaced or newly installed on the Aurora Energy network during the year. A total of 34 kilometres of vegetation was cleared from near power lines, part of preventative work to improve the reliability of the network.

In Central Otago, there continued to be high demand for irrigation-driven connections to the Aurora Energy network. During the year to 30 June 2015, electricity supply was connected for 3,000 hectares of irrigation schemes across the Clutha, Manuherikia and Ida Valleys.

Growth in consumer connections to the network increased from last year. In Central Otago, there was 2.9% growth (last year 2.0%) and in Dunedin, 0.7% growth (last year 0.2%). At year end, the total number of connections in Dunedin was 54,488 and in Central Otago 31,106. In the short to medium term, overall energy demand is expected to remain stable or increase modestly across the network.

Over the next five years, Aurora Energy's asset management plan provides for sustained investment in both operating and capital expenditure to secure the future reliability of the network for our consumers and the communities we supply. The investment will support the achievement of challenging reliability targets and permit further reductions in network-related risk. The Commerce Commission's decision to reduce Aurora Energy's allowable revenue by 4.3 per cent is challenging for plans to make \$154 million in network improvements over the next five years, and has the potential to constrain Aurora Energy's future dividend stream.

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

The People

Directors

Dr I M Parton
D J Frow
S J McLauchlan
T K Kempton

Chief Executive

G W Cameron

At A Glance

	Group 2015 \$'000	Group 2014 \$'000
Revenue	99,462	92,895
Net Surplus for the Year	8,176	7,650
Shareholder's Funds	182,550	180,983
Total Assets	413,855	390,882

City Forests Limited

What We Do

City Forests Limited is a forest owner that actively harvests and markets the products from the 16,315 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 \$5.0m dividend to Dunedin City Holdings Limited.

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

Export log volumes to the Company's principal South Korean and Chinese customers have been steady during the year. The key factors of market price, freight rates and exchange rates, when considered together, have been favourable delivering above average New Zealand Dollar returns from harvesting.

The domestic log market consumed 36% of the company's log production. Domestic log sale volumes have been less than previous years due to reduced domestic milling capacity. Domestic log prices have remained 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 ahead of pending legislative reform.

No new areas were added to the Forest Estate during the year.

Under NZ IFRS accounting rules, any increase in the value of the forest contributes to the annual result. This year, the adjustment was a positive \$2.515m (\$1.57m last year) and the value of the company's forests increased from \$111.1m to \$113.6m. The primary reason for this increase is the inclusion of carbon into the valuation model following the Company's re-entry into the Emission Trading Scheme.

volatile and it can be expected that this volatility will continue. This has been demonstrated during the first quarter of the 2015/16 year when a significant downward log price correction has occurred in export log markets driven by economic problems in China. Operations remain profitable however margins are significantly reduced and the Company is reducing production and favouring domestic sales until export markets recover.

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 opportunities provided by both domestic and international economic growth.

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

The People

Directors

J F Gallaher
T D Allison
T M Mephram
M C Horne

Chief Executive

G A A Dodson

At A Glance

	Group 2015 \$'000	Group 2014 \$'000
Revenue	40,524	40,965
Net Surplus for the Year	7,042	8,291
Shareholder's Funds	96,649	95,932
Total Assets	154,566	151,457

Delta Utility Services Limited

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 headquartered in Dunedin, with service depots throughout the South Island.

What We Did This Year

The year was marked by strong demand for Delta's core services in the energy and environmental sectors. The company achieved improved underlying profitability and a stronger balance sheet, building on last year's solid performance. Significant long term contracts were renewed in both electricity network maintenance and greenspace services.

Total revenue was \$102.5m, up on last year's \$96.6m, reflecting growth in energy and environmental services provided to existing and new customers. Profit after tax of \$4.7m was up slightly on last year's result of \$4.4m. Total assets increased from \$56.5m to \$59.7m, reflecting the purchase of vehicles, plant and equipment in line with customer growth. Term borrowings reduced by \$3.3m from \$29.8m to \$26.5m during the year.

Delta continued to deliver asset management and distribution services to the Aurora Energy electricity network under a long term services agreement. There was substantial uplift in demand for capital and maintenance services, as the network increased its asset renewal and maintenance programme and carried out capacity and systems upgrades. Delta's energy business rose to the challenge in delivering the required work programme, managing \$35.4m of capital projects for Aurora Energy, versus last year's capital projects of \$21.3m.

The company achieved further organic growth in electricity services throughout New Zealand. Delta renewed its existing electricity network maintenance contract with Network Tasman for a further five years to 31 March 2021. The value of the related services is expected to total around \$40 million throughout the next contract term. The company continued to install and test smart meters as electricity meter owners nationwide convert to advanced digital meters. During the year, it deployed 35,100 advanced meters.

Delta's environmental business took a major step towards the strategic goal of diversifying its customer portfolio; winning, via a competitive tender, a nine-year contract with Christchurch City Council to deliver parks services in the south of the city. The contract has a lifetime value of close to \$22 million and strengthens Delta's existing presence in the Canterbury greenspace market.

The company grew its greenspace business during the year, providing sports turf, horticulture and roadside vegetation control services throughout the South Island from Southland to Tasman. The solid waste business performed well, providing services to Clutha, Dunedin City and Waitaki local authorities including operating Dunedin City Council's Green Island landfill.

Delta's people operate in high hazard environments, making health and safety a strategic and operational priority across the company. The company achieved a significant improvement in its safety indicators, with a 52 percent reduction in recordable injury rates. Total recordable injuries per 200,000 hours worked improved from 8.79 last year to 4.16 this year, against a target of 4.4. Continuous work is being done to bring the rate of injury down further.

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

The People

Directors

Dr I M Parton
(Chairman)
D J Frow
S J McLauchlan
T K Kempton

Chief Executive

G W Cameron

At A Glance

	Group 2015 \$'000	Group 2014 \$'000
Revenue	102,471	96,624
Net Surplus for the Year	4,657	4,377
Shareholder's Funds	15,804	13,757
Total Assets	59,705	56,530

Dunedin City Treasury Limited

What We Do

The role of Dunedin City Treasury Limited is to identify and manage the financial risks and the liquidity of the Dunedin City Council Group. Dunedin City Treasury Limited will ensure that adequate funds are always available to meet on-going obligations, and manage the cost of debt and treasury investment returns within an appropriate management framework.

What We Did This Year

In December 2014 the Dunedin City Council approved a new Treasury Risk Management Policy for the Dunedin City Council Group. The purpose of this policy is to set out a prudential framework for the identification, quantification, assessment and management of all financial market risks associated with the Borrowing, Investment, Foreign Exchange and Commodity exposures faced by the Dunedin City Council Group. The company has been progressively implementing the new policy throughout the 2014/15 year.

The Company issued \$90m of bonds and floating rate notes throughout the year with an average maturity of 6.1 years. The average spread over the underlying reference rate was 0.46%. As at June 2015 the Company has \$589.9m of debt outstanding (2014 \$612.0m), with a weighted average term of 2.34 years (2014 2.17 years) and weighted cost of funds of 5.15% (2014 5.31%).

The Company continues to be an active issuer of commercial paper and achieved good results with its commercial paper programme. The Company averaged \$81m of Commercial paper on issue throughout the year and the average rate achieved was 6.66 basis points over the 90 Day Bank Bill Reference Rate.

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 \$3,050,000 has been paid to members of the Dunedin City Council Group in December 2014 and June 2015.

The Company's Standard and Poor's credit rating was reaffirmed at A1+ (short term) and AA (long term) in December 2014.

The Company continues to provide management services to the Waipori Fund which is a Dunedin City Council investment fund. The result for the year was a \$9,886,090 surplus which represented a return after inflation of 13%.

The People

Directors

G W Crombie
K E Grant
L M Robertson
B J Wood
K T Cooper (appointed February 2015)

Treasury Manager

R Davey

At A Glance

	Group 2015 \$'000	Group 2014 \$'000
Revenue	39,018	39,828
Net Surplus for the Year	(223)	22
Shareholder's Funds	569	255
Total Assets	620,092	637,137

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 residents, visitors to the region and in particular, visiting cruise ship passengers.

What We Did This Year

The company experienced an improved trading year as a result of the general tourist market recovering a little, from improved loadings off cruise ships and from an improvement in the charter market. A pre-tax profit of \$173,000 has been achieved which is a record for the company and is a pleasing improvement over the loss recorded in the previous year. The market continues to be influenced by the continuing negative effects of the 2011 Christchurch earthquakes and from the trend for shorter visits to New Zealand. As a result general market growth has been restrained in this region.

In spite of the relatively flat current tourist market in this region and a restrained cruise market in the year ahead, the Board remains cautiously optimistic. The coming summer season is likely to show continued moderate recovery in tourist numbers. Business initiatives are being introduced in the company's on-going efforts to increase passenger numbers on the daily train and to maximise revenue on cruise ship days. The cruise market is not strong in this region mainly as a result of the Christchurch earthquakes and the resulting closure of port facilities at Lyttelton but it looks as if the market will recover and grow in the season commencing October 2016.

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 its 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.

Otago Excursion Train Trust and its volunteers play an important role in the operation of the company. Passengers on excursion trains are hosted by a group of up to one hundred volunteers who provide a wonderful service free of charge and are ambassadors for the promotion of Dunedin. The company and the wider community owe these generous helpers a debt of gratitude.

The Company is served by a strong and loyal team of employees and volunteers. The staff structure is lean and continues to use multi-skilling in many divisions of the company.

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

The People

Directors

G R Thomas (Chairperson)
G M T Williams
J D Holmes (retired October 2014)
F J McCall
Hon S Rodger
G M Smart
D W Wood

Chief Executive

M J Bond

At A Glance

	Group 2015 \$'000	Group 2014 \$'000
Revenue	6,086	5,552
Net Surplus for the Year	173	(51)
Shareholder's Funds	1,886	1,713
Total Assets	3,304	3,520



DUNEDIN CITY HOLDINGS LIMITED

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 five 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.

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.



DUNEDIN CITY HOLDINGS LIMITED

Environmental, Social and Economic Performance

For the year ended 30 June 2015

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.



DUNEDIN CITY HOLDINGS LIMITED

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.

During the year Delta Utility Services Limited strengthened the visibility of safety leadership across the organisation. Managers made more frequent onsite safety observations and visual safety boards were introduced for daily and weekly team briefings. Delta Utility Services Limited complemented existing workgroup safety days by instituting a safety day for all operational leaders across the organisation focused on process safety leadership. An electricity worksite audit process was instituted in the electricity distribution services business.

The Board of Aurora Energy Limited endorsed a network-specific Health and Safety Plan, recognising its duties as a Person Conducting a Business or Undertaking or PCBU under the proposed workplace safety legislation. The plan was developed for Aurora Energy Limited and was independently reviewed.

To verify that safety systems and management processes are robust, Aurora Energy Limited established a Safety Assurance Programme during the year. Four independent audits were successfully conducted in the period.

Taieri Gorge Railway Limited has formalised and developed key safety policy documents in line with regulatory requirements. The Board Safety Subcommittee meets formally with key management staff three monthly, whilst the Health and Safety committee meets on a monthly basis.

Environmental

Delta Utility Services Limited is committed to carrying out regular environmental audits to ensure continual improvement is achieved. During the year the Company attained Enviro-Mark ® Bronze accreditation for two new locations, at the Dunedin head office and Rangiora depot. As a result of the audit process, corrective actions to improve onsite environmental management was undertaken. Enviro-Mark Gold accreditation was retained for the Green Island landfill in Dunedin.

Delta Utility Services Limited also introduced an office based recycling scheme throughout the Dunedin office that saw a 60% reduction in waste going to landfill. This is planned to be extended company-wide.

The group continues to be 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 during the year and is making steady progress on improving its knowledge and management of a number of environmental and cultural issues within its forest estate. This includes work in progress identifying rare, threatened or endangered flora and fauna.

The community continues to benefit from the significant network of walking and cycle tracks, picnic areas and other public amenities maintained by City Forests Limited. The Company continues to encourage the public use of its forests in a controlled fashion with numerous recreational activities occurring during the year.

Community Involvement

Our community involvement continues to cover a wide range of civic, charitable, sporting and recreational activities. In 2015, this support comprised of 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 Dunedin Night Shelter Trust, Big Brothers Big Sisters North Canterbury, Children's Autism Support Group, Child Cancer Foundation Otago/Southland, Nelson Marlborough Rescue Helicopter Trust, Dunedin Riding for the Disabled, and the University of Otago South Island Robin Research 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.



DUNEDIN CITY HOLDINGS LIMITED

Financial Information

- GROUP FINANCIAL STATISTICS
- STATEMENT OF FINANCIAL PERFORMANCE
- STATEMENT OF OTHER COMPREHENSIVE INCOME
- STATEMENT OF MOVEMENTS IN EQUITY
- STATEMENT OF FINANCIAL POSITION
- STATEMENT OF CASH FLOWS
- NOTES TO THE FINANCIAL STATEMENTS



DUNEDIN CITY HOLDINGS LIMITED

Group Financial Statistics

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Revenue	251,067	233,978	231,234	254,922	245,784
Profit before tax, impairment and subvention payment from continuing activities	26,429	28,616	38,586	15,543	26,554
Profit/(loss) after tax from continuing operations	12,755	13,800	24,053	(2,249)	26,554
Tax	6,382	7,524	7,166	2,838	7,704
Surplus/(deficit) after tax	12,952	12,483	20,512	(5,087)	16,244
Net interest paid to the Council on advance	5,902	6,731	5,903	7,213	7,616
After tax cost of Dunedin Venues Limited subvention payment	5,250	5,250	5,250	5,250	-
Net surplus before shareholder interest and subvention	24,104	24,464	31,665	7,376	23,860
Cashflows from operating activities	32,565	30,084	35,745	19,549	39,206
Shareholder's funds	175,173	169,549	159,197	142,289	153,175
Shareholder's advance	112,000	112,000	112,000	112,000	112,000
Total shareholder's interest	287,173	281,549	271,197	254,289	265,175
Rate of return (on shareholder funds)	7.4%	7.4%	12.9%	-3.6%	10.6%
Dividend paid	4,548	3,719	4,547	10,737	15,584
Net interest paid to the Council on advance	5,902	6,731	5,903	7,213	7,616
After tax cost of Dunedin Venues Limited subvention payment	5,250	5,250	5,250	5,250	-
Total interest, subvention and dividends paid to the Council	15,700	15,700	15,700	23,200	23,200
Total assets	1,029,435	1,034,432	1,036,228	1,022,319	965,829
Shareholder's funds to total assets	17.0%	16.4%	15.4%	13.9%	15.9%



DUNEDIN CITY HOLDINGS LIMITED

Statement of Financial Performance For the Year Ended 30 June 2015

	<i>Note</i>	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Revenue continuing operations					
Operating revenue	3	219,414	202,649	310	305
Financial income	4	29,138	28,834	12,899	12,919
Forest revaluation reserve	32	2,515	1,571	-	-
Total operating revenue		251,067	233,054	13,209	13,224
Expenditure continuing operations					
Other expenses	5	120,001	102,543	570	534
Employee expenses		43,272	39,006	-	243
Audit fees	5	219	230	21	20
Financial expenses	5	44,456	46,177	8,166	8,832
Depreciation and amortisation		17,543	17,406	-	-
Total operating expenditure		225,491	205,362	8,757	9,629
Operating surplus from continuing operations		25,576	27,692	4,452	3,595
Surplus/(Loss) for the year from discontinued operations	10	197	(1,317)	-	-
Share of associate surplus/(deficit)		853	924	-	-
Surplus before subvention and taxation		26,626	27,299	4,452	3,595
Less subvention payment DVL & DVML		7,292	7,292	-	-
Surplus before taxation		19,334	20,007	4,452	3,595
Less taxation expense	8	6,382	7,524	(712)	(723)
Surplus after taxation		12,952	12,483	5,164	4,318
Attributable to:					
Equity holders of the parent		12,902	12,497	5,164	4,318
Minority Interest		50	(14)	-	-



DUNEDIN CITY HOLDINGS LIMITED

Statement of Other Comprehensive Income For the Year Ended 30 June 2015

	<i>Note</i>	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Other comprehensive income					
Gain (loss) on forestry land revaluations		(22)	(101)	-	-
Gain (loss) on interest rate swap hedges		(1,587)	1,055	(117)	178
Gain (loss) on foreign exchange hedges		(3,691)	1,067	-	-
Gain (loss) on carbon credit revaluation		1,917	-	-	-
Other comprehensive income associates		61	161	-	-
Income tax on other comprehensive income		542	(594)	33	(50)
Net income recognised directly as other comprehensive income		(2,780)	1,588	(84)	128
Surplus after taxation		12,952	12,483	5,164	4,318
Total comprehensive income for the year		10,172	14,071	5,080	4,446
Attributable to:					
Equity holders of the parent		10,122	14,085	5,080	4,446
Minority interest		50	(14)	-	-
		10,172	14,071	5,080	4,446

Statement of changes in Equity For the Year Ended 30 June 2014

		Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Movements in equity					
Opening equity		169,549	159,197	24,230	23,503
Total comprehensive income for the year		10,172	14,071	5,080	4,446
Distributions to equity holders of the parent	7	(4,548)	(3,719)	(4,548)	(3,719)
Closing equity		175,173	169,549	24,762	24,230



DUNEDIN CITY HOLDINGS LIMITED

Statement of Financial Position For the Year Ended 30 June 2015

	Note	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Current assets					
Cash and cash equivalents	14	15,889	36,993	1,873	1,915
Other current financial assets		17,224	16,355	-	-
Derivative financial instruments	34	23,571	19,015	-	-
Trade and other receivables	16	41,004	38,902	13	27
Taxation refund receivable		716	739	714	723
Inventories	21	5,137	4,579	-	-
Other current assets	22	4,994	4,459	-	-
Prepayments		1,179	1,085	-	-
Total current assets		109,714	122,127	2,600	2,665
Non-current assets					
Other non-current financial assets	23	324,332	341,727	-	-
Investments in associate companies	25	22,935	22,661	4,400	4,400
Investments in subsidiary companies	24	-	-	167,026	167,026
Intangible assets		1,558	611	-	-
Investment property		-	-	-	-
Forestry assets	32	113,629	111,093	-	-
Property, plant and equipment	31	457,267	436,213	-	-
Total non current assets		919,721	912,305	171,426	171,426
Total assets		1,029,435	1,034,432	174,026	174,091
Current liabilities					
Short term borrowings	17	4,808	7,531	-	-
Trade and other payables	18	25,875	19,796	310	302
Employee entitlements	19	4,837	4,413	-	-
Accrued expenditure	20	335	3,762	57	20
Derivative financial instruments	34	23,880	17,594	586	469
Provision for tax		5,218	2,537	-	-
Current portion of terms loans	28	141,686	141,686	-	-
Total current liabilities		206,639	197,319	953	791
Non-current liabilities					
Term loans	28	451,219	471,781	36,475	37,201
Shareholders advance - DCC	29	112,000	112,000	112,000	112,000
Provisions	19	362	331	-	-
Other non-current liabilities	27	320	320	-	-
Derivative financial instruments	34	1,232	-	-	-
Deferred taxation	9	82,490	83,132	(164)	(131)
Total non-current liabilities		647,623	667,564	148,311	149,070
Equity					
Share Capital	11	100	100	100	100
Accumulated funds	13	132,841	127,586	25,083	24,467
Minority interest in subsidiaries		530	480	-	-
Revaluation reserves	12	10,562	10,501	-	-
Cash flow hedge reserves	12	(3,322)	1,029	(421)	(337)
Forest revaluation reserves	12	31,642	29,853	-	-
Carbon credit reserve	12	2,820	-	-	-
Total equity		175,173	169,549	24,762	24,230
Total liabilities and equity		1,029,435	1,034,432	174,026	174,091



DUNEDIN CITY HOLDINGS LIMITED

**Statement of Cashflows
For the Year Ended 30 June 2015**

	Note	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Cashflow from operating activities					
<i>Cash was provided from:</i>					
Receipts from customers		196,406	205,018	324	517
Interest received		23,172	384	9	4
Income tax refund		723		723	
Dividend received		641	-	12,890	12,915
		220,942	205,402	13,946	13,436
<i>Cash was applied to:</i>					
Suppliers and employees		131,839	116,849	956	783
Finance costs paid		43,914	47,389	7,758	8,863
Taxation paid		2,761	2,497	-	-
Subvention payment to DVL/DVML		9,046	7,893	-	-
Net GST paid		1,074	151	-	13
		188,634	174,779	8,714	9,659
Net cashflow from operating activities from continuing activities	15	32,308	30,623	5,232	3,777
Net cashflow from operating activities from discontinued activities		257	(539)	-	-
Net cashflow from operating activities		32,565	30,084	5,232	3,777
Cashflow from investing activities					
<i>Cash was provided from:</i>					
Sale of property, plant and equipment		5,264	898	-	-
Reduction in loans and advances		-	-	-	-
Decrease in investments		14,837	28,930	-	-
		20,101	29,828	-	-
<i>Cash was applied to:</i>					
Purchase of property, plant and equipment		39,808	28,354	-	-
Increase in loans and advances		-	-	-	-
Increase in investments		3,898	2,365	-	-
		43,706	30,719	-	-
Net cashflow from investing activities from continuing activities		(23,605)	(891)	-	-
Net cashflow from investing activities from discontinued activities		-	14,812	-	-
Net cashflow from investing activities		(23,605)	13,921	-	-
Cashflow from financing activities					
<i>Cash was provided from:</i>					
Loans raised		-	-	2,270	1,750
		-	-	2,270	1,750
<i>Cash was applied to:</i>					
Loans repaid		25,516	9,376	2,996	1,950
Dividends		4,548	3,719	4,548	3,719
		30,064	13,095	7,544	5,669
Net cashflow from financing activities from continuing activities		(30,064)	(13,095)	(5,274)	(3,919)
Net cashflow from financing activities from discontinued activities		-	(8,386)	-	-
Net cashflow from financing activities		(30,064)	(21,481)	(5,274)	(3,919)
Net increase/(decrease) in cash		(21,104)	22,524	(42)	(142)
Opening cash and cash equivalents		36,993	14,469	1,915	2,057
Closing cash and cash equivalents		15,889	36,993	1,873	1,915



DUNEDIN CITY HOLDINGS LIMITED

Notes to the financial statements For the Year Ended 30 June 2015

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 2015.

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 23 September 2015.

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.

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:

	<i>Rate</i>	<i>Method</i>
Buildings	1% to 17%	Straight Line
Metering Equipment	7% to 100%	Straight Line
Electricity Network Assets	1% to 20%	Straight Line
Plant and Equipment	1% to 50%	Straight Line
Motor Vehicles	5% to 33%	Straight Line
Railway Assets	1% to 50%	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:

	<i>Rate</i>	<i>Method</i>
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	9.6% 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 the Dunedin City Council's Treasury Risk Management Policy (approved December 2014). The policy provides 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 23, 24, 25 and 26);
- valuation of forestry assets (note 32);
- valuation of derivative financial instruments (note 34);
- carrying value of the deferred tax liability (note 9).

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 32: Offsetting Financial Assets and Financial Liabilities	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	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)	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.
Amendments to NZ IFRSs arising from the Annual Improvements Project (2011-2013)	NZ IFRS 3 – Amends 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.

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 27 <i>Equity method in separate financial statements</i> . Adoption date: year ended 30 June 2016	Amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates.
Amendments to NZ IAS 1 <i>Disclosure Initiatives</i> . Adoption date: year ending 30 June 2016	Changes were made in the following areas to provide clarity for preparers in exercising judgement when presenting their financial reports. Clarification around: - Materiality in the preparation of the financial statements and when it should be applied; - The aggregation of line items in the financial statements; - Note ordering.
NZ IFRS 15 <i>Revenue from contracts with customers</i> . Adoption date: year ended 30 June 2017	NZ IFRS 15 <i>Revenue from contracts with customers</i> 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 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Sale revenue	219,394	202,631	310	305
Gain on sale of assets	20	18	-	-
	<u>219,414</u>	<u>202,649</u>	<u>310</u>	<u>305</u>

4 FINANCIAL INCOME

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Subvention income	-	-	-	-
Interest on advances to related parties	23,596	24,758	2	4
Interest on other investments	4,066	2,397	7	-
Dividends	1	-	12,890	12,915
Net gain on foreign currency transactions	1,475	1,679	-	-
	<u>29,138</u>	<u>28,834</u>	<u>12,899</u>	<u>12,919</u>

5 SEPARATELY DISCLOSED EXPENDITURE

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Other expenses				
Bad debts written off	37	17	-	-
Impairment of intangible assets	-	-	-	-
Increase/(decrease) in impairment provision for receivables	4,934	3,225	-	-
Donations	58	31	-	-
Rental expense on operating leases	2,424	1,489	-	6
Research expenditure	134	117	-	-
Other expenditure	112,414	97,664	570	528
Expenditure of continuing activities	<u>120,001</u>	<u>102,543</u>	<u>570</u>	<u>534</u>
Audit fees paid for				
Financial statements	187	178	21	20
Regulatory (information disclosure) reporting	18	38	-	-
Price and quality thresholds and other regulatory reporting	14	14	-	-
Internal audit	-	-	-	-
Total audit fees	<u>219</u>	<u>230</u>	<u>21</u>	<u>20</u>
Financial Expenses				
Interest - related parties	6,062	6,739	8,166	8,832
Interest - term loans	38,394	39,438	-	-
Total financial expenses	<u>44,456</u>	<u>46,177</u>	<u>8,166</u>	<u>8,832</u>

6 Earnings per share

	Group 2015 \$'000	Group 2014 \$'000
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.		
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	\$ 0.0152	\$ 0.0147
Earnings per paid up share from continuing operations	\$127.55	\$138.00

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

7 Dividends

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Interim dividend - December 0.18 cents /share (2014: 0.18 /share)	1,500	1,500	1,500	1,500
Final Dividend - June 0.36 cents /share (2014: 0.26 cents /share)	3,048	2,219	3,048	2,219
	<u>4,548</u>	<u>3,719</u>	<u>4,548</u>	<u>3,719</u>

8 INCOME TAX

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Operating surplus/(loss)	19,137	21,324	4,452	3,595
- continuing operations	274	(2,052)	-	-
- discontinued operations				
Income subject to taxation	19,411	19,272	4,452	3,595
Tax thereon at 28%	5,435	5,396	1,247	1,007
Plus/(Less) the Tax Effect of Differences				
Revenue not liable for taxation	(191)	(337)	(3,432)	(3,458)
Expenditure not deductible for taxation	1,725	2,094	1,652	1,887
Imputation credits on taxable dividends	(179)	-	(179)	(158)
Under/(over) tax provision in prior years	(271)	(7)	-	-
Other	(60)	(357)	-	(1)
Taxation charge	6,459	6,789	(712)	(723)
Effective tax rate	33.3%	35.2%	-16.0%	-20.1%
The taxation charge is represented by:				
Current tax provision	5,748	3,202	(712)	(723)
Deferred tax provision	970	3,594	-	-
Under/(over) tax provision in prior years	(176)	(7)	-	-
Under/(over) deferred tax in prior years	(83)	-	-	-
	6,459	6,789	(712)	(723)
Tax expense continuing activity	6,382	7,524	(712)	(723)
Tax expense discontinued activity	77	(735)	-	-
	6,459	6,789	(712)	(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.

Dunedin City Holdings Limited, Aurora Energy Limited, Delta Utility Services Limited, the Dunedin City Council, and City Forests Limited (with effect from 1 April 2014) are members of an income tax consolidated group. The income tax consolidated group is taxed as a single entity and each member 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 2015 and earlier years which will be available for use in subsequent reporting periods totalling \$16,846,408 (2014: \$9,039,524).

9 DEFERRED TAX

	Group 2015 \$'000	Group 2015 \$'000	Group 2015 \$'000	Group 2015 \$'000	Group 2015 \$'000	Group 2015 \$'000
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Closing Balance Sheet Assets</i>	<i>Closing Balance Sheet Liabilities</i>	<i>Closing Balance Sheet Net</i>
Property, plant and equipment	53,485	-	485	(77)	54,047	53,970
Employee benefits	(1,265)	-	(158)	(1,423)	-	(1,423)
Forest	18,329	-	704	-	19,033	19,033
Forest costs capitalised	9,429	-	301	-	9,730	9,730
Other Investments	2,756	383	(564)	(1,641)	4,216	2,575
Hedge reserve – foreign exchange contracts	377	(1,033)	-	(656)	-	(656)
Hedge reserve – interest rate swaps	21	(656)	(104)	(845)	106	(739)
Balance at the end of the year	83,132	(1,306)	664	(4,642)	87,132	82,490
	Group 2014 \$'000	Group 2014 \$'000	Group 2014 \$'000	Group 2014 \$'000	Group 2014 \$'000	Group 2014 \$'000
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Closing Balance Sheet Assets</i>	<i>Closing Balance Sheet Liabilities</i>	<i>Closing Balance Sheet Net</i>
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
	Parent 2015 \$'000	Parent 2015 \$'000	Parent 2015 \$'000	Parent 2015 \$'000	Parent 2015 \$'000	Parent 2015 \$'000
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Closing Balance Sheet Assets</i>	<i>Closing Balance Sheet Liabilities</i>	<i>Closing Balance Sheet Net</i>
Revaluations of interest rate swaps	131	33		164	-	164

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

10 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 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 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Revenue	382	8,851	-	-
Financial Income	-	15	-	-
Total Revenue	382	8,866	-	-
Less Expenses				
Financial Expenses	-	19	-	-
Impairment of wood processing assets	(80)	1,500	-	-
Other Expenses	188	9,399	-	-
Total Expenses	108	10,918	-	-
Net Profit/(Loss) before Income Tax	274	(2,052)	-	-
Income tax benefit	(77)	735	-	-
Net Profit/(Loss) from Discontinued Operations	197	(1,317)	-	-

11 EQUITY – Share Capital

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'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

12 RESERVES

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Forest Revaluation Reserve				
Balance at beginning of the year	29,853	28,823	-	-
Net revaluations of forest	1,811	1,131	-	-
Net revaluation of forest land	(22)	(101)	-	-
Balance at the end of the year	31,642	29,853	-	-
Hedging Reserve				
Balance at beginning of the year	1,029	(499)	(337)	(465)
Gain/(loss) recognised on cash flow hedges:	(1,990)			
Interest rate swaps/fx forwards	(4,055)	1,067	(117)	178
Deferred tax arising on hedges (note 20)	1,691	(594)	33	(50)
Gain on settlement of interest rate swaps to equity	3	1,055		
Balance at the end of the year	(3,322)	1,029	(421)	(337)

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

Carbon Credit Reserve

Balance at beginning of the year	-	-	-	-
Transfer from retained earning	1,288	-	-	-
Gain in carbon credits above initial recognition value	1,532	-	-	-
Balance at the end of the year	2,820	-	-	-

Associate Company Asset Revaluation Reserve

Balance at beginning of the year	10,501	10,340
Gain/(loss) recognised on cash flow hedges/assets	61	161
Balance at end of year	10,562	10,501

The reserve relates to assets of Dunedin International Airport Limited.

13 ACCUMULATED FUNDS

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Balance at the beginning of the year				
Group companies	120,410	112,763	24,467	23,868
Associate companies	7,176	7,176	-	-
	127,586	119,939	24,467	23,868
Net profit for the year	12,952	12,483	5,164	4,318
Dividend distributions	(4,548)	(3,719)	(4,548)	(3,719)
Minority share of surplus	(50)	14	-	-
Transfer to reserves – forest (note 12)	(1,811)	-	-	-
Transfer to reserves – carbon credit (note 11)	(1,288)	(1,131)	-	-
Balance at the end of the year	132,841	127,586	25,083	24,467
<i>Represented by</i>				
Group companies	125,665	120,410	25,083	24,467
Associate companies	7,176	7,176	-	-
Balance at the end of the year	132,841	127,586	25,083	24,467

14 CASH AND CASH EQUIVALENTS

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Cash and Bank	15,889	36,993	1,873	1,915

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.

15 RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Operating surplus (deficit)	12,952	12,483	5,164	4,318
Share of net surplus/(deficit) in associated companies	(853)	(924)	-	-
<i>Items Not Involving Cash Flows</i>				
Depreciation	17,543	17,885	-	-
Depletion of forest	2,197	2,487	-	-
Deferred tax	72	3,066	-	-
Asset impairment	4,844	1,955	-	-
Forest revaluation	(2,515)	(1,571)	-	-
(Increase)/Decrease in cash flow hedge valuation	-	-	-	-
Other non-cash items	(4,534)	3,852	-	-
<i>Impact of Changes in Working Capital Items</i>				
(Increase)/Decrease in trade and other receivables	(2,102)	(4,219)	14	198
(Increase)/Decrease in other current assets	-	(2,790)	-	-
(Increase)/Decrease in inventories	(558)	866	-	-
(Increase)/Decrease in prepayments	(94)	(223)	-	-
(Increase) /Decrease in tax refund due	23	(172)	-	-
Increase /(Decrease) in trade and other payables	6,079	2,936	8	2
Increase /(Decrease) in provision for tax	2,681	(797)	9	(723)
Increase /(Decrease) in other current liabilities	(3,003)	(1,001)	37	(18)
<i>Items Classified as Investing or Financing Activities</i>				
Gain on sale of property, plant and equipment	(340)	(1,757)	-	-
Loss on sale of property, plant and equipment	-	-	-	-
Items related to development property	173	(1,992)	-	-
Movement in Capital Creditors	-	-	-	-
Net cash inflows from operating activities	32,565	30,084	5,232	3,777

16 TRADE AND OTHER RECEIVABLES

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Trade receivables	44,670	39,033	13	13
Estimated impairment	(9,865)	(4,931)	-	-
	34,805	34,102	13	13
Due from related Parties:				
Subsidiaries				
Other related parties	4,887	4,731	-	14
Other current receivables	1,312	69	-	-
	<u>41,004</u>	<u>38,902</u>	<u>13</u>	<u>27</u>

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.

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Opening doubtful debts provision	(4,931)	(2,074)	-	-
Additional provisions made during the year	(5,031)	(3,292)	-	-
Receivables written off during the year	37	430	-	-
Provisions reversed during the year	60	5	-	-
Closing doubtful debts provision	<u>(9,865)</u>	<u>(4,931)</u>	<u>-</u>	<u>-</u>

17 SHORT TERM BORROWINGS

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Consolidated Group				
Short term borrowing	1,314	7,531	-	-
Related party borrowings	3,494	-	-	-
	<u>4,808</u>	<u>7,531</u>	<u>-</u>	<u>-</u>

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.

18 TRADE AND OTHER PAYABLES

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Trade Payables	19,183	17,967	4	20
Due to related parties				
DCHL subsidiaries	-	-	306	282
Dunedin City Council and subsidiaries	736	701	-	-
	<u>736</u>	<u>701</u>	<u>306</u>	<u>282</u>
Other Payables				
GST payable	557	634	-	-
Other current liabilities	5,399	494	-	-
	<u>5,956</u>	<u>1,128</u>	<u>-</u>	<u>-</u>
	<u>25,875</u>	<u>19,796</u>	<u>310</u>	<u>302</u>

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

19 EMPLOYEE ENTITLEMENTS/PROVISIONS

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<u>Current Liabilities</u>				
Long service leave	260	247	-	-
Annual leave	4,016	3,636	-	-
Gratuities	290	315	-	-
Sick leave	122	115	-	-
Other provisions	149	100	-	-
	<u>4,837</u>	<u>4,413</u>	<u>-</u>	<u>-</u>
<u>Non-Current Liabilities</u>				
Long service leave	265	231	-	-
Gratuities	97	100	-	-
	<u>362</u>	<u>331</u>	<u>-</u>	<u>-</u>

20 ACCRUED EXPENDITURE

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Accruals	335	3,762	57	20

21 INVENTORIES

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Raw materials and stores	3,211	2,877	-	-
Work in progress	1,867	1,686	-	-
Finished goods	59	16	-	-
	<u>5,137</u>	<u>4,579</u>	<u>-</u>	<u>-</u>

22 OTHER CURRENT ASSETS

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Land	-	762	-	-
Development in progress	-	618	-	-
Intangibles - New Zealand carbon credits	4,994	3,079	-	-
	<u>4,994</u>	<u>4,459</u>	-	-

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

23 INVESTMENTS NON CURRENT

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Loan repayments due from Dunedin City Council				
Maturity one to five years	83,152	80,120	-	-
Maturity over five years	<u>241,169</u>	<u>261,360</u>	-	-
	324,321	341,480	-	-
Shares and units in other companies and funds	11	11	-	-
Mortgage receivables				
Maturity one to five years	-	236	-	-
Maturity over five years	<u>-</u>	<u>-</u>	-	-
	-	236	-	-
Total other investments	<u>324,332</u>	<u>341,727</u>	-	-

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

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 6.44% (2014: 6.46%).

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.

24 INVESTMENTS IN SUBSIDIARY COMPANY SHARES

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Shares in subsidiary companies	-	-	167,026	167,026

Parent Company

Name of Entity (Principal Activities)	Percentage Interest Held	
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 2015.

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.

25 INVESTMENTS IN ASSOCIATE COMPANIES

	Group 2015	Group 2014
Consolidated Group		
Name of Entity (Principal Activities, Place of Business)	Percentage Interest Held	
Dunedin International Airport Limited (Transport,	50	50
Otago Chipmill Limited (Forestry, Milburn NZ)	49.9	49.9
Intellogic 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 Intellogic Online Limited for the year ended 30 June have been used. The financial statements of Otago Chipmill Limited for the year ending 31 December 2014 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.

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 As at 30 June		Other Associates As at 30 June	
	2015	2014	2015	2014
Current Assets				
Cash and cash equivalents	198	469	54	-
Other current assets	621	631	-	-
Total Current Assets	819	1,100	54	-
Non Current Assets	71,914	75,036	-	70
Total Assets	72,733	76,136	54	70
Current Liabilities	1,402	1,431	-	-
Non Current Liabilities				
Financial Liabilities	12,000	15,500	-	-
Other financial liabilities	13,412	13,833	-	-
Total Non Current Liabilities	25,412	29,333	-	-
Total Liabilities	26,814	30,764	-	-
Net Assets	45,919	45,372	54	70
Less				
Impairment	-	-	(54)	(70)
Other adjustments	(50)	(50)	-	-
Net Assets after impairment and other adjustments	45,869	45,322	-	-
Carrying value of associates 50%, 49.9%	22,935	22,661	-	-

Summarised Statement of Comprehensive Income

	Dunedin International Airport Limited For the year ending 30 June		Other Associates For the year ending 30 June	
	2015	2014	2015	2014
Revenue (excl interest received)	12,675	12,576	-	-
Interest received	47	15	4	5
Total Revenue	12,722	12,591	4	5
Less expenses				
Depreciation and amortisation	2,966	3,045	-	-
Interest expense	952	1,222	-	-
Other expenses	6,327	5,896	15	102
Total expenses	10,245	10,163	15	102
Operating surplus/(deficit) before tax	2,477	2,428	(11)	(97)
Income tax	771	579	10	10
Operating surplus/(deficit) after tax	1,706	1,849	(21)	(107)
Other comprehensive income	121	322	-	-
Total comprehensive income/(deficit)	1,827	2,171	(21)	(107)
Dividends received from associate	640	565	-	-

26 INVESTMENTS IN ASSOCIATE COMPANIES

	Parent 2015	Parent 2014
Parent Company		
	Percentage Interest Held	
Dunedin International Airport Limited (Transport)	50	50
Intellogic Online Limited (Internet)	36.1	36.1
Interest in associate companies	4,400	4,400

The associate companies have a balance date of 30 June.

27 OTHER NON-CURRENT LIABILITIES

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<u>Non-Current Liabilities</u>				
Other non-current liabilities	320	320	-	-
	320	320	-	-

28 TERM BORROWINGS (secured)

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Current				
Multi-option note facility	141,686	141,686	-	-
Non Current				
Multi-option note facility	445,131	462,830		
Forestry loans	6,088	8,951		
Due to subsidiaries	-	-	36,475	37,201
	<u>451,219</u>	<u>471,781</u>	<u>36,475</u>	<u>37,201</u>

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 \$135 million (2014: \$100m).

The amount of unamortised premium or (discount) on bonds on issue at 30 June 2015 is \$nil (2014: \$nil).

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 risk is managed in accordance with the Dunedin City Council Treasury Risk Management Policy. The credit risk from each derivative is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Dunedin City Treasury Limited issues bonds with a floating or fixed interest rate. The issuing of bonds at fixed interest rates exposes the group to fair value interest rate risk. As at 30 June 2015 Dunedin City Treasury Limited had the following bonds on issue:

- a) \$50m floating notes, maturing 15/10/15 @ a margin of 90 bp over BKBM
- b) \$90m floating notes, maturing 15/04/16 @ a margin of 107 bp over BKBM
- c) \$50m issued for 10 years, maturing 15/11/16 @ a coupon rate of 6.79%
- d) \$20m issued for 4 years, maturing 15/02/17 @ a margin of 80 bp over BKBM
- e) \$60m issued for 10 years, maturing 15/10/17 @ a coupon rate of 7.81%
- f) \$20m issued for 3 years, maturing 9/10/17 @ a margin of 38 bp over BKBM
- g) \$20m issued for 4 years, maturing 15/05/18 @ a margin of 43 bp over BKBM
- h) \$50m issues for 7.5 years, maturing 15/07/18 @ a coupon rate of 6.57%
- i) \$15m issued for 10 years, maturing 17/12/18 @ a coupon rate of 6.85%
- j) \$50m issued for 7 years, maturing 16/11/20 @ a coupon rate of 5.56%
- k) \$70m issued for 7 years, maturing 25/11/21 @ a coupon rate of 4.88%

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 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Repayable less than one year	141,686	141,686	-	-
Repayable between one to five years	314,380	414,516	36,475	37,201
Repayable later than five years	136,839	57,265	-	-
	<u>592,905</u>	<u>613,467</u>	<u>36,475</u>	<u>37,201</u>

The weighted average interest rate for the multi-option note facility at year end, inclusive of any current portion, was 5.26% (2014: 5.29%).

The weighted average interest rate for the forestry loans is 6.09%, (2014: 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:

	Group 2015 \$'000	Group 2014 \$'000
Multi-option note facility	604,459	626,236
Forestry loans	7,514	8,583

29 SHAREHOLDER'S ADVANCE

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
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 \$5.9m (2014: \$6.7m) on the advance. The interest rate is struck annually, each July, based on rates paid in the market. In 2015, the gross interest on the debt averaged 5.27% (2014: 6.01%).

30 CONTINGENT LIABILITIES

	Group 2015 \$'000	Group 2014 \$'000
Performance bonds	1,446	4,548

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.

31 PROPERTY, PLANT AND EQUIPMENT

	Group 2015 \$'000	Group 2015 Forest Land \$'000	Group 2015 Buildings \$'000	Group 2015 Roads Bridges \$'000	Group 2015 Network \$'000	Group 2015 Plant Equipment \$'000	Group 2015 Sub-Total \$'000
Cost or Valuation							
Balance at beginning of year	11,617	25,574	19,274	6,378	463,357	20,453	546,653
Increase through acquisition	-	-	-	-	23,814	19	23,833
Purchases/revaluation	(22)	-	23	334	546	1,392	2,273
Sales	(1,352)	-	(9)	-	-	(142)	(1,503)
Transfers	-	-	-	-	14	-	14
Balance at end of year	10,243	25,574	19,288	6,712	487,731	21,722	571,270
Accumulated Depreciation							
Balance at beginning of year	110	-	4,155	3,583	110,238	15,851	133,937
Depreciation	-	-	277	147	13,358	1,130	14,912
Impairment	(80)	-	-	-	-	-	(80)
Sales	-	-	(9)	-	-	(141)	(150)
Transfers	-	-	-	-	-	-	-
Balance at end of year	30	-	4,423	3,730	123,596	16,840	148,619
Comprising	10,213	25,574	14,865	2,982	364,135	4,882	422,651
Cost	9,923	-	14,865	2,982	364,135	4,882	396,787
Valuation	290	25,574	-	-	-	-	25,864
	Group 2015 \$'000	Group 2015 Motor Vehicles \$'000	Group 2015 Office Equipment \$'000	Group 2015 Locomotives \$'000	Group 2015 Railway Track \$'000	Group 2015 Constructio n \$'000	Group 2015 Total \$'000
Cost or Valuation							
Balance at beginning of year	546,653	27,701	1,658	4,347	409	9,258	590,026
Increase through acquisition	23,833	-	-	-	-	11,588	35,421
Purchases/revaluation	2,273	3,934	91	110	-	16	6,424
Sales	(1,503)	(6,874)	(11)	(146)	-	-	(8,534)
Transfers	14	-	-	-	-	(14)	-
Balance at end of year	571,270	24,761	1,738	4,311	409	20,848	623,337
Accumulated Depreciation							
Balance at beginning of year	133,937	16,425	1,232	2,035	184	-	153,813
Depreciation	14,912	2,022	107	213	-	-	17,254
Impairment	(80)	-	-	-	-	-	(80)
Sales	(150)	(4,610)	(11)	(146)	-	-	(4,917)
Transfers	-	-	-	-	-	-	-
Balance at end of year	148,619	13,837	1,328	2,102	184	-	166,070
Comprising	422,651	10,924	410	2,209	225	20,848	457,267
Cost	396,787	10,924	410	2,209	225	20,848	431,403
Valuation	25,864	-	-	-	-	-	25,864

	Group 2014	Group 2014	Group 2014	Group 2014	Group 2014	Group 2014	Group 2014
	Land \$'000	Forest Land \$'000	Buildings \$'000	Roads Bridges \$'000	Network \$'000	Equipment \$'000	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

	Group 2014	Group 2014	Group 2014	Group 2014	Group 2014	Group 2014	Group 2014
	Sub-Total \$'000	Vehicles \$'000	Equipment \$'000	Locomotives \$'000	Track \$'000	Construction \$'000	Sub-Total \$'000
Cost or Valuation							
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	9,258	411,099
Valuation	25,114						25,114

	Parent 2015	Parent 2014
	Office Equipment \$'000	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.

32 FORESTRY ASSETS

	Group 2015 \$'000	Group 2014 \$'000
Balance at the beginning of the year	111,093	108,589
Add		
Costs capitalised in establishing forests during the year	2,218	2,111
Increase in forest from acquisition	-	1,309
Revaluation	2,515	1,571
Less		
Value of logs harvested	(2,197)	(2,487)
	<u>113,629</u>	<u>111,093</u>
Gains/(losses) arising from changes in fair value less point of sale costs		
Attributable to physical changes	3,194	6,510
Attributable to price changes	(658)	(4,006)

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.

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 2015 the company owned stands of trees on 16,315 hectares of a total land holding of 20,191 hectares. During the year the company harvested approx. 299,377 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 14, 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.

33 New Zealand Carbon Credits

The New Zealand Emissions Trading Scheme was enacted under the Climate Change Response Amendment Act 2008 and took effect from 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 sequestered by these forests during the 2008 to 2015 calendar years. In 2015 3,086 ERU's were purchased, 2,999 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 2015, 751,115 units were unsold (2014 751,028). Under the accrual principle, the unsold credits have been valued based on the current market prices and recognised in the financial statements.

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

	Year ending 2015 \$'000	Year ending 2014 \$'000
New Zealand carbon credits	4,994	3,079

34 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2015 Asset \$'000	Group 2015 Liability \$'000	Group 2014 Asset \$'000	Group 2014 Liability \$'000
Group				
<i>Fair Value</i>				
Forward foreign exchange contracts	-	2,345	1,418	-
Interest rate swaps	23,571	22,767	17,597	17,594
	<u>23,571</u>	<u>25,112</u>	<u>19,015</u>	<u>17,594</u>
Analysed as:				
Current	23,571	23,880	19,015	17,594
Non Current	-	1,232	-	-
	<u>23,571</u>	<u>25,112</u>	<u>19,015</u>	<u>17,594</u>
Parent				
<i>Fair Value</i>				
Interest rate swaps	-	586	-	469
	<u>-</u>	<u>586</u>	<u>-</u>	<u>469</u>
Analysed as:				
Current	-	586	-	469
	<u>-</u>	<u>586</u>	<u>-</u>	<u>469</u>

35 CAPITAL EXPENDITURE COMMITMENTS

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Plant and equipment	18,791	14,179	-	-

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 28. 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

Under the Dunedin City Council Treasury Risk Management Policy approved on 15 December 2014, Dunedin City Treasury Limited will utilise a portfolio approach to manage interest rate risk for the group.

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

Group Interest Rate Risk

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

	Group 2015 \$'000	Group 2014 \$'000
Maturing in less than one year	120,400	2,500
Maturing between one and five years	120,000	210,400
Maturing in more than five years	286,500	138,000
	526,900	350,900

Parent Interest Rate Risk

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

	Parent 2015 \$'000	Parent 2014 \$'000
Maturing in less than one year	-	-
Maturing between one and five years	5,000	-
Maturing in more than five years	-	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.

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:

	Group 2015 \$'000	Group 2014 \$'000
Forward foreign exchange contracts		
- fair value	(2,345)	1,346
- nominal value (sale of USD and purchase of NZD)	15,400	14,298
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)	-	-

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 2015 %	Group 2014 %	Parent 2015 %	Parent 2014 %
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:

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Past due receivables				
Age analysis: 30-60 days	267	748	-	-
60-90 days	446	508	-	-
90 days plus	551	389	-	-

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

2015

Financial Assets Analysis

	AA	AA-	No Rating	Group 2015
Cash and cash equivalents		15,889		15,889
Trade and other receivables	2,262		38,742	41,004
Advances due from related parties	238,116		86,205	324,321
Mortgage receivables			-	-
Derivatives		23,571		23,571
NZ carbon credits			4,994	4,994
	240,378	39,460	129,941	409,779

2014

Financial Assets Analysis

	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

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 0.7026 and against the AUD, from the year end rate of 0.9074. A parallel shift of +1%/-1% in the NZD market interest rate from the year end 90 day BBBR of 3.08% (2014: 3.54%).

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.

2015	Carrying Amount \$'000	Interest Rate				FX	
		-100bp		+100bp		-10%	10%
		Profit	Equity	Profit	Equity	Profit	Profit
Financial Assets							
Derivatives – designated as cash flow hedges (interest rate swap and forward currency deals separately disclosed)	23,571	-	-	-	-	-	-
Other financial assets	392,250	-	-	-	-	342	(279)
	415,821	-	-	-	-	342	(279)
Financial Liabilities							
Derivatives – designated as cash flow hedges (interest rate swaps and forward currency deals separately disclosed)	25,112	161	(3,823)	(161)	2,899	2,436	(1,993)
Other financial liabilities	728,896	1,990	150	(1,990)	(145)	-	-
	754,008	2,151	(3,673)	(2,151)	2,754	2,436	(1,993)
TOTAL INCREASE/ (DECREASE)		2,151	(3,673)	(2,151)	2,754	2,778	(2,272)

2014	Carrying Amount \$'000	Interest Rate				FX	
		-100bp		+100bp		-10%	10%
		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	(12,508)	-	11,865	-	1,527	(1,250)
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	14,858	-	(14,384)	-	-	-
TOTAL INCREASE/ (DECREASE)		2,350	-	(2,519)	-	1,527	(1,250)

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 Borrowings within each of the companies of the group are subject to the Treasury Risk Management 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).

	2015			
	Level 1 NZ \$'000	Level 2 NZ \$'000	Level 3 NZ \$'000	Total NZ \$'000
Financial assets				
Derivative financial assets		23,571		23,571
New Zealand carbon credits	4,994			4,994
	4,994	23,571		28,565
Financial liabilities				
Derivative financial liabilities		23,880		23,880
	-	23,880	-	23,880

	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

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.

Financial Assets **2015**

	Carrying Amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Cash and cash equivalents	15,889	15,889	15,889	-	-	-
Trade and other receivables	41,004	41,004	41,004	-	-	-
Derivative financial instruments	23,571	30,564	7,993	5,924	13,092	3,555
Investments	341,556	388,605	37,139	37,675	313,791	-
Total	422,020	476,062	102,025	43,599	326,883	3,555

2014

	Carrying Amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
	\$000's	\$000's	\$000's	\$000's	\$000's	\$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	510,927	123,004	41,029	342,671	4,205

Financial Liabilities
2015

	Carrying Amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Trade and other payables	25,875	25,875	25,875	-	-	-
Derivative financial instruments	25,112	29,911	8,574	6,499	12,199	2,639
Borrowings	597,713	673,258	258,092	90,818	197,864	126,484
Total	648,700	729,044	292,541	97,317	210,063	129,123

2014

	Carrying Amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
	\$000's	\$000's	\$000's	\$000's	\$000's	\$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	662,933	728,676	260,980	170,362	238,869	58,465

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 24 to the Financial Statements.

Details of the percentage of ordinary shares held in associates are disclosed in note 25 to the Financial Statements.

Amounts receivable from and payable to related parties at balance date are disclosed in notes, 16 and 18.

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 2015 \$'000	Group 2014 \$'000
<i>Sales of services to the Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited group:</i>		
Contracting services	7,481	8,013
Interest income	-	24,820
Transport services	8	-
	7,489	32,833
<i>Purchases of goods and services from the Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited group:</i>		
Interest	57	6,749
Subventions	8,107	-
Dividends	-	3,719
Materials/network assets	169	185
Rates and property rentals	943	613
Royalties	44	-
Administration and office services	5	180
	9,325	11,446
<i>As at balance date:</i>		
Receivable from the Dunedin City Council and subsidiaries	489	362,565
Payable to the Dunedin City Council and subsidiaries (inclusive of shareholders advance)	112,781	112,701

Transactions with Associate Companies

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

	Group 2015 \$'000	Group 2014 \$'000
Received or receivable from associate companies:		
Forest products sold to chipmill	-	-
Dividends	-	565
Management fee	-	8
	<u>-</u>	<u>573</u>
Paid or payable to associate companies:		
City Forests Limited purchases from chipmill	-	-
<i>As at balance date.</i>		
Receivable from associate companies	-	-
Payable to associate companies	-	-
	<u>-</u>	<u>-</u>

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 \$76,000 (2014: \$9,000) for materials and mechanical services to Palmers Mechanical Limited, an organisation of which Mr M C Horne was a director. An amount of \$2,000 was outstanding at 30 June (2014: \$9,000).

City Forests Limited and Delta Utility Services Limited paid \$16,000 (2014: 15,000) 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. An amount of \$1,000 was outstanding at 30 June. (2014: nil)

Dunedin City Holdings Ltd, City Forests Limited, Aurora Limited, Delta Utility Services Limited and Taieri Gorge Limited paid \$459,000 (2014: \$545,000) for services from Deloitte, an organisation of which Mr M C Horne is a director. An amount of \$36,000 (2014: \$45,000) was outstanding at 30 June.

Delta Utility Services Limited and Aurora Limited provided services to the value of \$79,000 (2014: \$51,000) were provided and \$46,000 (2014: \$18,000) of services were purchased from the University of Otago, an organisation of which Mr S J McLauchlan is the Pro-Chancellor. An amount of \$3,000 (2014: \$9,000) was receivable at 30 June. An amount of \$1,000 was payable at 30 June (2014: \$nil).

Delta Utility Services Limited and Aurora Limited purchased \$47,000 (2014: \$28,000) of services from Rosebury Holdings Limited, an organisation of which Mr S J McLauchlan is a director. No monies were outstanding at 30 June (2014: nil).

Delta Utility Services Limited provided contracting services and credits to the value of \$20,000 (2014: \$3,000) from Lund South Limited, an organisation of which Mr S J McLauchlan is a director. No monies were outstanding at 30 June (2014: nil).

Delta Utility Services Limited purchased \$1,000 (2014: \$1,000) 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 purchased \$1,000 (2014: nil) of services from Scenic Circle Hotels Limited, an organisation of which Mr S J McLauchlan is a director. No monies were outstanding at 30 June (2014: nil).

Delta Utility Services Limited and Aurora Limited purchased \$31,000 (2014: \$28,000) of services and Delta Utility Services Limited provided services of \$72,000 (2014: \$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 (2014: nil).

Delta Utility Services Limited and Aurora Limited purchased \$21,000 (2014: \$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 (2014: nil).

Taieri Gorge Railway Limited paid \$15,000 (2014: \$8,000) for services from Action Engineering Limited an organisation of which Mr G Crombie is a director. No monies were outstanding at 30 June (2014: nil)

Delta Utility Services Limited and Aurora Energy Limited purchased materials and services to the value of \$1,953,000 (2014: \$1,544,000) from ETEL an organisation of which Mr D Frow is a director. An amount of \$51,000 was outstanding at 30 June (2014: \$nil)

Delta Utility Services Limited paid \$140,000 (2014: \$98,000) 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. (2014: nil).

Delta Utility Services Limited paid \$7,000 (2014: \$2,000) for services and provided services of \$1,000 (2014: nil) to The Otago Polytechnic, an organisation of which Mrs K E Grant is a Director. An amount of \$1,000 (2014: nil) was outstanding at 30 June and no amounts were payable at 30 June (2014: nil).

Compensation of key management personnel

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

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Short-term benefits	2,654	3,602	-	377
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.

Parent Company

The parent company has executed transactions with the Dunedin City Council (its owner) and its subsidiaries and associates (as listed in Notes 24 and 25). Transactions with all four parties are called 'related party transactions' and were made on commercial terms and conditions and at market rates contained in Notes 2,4,5,16, and 18.

Purchases of goods and services, payments made	Parent 2015 \$'000	Parent 2014 \$'000
Dunedin City Council		
Dividends	4,548	3,719
Interest	5,902	6,731
Other	207	83
Subsidiaries	2,264	2,100
	<u>12,921</u>	<u>12,633</u>
Sales of goods and services, payments received		
Dunedin City Council	-	-
Subsidiaries		
Dividends	12,250	12,350
Other	300	300
Associates		
Dividends	640	565
	<u>13,190</u>	<u>13,215</u>

38 LEASE COMMITMENTS

Minimum Operating Lease Payments

	Group 2015 \$'000	Group 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Payable within one year	1,921	1,086	6	6
Payable between one to five years	3,756	1,523	-	-
Payable later than five years	210	208	-	-
	<u>5,887</u>	<u>2,817</u>	<u>6</u>	<u>6</u>

39 EVENTS AFTER BALANCE SHEET DATE

There were no significant events after balance date.



DUNEDIN CITY HOLDINGS LIMITED

Statutory Information For the Year Ended 30 June 2015

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, Otago Museum Trust
Independent Chairman, Action Engineering Limited
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 Limited
Chairman, Dunedin Venues Limited
Deputy Commissioner, Southern District Health Board
Associate Member of Commerce Commission

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 Venues Limited
Director, Dunedin International Airport Limited
Director, Southern Sinfonia
Commissioner, Southern District Health Board

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, Dunedin Venues Limited
Director, Harrison Grierson Holdings Limited
Member, Governance Board for Maintenance Contract, West Coast State Highways, Fulton Hogan

Linda May Roberston

Date appointed - 17 October 2013

Responsibilities Company Director

Declarations of Interests

Director, Dunedin City Treasury Limited
Director, Dunedin Venues Limited
Director, Hunter Downs Development Company Limited
Shareholder, Meridian Energy Limited
Director and Shareholder, RML Consulting Limited
Member, Audit and Risk Committee, Ministry of Social Development
Director, New Zealand Registry Services Limited
Director, King Country Energy Limited
Member, Technical Advisory Committee for NZ Export Credit Office

Keith Thomas Cooper

Date appointed - 2 February 2015

Responsibilities Company Director

Declarations of Interests

Owner/Director - Littlebrook Farm Limited
Director - Otago Rugby Football Union (Inc)
Director, Dunedin City Treasury Limited
Director, Dunedin Venues 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' Interests in Contracts

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	93,173	Dunedin City Holdings Limited	G R Thomas	21,766	Taieri Gorge Limited
Kathleen E Grant	52,152	Dunedin City Holdings Limited	G M T Williams	15,000	Taieri Gorge Limited
Linda M Robertson	52,152	Dunedin City Holdings Limited	J D Holmes	5,000	Taieri Gorge Limited
Brian J Wood	52,152	Dunedin City Holdings Limited	F J McCall	15,000	Taieri Gorge Limited
Keith T Cooper	21,945	Dunedin City Holdings Limited	Hon Stan Rodger	15,000	Taieri Gorge Limited
			G M Smart	8,750	Taieri Gorge Limited
			D W Wood	15,000	Taieri Gorge Limited

Parent Company Total 271,574

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.

Subsidiaries & Associated Companies

Dr Ian M Parton	35,256	Aurora Energy 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
	35,256	Delta Utility Services Limited	
Stuart J Mclauchlan	23,756	Aurora Energy Limited	
	23,756	Delta Utility Services Limited	
	30,000	Dunedin International Airport Limited	

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

			Remuneration Range	Parent Company	Subsidiaries
John F Gallaher	52,000	City Forests Limited			
Tony D Allison	27,000	City Forests Limited			
Tim J Mephram	27,000	City Forests Limited			
Michael C Horne	27,000	City Forests Limited	\$510,000-519,999	-	1
Kathleen E Grant	20,000	Dunedin International Airport Limited	\$280,000-289,999	-	1
Patricia A Oakley	20,000	Dunedin International Airport Limited	\$270,000-279,999	-	1
Mark Rogers	20,000	Dunedin International Airport Limited	\$260,000-269,999	-	1
Graham W Crombie	nil	Dunedin City Treasury Limited	\$250,000-259,999	-	1
Kathleen E Grant	nil	Dunedin Venues Limited	\$230,000-239,999	-	1
Linda M Robertson	nil	Dunedin City Treasury Limited	\$170,000-179,999	-	2
Brian J Wood	nil	Dunedin City Treasury Limited	\$160,000-169,999	-	3
Keith T Cooper	nil	Dunedin City Treasury Limited	\$150,000-159,999	-	3
	nil	Dunedin Venues Limited	\$140,000-149,999	-	5
	nil	Dunedin Venues Limited	\$130,000-139,999	-	9
	nil	Dunedin Venues Limited	\$120,000-129,999	-	6
	nil	Dunedin City Treasury Limited	\$110,000-119,999	-	15
	nil	Dunedin Venues Limited	\$100,000-109,999	-	26



DUNEDIN CITY HOLDINGS LIMITED

Statement of Service Performance For the Year Ended 30 June 2015

The performance targets established in the 2014/15 Statement of Intent for Dunedin City Holdings Limited, and group, and the results achieved for the Year Ended 30 June 2015 are as follows:

Performance Target

Outcome Achieved

General

1.0 Statement of Intent Review

A review of the draft Statements of Intent for 2015/16 to be completed by 31 December 2014.

The review of the draft 2015/16 Statements of Intent were completed by 31 December 2014.

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 monthly 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 were 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 2014. The A1+ short term rating remained the same.

Ongoing reviews of capital structure 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 socially and environmentally responsible 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

The 2014/2015 Statement of Intent, presented to the shareholder in February 2014, projected that the parent company surplus after tax would be \$3.027 million and that the shareholder's funds at year end would be \$22.017 million 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 \$5.164 million, \$2.137 million higher than expected. The shareholder's funds at the end of the period is \$24.762 million, \$2.7145 million 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 2014 were projected to be \$15.7m. A total of \$15.7m was paid.



DUNEDIN CITY HOLDINGS LIMITED

Directory

Directors

Graham W Crombie	B.Com., F.C.A.(P.P), C.F.Inst.D, M.D.Ent
Kathleen E Grant	B.A., L.L.B., Dip.Law, C.F.Inst.D
Linda M Robertson	B.Com, C.F.Inst.D
Brian J Wood	M.B.A (Otago), F.N.Z.I.M, C.F.Inst.D
Keith T Cooper	C.M.Inst.D

Group Chief Financial Officer

Grant A McKenzie	B.Com., C.A., M.Inst.C.A.
------------------	---------------------------

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

Independent Auditor's Report

To the readers of Dunedin City Holdings Limited group's financial statements and performance information for the year ended 30 June 2015

The Auditor-General is the auditor of Dunedin City Holdings Limited and its subsidiaries and other controlled entities. 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 the performance information of the group, consisting of Dunedin City Holdings Limited and its subsidiaries and other controlled entities (collectively referred to as "the Group"), on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 19 to 49, that comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of other comprehensive income, the 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 performance information of the Group on page 50.

In our opinion:

- the financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 30 June 2015.

Our audit was completed on 23 September 2015. 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 the performance information 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 the performance information. 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 in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and performance information 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 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 the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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 the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the Group.

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information 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 the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

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

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 Group.

A handwritten signature in black ink, appearing to read 'Ian Lothian', with a stylized, cursive script.

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