



DUNEDIN CITY HOLDINGS LIMITED

2019 annual report



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dunedin city holdings ltd

■ WHAT WE DO

Dunedin City Holdings Ltd (DCHL) is an investment company owned by Dunedin City Council. We oversee eight subsidiary and associate companies that own and manage key city infrastructure and provide benefit to the city.

DCHL's purpose is to achieve for Dunedin the best from its investments.

■ OUR PORTFOLIO



2019 highlights

\$1.35b total assets

\$81.5m capital expenditure invested

\$300m total group operating revenue

\$5.9m interest paid to DCC

908 employees across DCHL Group

\$32m operating cash flow

90,419 customer connections at Aurora Energy

34 average number of apprentices/trainees at Delta

22,544ha under management at City Forests Ltd

1,077,475 passengers at Dunedin International Airport

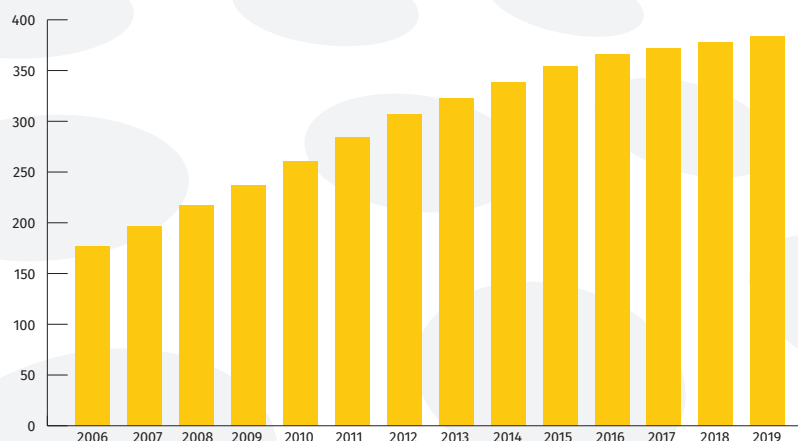
\$3.7m ahead of budget on stadium debt repayment

\$39m economic benefit to Dunedin from major concerts at Forsyth Barr Stadium

107,745 passengers carried or hosted by Dunedin Railways

Cumulative Dividends, Interest and Debt Repayments \$m

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





chair's review

DCHL's full year results were modest, with a pre-tax profit of \$10.4m. This result was driven by a very strong year for City Forests Ltd, and supported by a continued reduction in the cost of funds across the group.

Results for the year ended 30 June 2019

	Group \$'000
Revenue	\$299,583
Profit before tax	\$10,379
Income tax	\$6,193
Net profit for the year	\$4,186

Dividends were \$1.5 million higher than forecast from City Forests, and other dividends were in line with forecast.

As provided for in the Statement of Intent, a distribution of \$5.9 million was made to Dunedin City Council from Dunedin City Holdings Ltd, representing interest on the shareholder's advance.

The group's overall debt (managed by Dunedin City Treasury Ltd) increased over the year, as forecast in our Statement of Intent. This was principally driven by increased capital expenditure at Aurora Energy and Dunedin City Council. Most other companies' debt remained relatively static. The continued reduction in the cost of the group's funds over the year was welcome in the context of increasing debt.

Full financial statements for the year ended 30 June 2019 are included in this report.

Overview of companies' performance

Aurora Energy's financial performance for the year continued to reflect the investment demands of major infrastructure renewal, the current shortfalls in historical regulated revenue allowances administered by the Commerce Commission and the additional costs of operating as a standalone company. Underlying financial performance measures were generally in line with forecast expectations.

Aurora Energy continued to invest strongly in its network evidenced by capital expenditure of \$62.0 million (FY18: \$78.4 million) on new network assets during the year under review. Total assets increased by \$44.8 million to \$580.4 million. Term borrowings increased by \$46.8 million to \$301.4 million.

As forecast, Aurora Energy recorded a net operating loss for the year under review. The net operating loss after tax was \$10.9 million, which includes a \$5.0 million provision for financial penalties in relation to breaches of network reliability standards for the 2015, 2016, 2017 and 2018 disclosure years. This enforcement action

was initiated by the Commerce Commission in 2017 and aims to address Aurora's historic performances. The actual penalty is yet to be finally determined, but the company believes the provision made at balance date remains a reasonable estimate of the likely outcome. The net operating loss before providing for the provision was \$5.9 million, slightly favourable against the forecast for FY19 (\$6.8 million loss).

City Forests Ltd reported strong financial performance again in 2019. The combination of increasing log market prices, shipping costs and a lower value New Zealand Dollar delivered a period of very strong and mostly stable log export returns for New Zealand forest owners.

City Forests Ltd recorded a profit after tax of \$25.2 million, and paid a dividend of \$8.0 million during the year, \$1.5 million more than budgeted, as a result of the favourable trading conditions experienced during the year.

This year proved to be a challenging one for Delta. Whilst good progress was made in refining business processes, creating a clear understanding of strategy and engaging with their people on positive change, some targets the company set out for the year were not achieved.

Delta recorded net profit before tax of \$1.705 million in FY19 compared with a budget expectation for the year of \$3.274 million. Total revenue was \$98.2 million for FY19 (budget \$103.2 million). Operating revenue, whilst not meeting budget expectation at \$97.3 million (budget \$101.9 million), was 4.9% up on revenue for FY18.

As noted above, the group's cost of funds, managed by Dunedin City Treasury Ltd, has continued to reduce over the 2018/19 financial year. The DCC Group's cost of funds reduced by approximately 0.77% to 3.93%, which reduced the costs of funds to the group by circa \$5 million, based on average term borrowings over the past year.

Dunedin Stadium Property Ltd experienced an operating loss, as budgeted. The loss was smaller than that recorded over the same period in 2018, primarily due to a reduction in interest costs, and the company was able to repay more debt than budgeted.

Dunedin Venues Management Limited (DVML) has completed another successful year as it approaches 10 years since the Council Controlled Trading Organisation was established to manage Forsyth Barr Stadium and soon after, the Dunedin Centre.

DVML had a strong concert line-up, with Kendrick Lamar, P!NK, Shania Twain, the Eagles and Six60. Dunedin City benefited to the tune of almost \$39 million in economic impact from major concerts alone. Conference delegates assisted the city's economy too, contributing \$2.62 million of economic impact. This is represented by 5,690 delegates attending 20 conferences.

DVML recorded a net profit after tax of \$0.16 million for the year, down on their 2018 net profit after tax of \$0.6 million.

Dunedin Railways Ltd has recorded a loss of \$0.1 million, due to lower revenue than budgeted, and increased spending on repairs and maintenance. Some non-core activity, which is unlikely to be ongoing, also contributed positively to the company's result. The company is focussed on finding a sustainable path forward.

Dunedin Airport has continued to improve its operations and experience ongoing growth in both the aeronautical and non-aeronautical parts of the business in the 2019 financial year. It has been a busy year with operational improvements made across the business along with the commencement of the Terminal Expansion Project (TXP).

There remains strong demand for services through Dunedin Airport. Pleasingly, the 2018 – 2019 year saw a further increase in passenger numbers of 4.5% to 1,077,475.

Dunedin Airport's total revenue increased by 4.0% to \$17.2 million. The after-tax operating surplus was \$3.6 million, surpassing last year by \$312,000, or 9.5%. The dividend to shareholders during the 2019 financial year remained in line with the previous year and forecasts at \$1.4 million.

As the parent company, Dunedin City Holdings Ltd has pursued several initiatives to provide support, leadership and oversight across the Group. This includes administering our programme of director internships, group-wide projects such as co-ordinating planning for assisting the city in emergency events, and strengthening our analysis of companies' financial and non-financial performance.

Outlook

With the continuation of Aurora Energy's capital development programme, continued strong outlook for City Forests Ltd, and the consolidation of Delta's strong revenue base, the outlook for Dunedin City Holdings Ltd is positive.

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

DCHL has developed a strategy to take a stronger portfolio management focus. This will involve more active monitoring of group entities' performance in relation to their sector peers, as well as ongoing evaluation of the relevance of our investment in the entities, based on a longer term view of the sectors in which they operate and our shareholder's aspirations for the portfolio.

We will advise the shareholder as to opportunities for holding, building or exiting investments based on such assessments.

This aligns with the objectives set out in our Statement of Intent, particularly to:

- encourage and facilitate increased shareholder value of DCHL Group companies; and
- take a long term and strategic view of the portfolio, and make proposals to Council on strategic issues.

Group directors

It is with sadness that we acknowledge the passing of Dunedin City Holdings Ltd Chair Graham Crombie in February 2019. As Chair of the company for over five years, Graham made a significant and enduring contribution to Dunedin City Holdings Ltd and the wider Group. Graham is sadly missed from our board table, and as a colleague and friend.

We have recently welcomed Chris Hopkins to the boards of Dunedin City Holdings Ltd, Dunedin City Treasury Ltd and Dunedin Stadium Property Ltd. Chris has broad governance experience, including having previously served on the board of City Forests Ltd. He brings to DCHL business development and accountancy expertise.

Rowena Davenport also worked with our board as an Intern Director throughout the financial year. Rowena made a valuable contribution to our discussions and we wish her well for her future governance career.

There were a number of changes in directorships within the group of companies throughout the year. We acknowledge the service of directors we have farewelled: Dave Frow, Glenys Coughlan, Geoff Thomas and Stuart McLauchlan. We welcome to the Group new directors Wendie Harvey (Aurora Energy) and Jonathan Cameron (Dunedin International Airport Ltd).

Dunedin City Holdings Ltd oversees a diverse portfolio, with businesses spanning a wide spectrum of industries, markets, and company size. DCHL Group companies are also charged with delivering commercial returns, as well as meeting broader non-financial expectations of their shareholders and communities. All of this can make for a challenging environment. I would like to acknowledge and thank all those working across the group – staff, management and directors – for their contributions in the 2019 financial year.



Keith Cooper
Chair

health and safety

The health and safety of staff, contractors, visitors and customers 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.

This year Aurora Energy continued to embed their Safety Choices Programme, including public safety, into the operations and work practices of all staff and contractors. In November 2018, Aurora Energy launched a new rapid response system to manage critical risks across the network. An accompanying mobile application was developed that improves capture of observed defects in the field, immediately identifies any with a public safety risk based on the public safety risk framework and initiates the necessary response. Aurora Energy's public awareness programme continued to inform the community about keeping safe around its electricity network.

City Forests continued to improve its health and safety systems in accordance with its annual plan. No significant injuries were recorded in City Forests' operations during the year. The areas of contractor certification, pre-operation risk assessment, internal safety audit systems, fatigue management and drug and alcohol testing were focus areas for the year.

Delta's safety focus for the year has been on preventative measures and the importance of planning. They introduced a new way of capturing and reporting hazard management data, through the launch of their field app, ResponseAbility. Total recordable injuries per 200,000 hours worked (TRIFR) was 4.90,



against a target of 4.50. Through the management of critical risk, the number of high energy potential events dropped by over 50 per cent in the last two years. Work is also underway in implementing a structured internal audit programme aimed at improving work and reducing harm events across the range of severities.

Dunedin Railways Ltd has made continued progress this year following on from the appointment of the Health and Safety, Environmental and Training Co-ordinator in the previous year. There were no major incidents in the year, two Medical Treatment Injuries and two Lost Time Injuries. All of these have been fully investigated, return to work managed and new procedures where applicable implemented.

Dunedin International Airport Ltd has achieved pleasing health and safety milestones and improvements in the past 12 months, including CAA Safety Management System (SMS) Certification, a CAA Successful Safety and Security Audit with no major findings, the introduction of a new incident reporting portal. The Terminal Expansion Project (TXP) was also delivered without any lost time injuries.

environmental initiatives

Environmental sustainability is an increasing focus for our group of companies. In the 2018/2019 year companies contributed to a wide range of environmental initiatives.

Aurora Energy this year continued to support the switch to electric, emission-free transport through its partnership with ChargeNet. Through this partnership, the company has seen the number of fast chargers increase to seven across Central Otago and Dunedin, with two more planned in 2019. Aurora Energy also continued its partnership with the Department of Conservation, unveiling a new educational FalconSafe sign in Glenorchy in June.

City Forests actively manages over 2,000ha of reserves incorporated throughout the 22,544ha forest estate. City Forests Ltd hosts a number of rare, threatened and endangered species within the commercial forest and reserve areas of the estate. The company actively contributes to research and management programmes to enhance these species and their habitats.

In the past year, City Forests has undertaken NZ Falcon (kārearea) research in association with neighbouring forest owners, and has contributed \$10,000 to this research programme. It has also contributed \$7,000 to Eldon's Galaxiid research. Eldon's Galaxiid is a rare native fish species with a very small habitat range that includes part of the forest estate.

City Forests has held uninterrupted international Forest Stewardship Council (FSC) certification since 2000. Certification assesses our management practices for reserve areas and native species as well as our overall environmental and social performance, including sustainable management of our forest crop areas. City Forests has spent approximately \$7,000 undertaking detailed ecological assessments of reserve areas, \$15,000 on water monitoring and \$10,000 on wilding pine assessments in support of FSC certification. In addition, \$45,000 has been spent on wilding pine control in reserve areas as part of a long term control strategy.

City Forests continues to be a participant in the Emissions Trading Scheme (ETS) and the company's forests store approximately 1.8m tonnes of CO₂ carbon. The 1000ha of new land acquired during the year, once established in trees, will increase City Forests' carbon sequestration and increase the total carbon stored in the forest estate.

City Forests makes contributions to a number of external environmental organisations, including Orokonui Ecosanctuary (\$30,000), Yellow Eyed Penguin Trust (\$5,000), Otago Peninsula Biodiversity Group (\$5,000), Otago Wildlife Hospital (\$5,000), and Predator Free Dunedin (\$15,000).

At Delta, continuous improvement in environmental performance is a priority. Delta established a new environmental policy during FY19 and has committed to pursue ISO 14001 accreditation by December 2020. Delta is also working to reduce petrol-powered hand tools, and endorse electrically powered equipment. The company has also reviewed its fleet to find efficiencies and reduce vehicle emissions.

Dunedin Venues Management Ltd continues to maintain a recycling programme incorporating communications with partners, alternative environmentally-friendly products being used, visual displays, improved clean up procedures and clearly identifiable recycling stations.

Over the last 12 months, there have been over 100 light fittings replaced with high efficiency LED fittings at Forsyth Barr Stadium. The light systems have also been fitted with presence sensors, so they turn on and off as required.

Dunedin Railways Ltd's cruise ship lunch boxes are now all recyclable and the company has replaced single serve water bottles to reduce waste.

Dunedin International Airport has continued in its environmental efforts this year. Both farms the airport operates were independently audited by AssureQuality with commendation comments received in the reports. The airport also introduced tenant based recycling in early 2018. The introduction of additional recycling has seen an increase from 7% to 25% in the diversion of recyclable products from going to landfill. Dunedin Airport will look to introduce public recycling in the next financial year.



community involvement

Our community involvement continues to cover a wide range of civic, charitable, sporting and recreational activities. In 2019, this support comprised a combination of financial sponsorship or assistance, the provision of staff resources and other forms of non-financial donation, such as loads of firewood and falcon safe network designs, from within the Group's resources.

Aurora Energy continued to support the communities it serves through partnerships and sponsorships of events. We continued to sponsor the Festival of Colour and Otago Science and Technology Fair and this year we also sponsored an afternoon tea for the electric vehicle community during Tech Week.

For the first time this year, Aurora Energy attended four A&P shows across Central Otago, engaging with the community and sharing information about the business.

The community continues to benefit from the significant network of walking and cycle tracks, picnic areas and other public amenities maintained by City Forests. Forest areas such as the Ross Creek / Wakari Road walking and cycle trails see extensive public use. The company has excluded key parts of this area from future harvest programmes and contributes to track maintenance as required. Students from the Otago Polytechnic Arboriculture training programme use the area to practice their skills removing any trees that become hazardous.

City Forests Ltd continues to encourage public use across the total forest estate in a controlled fashion through a permit system. Numerous recreational activities and organised events take place during the year, including the Rally of Otago, tramping, mountain biking, horse trekking and hunting access. City Forests Ltd also contributes to a range of community organisations through donations of firewood for raffles and fundraisers.



Delta aligned with a local artist and the Dunedin Street Art Trust this year to help beautify their office location and contribute to the overall street art in the city of Dunedin. Two outward facing walls were commissioned early in 2019, and this has brought life to the industrial area they are situated in.

Delta's Charity Challenge initiative also helps raise safety awareness amongst their staff while contributing to local charities. Each time an employee reports a close call or identifies a new hazard, the charity challenge fund increases. Once the fund reaches a certain threshold, the best entry is selected and that member of staff chooses which charity they would like to support. During the year, Delta made donations to Presbyterian Support Otago and Rape Crisis Dunedin.

Dunedin Venues Management Ltd is tasked with ensuring access for community groups to enjoy the venues it manages through the administration of the Community Access Grant, which provides a fund of \$750,000 for associated venue costs for community events. In both the 2018/19 and the 2017/18 years, the full value of the Community Event funding was utilised by the community. In 2018/2019 this resulted in a total of 47 events with 39,520 people attending or participating.



Dunedin Railways Ltd continues to provide opportunities for community organisations and events to fundraise utilising spare capacity on trains. The company is also working on preserving some Sutton Station etchings, which will be removed, tidied and then redisplayed.

This year Dunedin International Airport strengthened and initiated partnerships with several organisations and events within the region this year. Dunedin Airport continues to sponsor one of our City's beloved and treasured birds, the Yellow-Eyed Penguin. In the upcoming year the airport team will be assisting the Yellow-Eyed Penguin Trust with the important work they do in the field. Dunedin International Airport Ltd is a major sponsor of iD Fashion, and this year became a sponsor of the Life Matters charity group, which is focused on the prevention of suicide and the support of those affected in our community. The company also supports and sponsors a range of events such as the OUSA Beer and Food Festival, Wild Dunedin Festival and Dine Dunedin.

DCHL Intern Director Programme

Dunedin City Holdings Ltd established an Intern Director Programme in late 2017, with the aim of enhancing governance capability in Dunedin, and broadening the city's pool of emerging directors.

The programme offers emerging directors the opportunity to gain experience and insight into governance by working alongside an experienced commercial board for 18 months.

The first intake of seven intern directors worked alongside our boards from 1 January 2018 to 30 June 2019.

Intern Directors attended all board and committee meetings of their respective companies, and participated fully in board activities (without voting rights or decision-making responsibilities). Intern Directors also received mentoring from company directors, and \$1,000 towards governance education with the Institute of Directors.

DCHL is pleased with the success of the first iteration of this programme. Intern Directors' feedback has been unanimously positive on the opportunities the programme offers, and its contribution to the development of their governance career. Intern Directors have gained valuable insight into the roles of company directors, developed their own governance skills, and also gained deep knowledge of their company's sector, as well as the Council Controlled Trading Organisation (CCTO) environment.

Our company boards also appreciated the fresh perspectives and diversity of thought intern directors brought to their operations.

We wish our 2018/2019 Intern Directors the very best for their governance careers.

Going forward, this programme will be known as the Graham Crombie Intern Director Programme. We look forward to recruiting new intern directors in late 2019.

DCHL's 2018/2019 Intern Directors

Rowena Davenport
Dunedin City Holdings Ltd, Dunedin City Treasury Ltd

Dean Fraser
Aurora Energy Ltd

Shelley Chadwick
City Forests Ltd

Kate Hesson
Delta Utility Services Ltd

Rei Ishikawa
Dunedin International Airport Ltd

Jamie Cargill
Dunedin Railways Ltd

Adam La Hood
Dunedin Venues Management Ltd

2018/2019 DCHL
Intern Directors:
(from left)
Adam La Hood,
Dean Fraser,
Shelley Chadwick,
Rei Ishikawa,
Kate Hesson and
Jamie Cargill.
Absent: Rowena
Davenport.
Photo credit:
Otago Daily Times.



Subsidiary and associate company reports



Aurora Energy Limited

■ WHAT WE DO

Aurora Energy Ltd owns the electricity network assets of poles, lines, cables and substations in Dunedin, Central Otago and Queenstown Lakes. Its function is to transfer electricity from the national grid to the end consumer.

■ WHAT WE DID THIS YEAR

In its second year of operation as a standalone company, Aurora Energy delivered another strong investment programme to ensure its network is safe and reliable for the Dunedin, Central Otago and Queenstown Lakes communities. The company's network investment priorities remained on asset renewal, maintenance and condition assessment to rapidly reduce a backlog of renewal work, replace ageing infrastructure and stabilise network reliability performance.

In the past few years, Aurora Energy has made considerable progress in the planning and delivery of its major network renewal programme. The company has been assisted in this process by international experts who have peer reviewed the company's engineering decisions and confirmed that it is targeting its investment in the areas of priority. Aurora Energy has lifted investment and increased the pace of works delivery across a number of areas and to enable this the company has scaled up the available contracting resource for construction and maintenance activity.

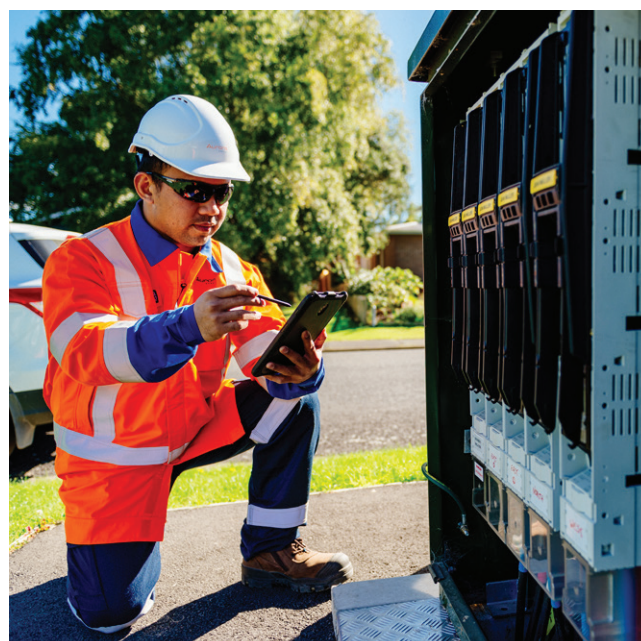
As well as renewing existing infrastructure, Aurora Energy is meeting demand growth in the fast-growing areas of Central Otago and Queenstown Lakes and preparing for a future shaped by new technology options and changing consumer choices.

This year Aurora Energy introduced new contracting arrangements with three key service providers operating on the network. The new Field Services Agreements ensures the company can access the required services from a competitive market, with the diversity of skills and capacity needed to deliver our ambitious programme of work over the coming ten years.

The company also continued to mature and modernise its people practices across the business to ensure Aurora Energy is well positioned as an employer of choice in a competitive market.

As Aurora Energy continues to deliver its largest-ever programme of works, the need for increased investment also remains. Next year the company will be applying to the Commerce Commission for a customised price-quality path to take effect from 1 April 2021. The company will be working closely with key stakeholders during the consultation period to ensure its proposal reflects the preferences of customers.

The year has been one of significant progress as Aurora Energy makes good on its commitment to its customers and communities to provide a safe and reliable electricity service. Aurora Energy looks forward to continued engagement with its customers and key stakeholders in the years ahead as it progresses with network investment plans in Dunedin, Central Otago and Queenstown Lakes.



■ THE PEOPLE

Directors	Steve R Thompson (Chair)
	Margaret P Devlin (Chair Audit & Risk Committee)
	David J Frow (until 31.10.2018)
	Brenden J Hall
	Wendie N Harvey (from 01.11.2018)
Chief Executive	Richard M Fletcher

■ AT A GLANCE

	2019 \$'000	2018 \$'000
Revenue	103,229	106,501
Net Surplus/(Loss) for the Year	(10,943)	425
Shareholder's Funds	179,576	190,819
Total Assets	580,376	535,549

City Forests Limited



■ WHAT WE DO

The principal activities of City Forests Ltd are the growing, harvesting and marketing of forest products from plantations it owns. The products are sold both in the domestic and export markets.

■ WHAT WE DID THIS YEAR

City Forests Ltd reported another year of strong financial performance in 2019. The company recorded a profit after tax of \$25.2 million and dividends paid of \$8.0m.

The combination of increasing log market prices, shipping costs and a lower value New Zealand Dollar delivered a period of very strong and mostly stable log export returns for New Zealand forest owners.

The company had a busy production year making the most of favourable log markets. The overall cut from the forest estate was 336,374m³. This represents a 1.6% variance compared to its sustainable cut level, which has increased due to forest acquisition. The company has focused its harvest activity in generally higher productivity stands and this has led to an increase in the supply of higher quality logs. Considering the favourable log pricing experienced during the period the company has made good returns from the high-quality forest being harvested.

City Forests Ltd continues to demonstrate its commitment to responsible and sustainable management of its forest estates.

City Forests Ltd has held uninterrupted Forest Stewardship Council (FSC) certification since 2000. During the year a surveillance audit of company management practices relative to the Forest Stewardship Council Certification Standard was completed. This certification provides key independent verification that the company's strategy to be a sustainable land manager, good corporate and community citizen and a truly environmentally positive organisation is being successfully implemented. City Forests Ltd products are sold as FSC certified.

During the year the company purchased 1016.7 ha of new land including approximately 38 ha of trees. The land is situated close to the company's existing Hillend and Ferny Hill forests. These blocks are principally farmland and will be progressively planted during the 2019 and 2020 planting seasons providing an increase in the company's sustainable harvest level and carbon sequestration. The company continues with its strategy of estate expansion where quality forest or land can be acquired economically in proximity to the existing estate.

Company forest crops are valued annually on 30 June and increased in value by \$13.838m from the previous year. The main drivers of the valuation increase were a reduction in the discount rate applied to 6.0% (previously 6.5%) and increases in 5-year average log prices. A revision of forecast forest yields and production costs was also carried out and incorporated into the forest crop valuation.

City Forests has paid a dividend to the shareholder of \$8.0m during the year. The dividend was increased from the budgeted dividend of \$6.5m by an additional special dividend of \$1.5m as a result of the favourable trading conditions experienced during the year.

In summary, the 2018 – 2019 year has been very favourable in terms of profitability and the company has paid a significant dividend as well as reduced net debt and acquired new forest area.

The Board's focus is to ensure City Forests is run on a long term sustainable basis and that operational performance improvement and business growth occurs so long term wealth continues to be built for the shareholder.



■ THE PEOPLE

Directors	John F Gallaher (Chair)
	Mike C Horne
	Tim M Mepham (Chair Audit Committee)
	Christopher C Hopkins
Chief Executive	Grant Dodson

■ AT A GLANCE

	2019 \$'000	2018 \$'000
Revenue	59,048	53,997
Net Surplus for the Year	25,232	23,913
Shareholder's Funds	184,759	160,343
Total Assets	258,028	228,951



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

This year proved to be a challenging one for Delta. Whilst good progress was made in refining business processes, creating a clear understanding of strategy and engaging with their people on positive change, some targets they set out for the year were not achieved.

Delta recorded net profit before tax of \$1.705 million in FY19 compared with a budget expectation for the year of \$3.274 million. Total revenue was \$98.2 million for FY19 (budget \$103.2 million). Operating revenue whilst not meeting budget expectation at \$97.3 million (budget \$101.9 million) was 4.9% up on revenue for FY18.

During the year a number of deferred maintenance projects on Delta facilities were addressed and adjustments to remuneration rates of field staff were made to meet market conditions. These adjustments added significant costs, but were necessary to ensure the future sustainability of the business. Challenging weather conditions (mainly related to rain events) also impacted productivity levels for the greenspace sector, creating additional strain on the delivery of profit.

Delta is satisfied that during FY19 they managed to secure long term contracts with key customers such as Aurora Energy, Central Otago District Council and Network Waitaki. Positive steps were made to further diversify their current revenue profile and their teams continued to provide a high quality service that consistently met customer KPI requirements.

Delta's safety focus for the year has been on preventative measures and the importance of planning. They introduced a new way of capturing and reporting hazard management data, through the

launch of their field app, ResponseAbility. Total recordable injuries per 200,000 hours worked (TRIFR) was 4.90, against a target of 4.50. Through the management of critical risk, the number of high energy potential events dropped by over 50 per cent in the last two years. Work is also underway in implementing a structured internal audit programme aimed at improving work and reducing harm events across the range of severities.

Continuous improvement in environmental performance and supporting their communities, continues to be a priority. Delta established a new environmental policy during FY19 and has committed to pursue ISO 14001 accreditation by December 2020. During the year, Delta aligned with a local artist and the Dunedin Street Art Trust, to help beautify their office location and contribute to the overall street art in the city of Dunedin. Two outward facing walls were commissioned early in 2019, and has brought life to the industrial area they are situated in.

Delta's Charity Challenge initiative also helps raise safety awareness amongst their staff while contributing to local charities. Each time an employee reports a close call or identifies a new hazard, the charity challenge fund increases. Once the fund reaches a certain threshold, the best entry is selected and that member of staff chooses which charity they would like to support. During the year, Delta made donations to Presbyterian Support Otago and Rape Crisis Dunedin.



■ THE PEOPLE

Directors	Brian J Wood (Chair)
	Trevor J Kempton
	Tony D Allison
	Steven W Grave
Chief Executive	Mike D Costelloe

■ AT A GLANCE

	2019 \$'000	2018 \$'000
Revenue	98,166	93,641
Net Surplus for the Year	1,922	3,776
Shareholder's Funds	22,581	22,122
Total Assets	61,042	60,746

Dunedin City Treasury Limited

■ WHAT WE DO

Dunedin City Treasury Ltd (DCTL) provides treasury and funds management services to Dunedin City Council, Dunedin City Holdings Ltd and its subsidiary and associate companies. DCTL's responsibility includes cash and liquidity management, debt portfolio management, and investment portfolio management. DCTL's objective is to ensure adequate funds are available to meet ongoing obligations, minimising funding costs and maximising return on surplus funds, within acceptable levels of risk.

■ WHAT WE DID THIS YEAR

DCTL has continued to reduce the cost of funds for the DCC Group over the 2018/19 Financial Year. Lowering the DCC Group's cost of funds by approximately 0.77% to 3.93%, saved the DCC Group \$5.0 million, based on average term borrowings over the past year.

DCTL also increased its use of short term funding this year, taking advantage of the very low short-term funding costs where floating benchmark interest rates are currently at historical lows. DCTL has \$160 million of Promissory Notes on issue as at 30 June 2019, compared to \$120 million as at the same time last year. The average rate achieved was +0.035% above the 3 month benchmark interest rate. The average bid coverage ratio was 2.2 times the Promissory Notes tendered, illustrating strong investor appetite for DCTL paper.

DCTL has also continued to ensure that funding facilities are spread over time, to help manage funding risk. From 30 June 2019, DCTL has less than \$200 million of funding due to mature in any forward one year period.

In May 2019 the Official Cash Rate (OCR) was lowered to 1.50%, the lowest OCR since the introduction of the OCR in 1999. The yield curve is significantly lower and has flattened over the period, reflecting expectations of further reductions in the OCR over the months ahead.

DCTL's activity is governed by the DCC Treasury Risk Management Policy, which is designed to manage risk across a range of areas. DCTL maintained compliance with the Policy at all times and continues to manage funds in the best interests of its borrowers.

The Board considers that DCTL continues to provide significant benefit to the DCHL Group, DCC and Dunedin ratepayers through its provision of cost-effective funding for the DCC Group.



■ THE PEOPLE

Directors	Graham W Crombie (until 13.02.2019)
	Keith T Cooper
	Kathy E Grant
	Quentin C S Hix
	Chris C Hopkins (from 25.06.2019)
	Linda M Robertson
Treasury Manager	Richard Davey

■ AT A GLANCE

	2019 \$'000	2018 \$'000
Revenue	27,338	29,474
Net Surplus for the Year	3	171
Shareholder's Funds	(34,374)	(8,448)
Total Assets	707,490	632,667

**Dunedin Stadium
Property Ltd**

Dunedin Stadium Property Ltd

■ WHAT WE DO

Dunedin Stadium Property Ltd's (DSPL's) principal activity is the ownership of Forsyth Barr Stadium. In particular the Company oversees that the stadium is maintained to a standard that enables it to operate effectively.

■ WHAT WE DID THIS YEAR

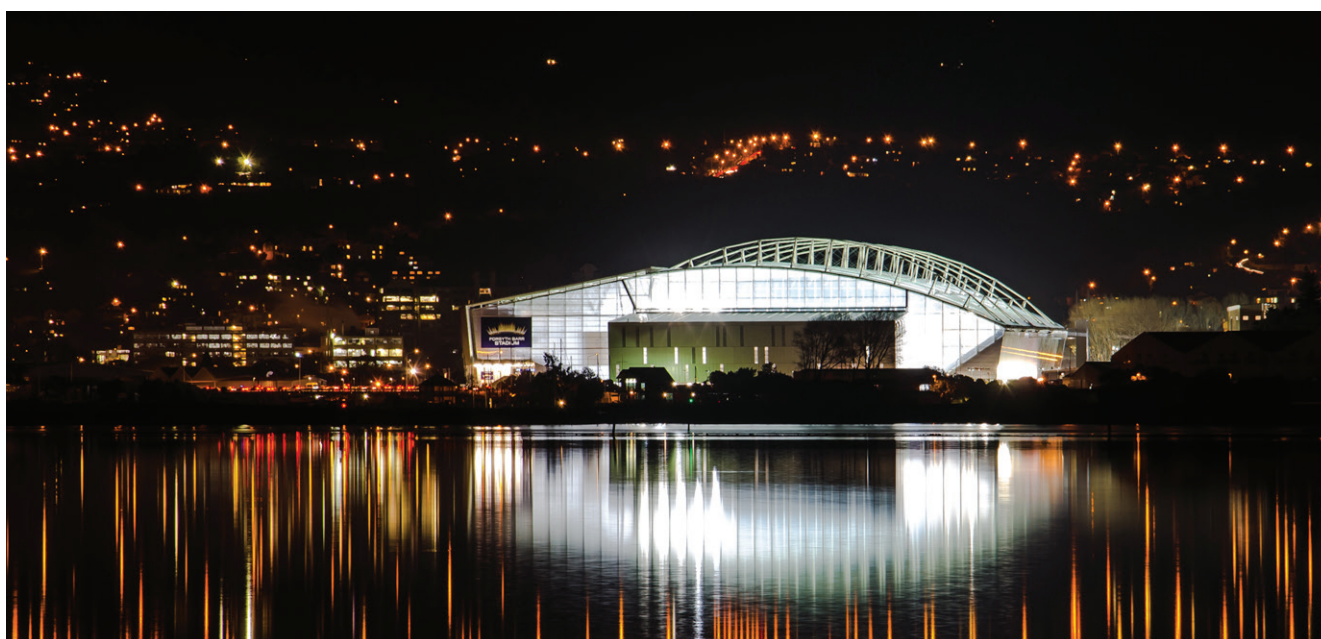
During the year the Directors reviewed the asset management plan and approved an appropriate budget for future years for assets to be maintained at an operational level.

DSPL recorded a net loss after tax of \$(7,002,000) for the year. This is an improvement of \$617,000 over the previous year, resulting from a reduction in depreciation and borrowing costs.

DSPL continues to work with Dunedin City Holdings Limited and its subsidiary companies on maintaining the cash funding model that has been established for Dunedin Stadium Property Limited through subvention receipts and capital injections.

The Stadium Review in 2015 established the future funding model of DSPL through to the year ending 30 June 2025, ensuring DSPL is able to maintain its operational, capital, and debt financing requirements.

The Directors consider that the state of affairs of DSPL is satisfactory.



■ THE PEOPLE

Directors

William C Cockerill
Graham W Crombie (until 13.02.2019)
Keith T Cooper
Kathy E Grant
Quentin C S Hix
Chris C Hopkins (from 25.6.2019)
Linda M Robertson

■ AT A GLANCE

	2019 \$'000	2018 \$'000
Revenue	2,163	2,145
Net Surplus/(Loss) for the Year	(7,002)	(7,619)
Shareholder's Funds	74,473	78,889
Total Assets	164,645	171,398

Dunedin Venues Management Ltd



■ WHAT WE DO

Dunedin Venues Management Ltd is an event, turf and stadium and facilities management company which currently operates out of the Forsyth Barr Stadium, Dunedin Centre/Town Hall Complex and the University of Otago Oval.

■ WHAT WE DID THIS YEAR

Dunedin Venues Management Limited (DVML) has completed another successful year as it approaches 10 years since the Council Controlled Trading Organisation was established to manage Forsyth Barr Stadium and soon after, the Dunedin Centre. The business has grown from strength to strength and the Board and staff are proud to be part of what has been achieved.

This financial year's concert line-up started with Kendrick Lamar entertaining 16,000 fans under the roof. The Stadium hosted its largest ever audience at P!NK's September concert with 37,943 fans amazed by her aerobatics along with an incredible music performance. Shania Twain delighted almost 18,000 country fans on 22 December and then the Eagles flew into the city on 2 March to a packed Stadium. The final major concert by Dunedin's own Six60 attracted almost 18,000 devoted fans who were reveling being able to see their favourites in their hometown. Dunedin City benefited to the tune of almost \$39 million in economic impact from major concerts alone.

Conference delegates assisted the city's economy too, contributing \$2.62m of economic impact. This is represented by 5,690 delegates attending 20 conferences. New Zealand Ministry of Business, Innovation and Employment published its 2017 Convention Delegate Survey reporting the domestic delegate spend on average was \$461 per night. The Prime Minister enjoyed her time in the city at the Labour Party Conference which hadn't been held in Dunedin since 1988. The Otago Daily Times Stand at Forsyth Barr Stadium received many transformations to replace the standard conference gala dinner with international designer food markets and entertainment, which was very well received by delegates.

Dunedin Venues is fast gaining a reputation for being dynamically different in its approach to business events.

The turf team at the University of Otago Oval received terrific recognition from New Zealand Cricket this year being awarded Domestic Short Form Pitch of the Year. This was a great acknowledgement for the team's dedicated efforts. The awards didn't stop there as Forsyth Barr Stadium was a finalist in two categories at the New Zealand Events Association Awards; Best Venue and Best Emerging Event Professional, the latter being won by Event Operations Manager, Brenna McCann.

In conjunction with its commercial success, DVML is thrilled with the reach that the Community Access Grant has achieved with 47 events and 35,920 locals either attending or participating in community events at Forsyth Barr Stadium and the Dunedin Centre.

DVML acknowledges and thanks all those who have supported and attended events at its venues throughout the year. The company's event calendar has once again produced a year of excitement and the team is looking forward to presenting more of this over the next year.

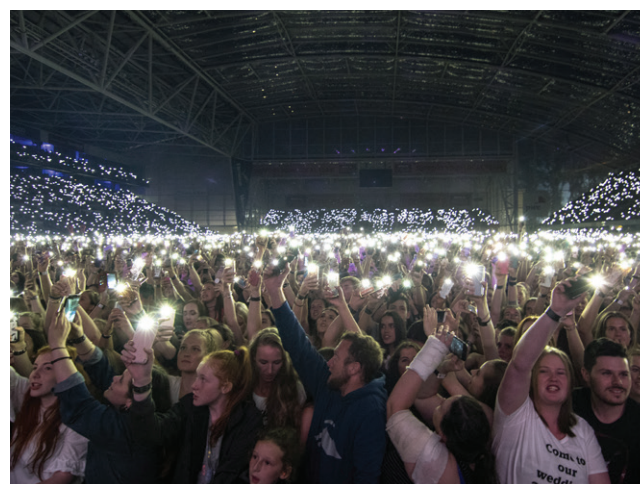


Photo: Dunedin Venues Management Ltd

■ THE PEOPLE

Directors

Raewyn J Lovett (Chair)

Joanne M Conroy

Kevin G Winders

Glenys J Coughlan (until 16.04.2019)

Chief Executive Terry Davies

■ AT A GLANCE

	2019 \$'000	2018 \$'000
Revenue	13,847	16,641
Net Surplus for the Year	160	602
Shareholder's Funds	2,445	1,985
Total Assets	5,184	5,953

Dunedin Railways Ltd



■ WHAT WE DO

Dunedin Railways Ltd operates a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin. The train trip through the Taieri Gorge remains a key attraction for residents, visitors to the region, and for visiting cruise ship passengers.

■ WHAT WE DID THIS YEAR

Dunedin Railways Ltd has had a challenging year, with lower revenue than budgeted, and increased spending on repairs and maintenance. The company's overall outcome was a net loss after tax of \$122,000, combined with capital spend has increased borrowings to \$1,890,000. Some non-core activity, which is unlikely to be ongoing, also contributed positively to the company's result. The company is focussed on finding a sustainable path forward.

The company invested significant expenditure in capital upgrades this year, including completing two new ADR carriage refurbishments at a cost of \$800,000. There was also increased repairs and maintenance expenditure on locomotives, carriages and infrastructure of track, tunnels and bridges during the year.

Dunedin Railways also utilised its engineering team's skills and experience in carriage refurbishment during the year by undertaking some contract engineering work.

Increased cruise visits to Dunedin in the year resulted in more cruise passengers.

Dunedin Railways' lease of the Silver Fern Railcar ceased this year, as KiwiRail recalled the vehicle. The Silver Fern was a valuable piece of equipment during the company's lease of it from 2011-2019.

Directors

Geoff Thomas retired as a Director and Chair on 12 June 2019 and Kevin Winders was appointed as Director and Chair on the same date.

The company's board established an Audit and Risk Committee this year. The Committee's principle responsibility is to assist the board in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reports and financial reporting process, internal control structure, risk management (financial) systems (financial) and the internal and external audit process.

Health, safety and training

The company has made continued progress in health and safety in the current year following on from the appointment of the Health and Safety, Environmental and Training Co-ordinator in the previous year. There were no major incidents in the year, two Medical Treatment Injuries and two Lost Time Injuries, all of these have been fully investigated, return to work managed and new procedures where applicable implemented.

During the year the company increased its training capabilities and in addition to being able to run all in-house training requirements the company has also provided training to both KiwiRail and other mainline heritage operators.

The company wishes to acknowledge the commitment and contribution the Volunteers make to cruise ship customers. The Volunteers enhance our cruise experience.

The 2020 year will be a challenging year for the company and additional equity will be required to ensure the ongoing viability of the business.



■ THE PEOPLE

Directors	Kevin G Winders (Chair) (from 12.06.2019)
	Judith A Bevin
	Richard Roberts
	Stanley J Rodger
	Graeme M Smart
	David W Wood
	Geoff R Thomas (until 12.06.2019)
Chief Executive	Craig D Osborne

■ AT A GLANCE

	2019 \$'000	2018 \$'000
Revenue	9,216	7,547
Net Surplus/(Loss) for the Year	(122)	(260)
Shareholder's Funds	1,813	1,935
Total Assets	5,519	4,345

Dunedin International Airport Ltd



■ WHAT WE DO

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, as well as Momona Garage.

■ WHAT WE DID THIS YEAR

Dunedin Airport has continued to improve its operations and experience ongoing growth in both the aeronautical and non-aeronautical parts of the business in the 2019 financial year. It has been a busy year with operational improvements made across the business along with the commencement of the Terminal Expansion Project (TXP).

There remains strong demand for services through Dunedin Airport. Pleasingly, the 2018 – 2019 year saw a further increase in passenger numbers of 4.5% to 1,077,475.

Last year the airport reported that its busiest month on record was March 2018, with 95,163 passengers. That record was surpassed twice this year, with March 2019 at 99,457 the airport's new busiest month on record.

Dunedin Airport's total revenue increased by 4.0% to \$17,190,000. The after-tax operating surplus was \$3,587,000, surpassing last year by \$312,000, or 9.5%.

Aeronautical revenue (excluding departure fees) of \$7,498,000, which constituted 43.6% of total revenue, was 2.9% ahead of the previous year. Non-aeronautical income increased 8.6% above last year to \$10,073,000. This revenue stream is derived from passenger activities, retail, property, car parking and the airport's dairy farming operations and constitutes 58.6% of total revenue.

The dividend declared at the 2018 Annual General Meeting and distributed to shareholders during the 2019 financial year remained in line with the previous year and forecasts at \$1,408,000.

In February 2019, Dunedin Airport instigated the Lower South New

Zealand strategy. This was an ambitious strategy to bring together the Regional Tourism Organisations (RTOs), Virgin Australia and complementary airports of the lower south to promote a "whole of region" offer.

The other significant project has been the Terminal Expansion Project (TXP). \$7.3m of capital expenditure has been invested this year in this project, which will add approximately 1,200m² of floor area to the terminal building. The security screening area will be increased by 157% and the post screening boarding lounge area will be increased by nearly twice the size of the current space. Stage One opened in August 2019, with Stage Two due to follow early in 2020.

Dunedin Airport looks forward to more reasons to promote and celebrate the destination that is Dunedin through events, concerts and sports games.



■ THE PEOPLE

Directors	Tony D Allison (Chair)
	Patricia A Oakley
	Mark F Rogers
	Jonathan G S Cameron (from 31.10.2018)
	Stuart J McLauchlan (until 31.10.2018)
Chief Executive	Richard Roberts

■ AT A GLANCE

	2019 \$'000	2018 \$'000
Revenue	17,190	16,522
Net Surplus for the Year	3,587	3,275
Shareholder's Funds	63,728	61,781
Total Assets	94,634	88,657

statement of responsibility

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

The Board of Dunedin City Holdings Ltd accepts 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 Ltd, except for any adjustments that may have been required in relation

to the carrying value of Dunedin Stadium Property Ltd's fixed assets in the group financial statements, the depreciation expense in the group statement of financial performance and the related financial information in the group statement of service performance, the annual group financial statements fairly reflect the financial position and operations of Dunedin City Holdings Ltd for the financial year ended 30 June 2019.

Director
19 September 2019

Director
19 September 2019

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

group financial statistics

	2019	2018	2017	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	299,583	290,757	275,073	270,625	251,067
Profit before tax, impairment and subvention payment from continuing activities	10,379	24,253	28,902	37,452	26,429
Profit/(loss) after tax from continuing operations	4,186	15,493	18,512	20,309	12,755
Tax	6,193	8,760	10,390	9,851	6,382
Surplus/(deficit) after tax	4,186	15,493	18,512	20,309	12,952
Net interest paid to the Council on advance	5,902	5,902	5,902	5,902	5,902
After tax cost of Dunedin Stadium Property Ltd subvention payment	-	-	-	5,250	5,250
Net surplus before shareholder interest and subvention	10,088	21,395	24,414	31,461	24,104
Cash flows from operating activities	31,606	31,892	34,416	31,634	32,565
Shareholder's funds	333,138	345,124	320,129	285,615	175,173
Shareholder's advance	112,000	112,000	112,000	112,000	112,000
Total shareholder's interest	445,138	457,124	432,129	397,615	287,173
Rate of return (on shareholder funds)	1.3%	4.5%	5.8%	7.1%	7.4%
Dividend paid	-	-	-	-	4,548
Net interest paid to the Council on advance	5,902	5,902	5,902	5,902	5,902
After tax cost of Dunedin Stadium Property Ltd subvention payment	-	-	-	5,250	5,250
Total interest, subvention and dividends paid to the Council	5,902	5,902	5,902	11,152	15,700
Total assets	1,345,804	1,241,463	1,171,778	1,143,093	1,029,435
Shareholder's funds to total assets	24.8%	27.8%	27.3%	25.0%	17.0%

statement of financial performance

For the year ended 30 June 2019

	<i>Note</i>	Group 2019 \$'000	Group 2018 \$'000
Revenue			
Operating revenue	1	267,753	263,487
Financial income	2	11,497	13,685
Gain in fair value of forestry land	7	20,333	19,672
Total operating revenue		299,583	296,844
Expenditure			
Other expenses	3	161,050	153,385
Employee expenses		66,000	57,313
Audit fees	3	772	394
Financial expenses	3	33,392	34,510
Depreciation and amortisation		29,784	28,627
Total operating expenditure		290,998	274,229
Operating surplus		8,585	22,615
Share of associate surplus		1,794	1,638
Surplus before taxation		10,379	24,253
Less taxation expense	4	6,193	8,760
Surplus after taxation		4,186	15,493
Attributable to:			
Equity holders of the parent		4,220	15,566
Minority Interest		(34)	(73)
		4,186	15,493

statement of comprehensive income

For the year ended 30 June 2019

	Note	Group 2019 \$'000	Group 2018 \$'000
Other comprehensive income			
Gain (loss) on forestry land revaluations		4,734	2,277
Gain (loss) on interest rate swap hedges		(25,691)	(6,483)
Gain (loss) on foreign exchange hedges		497	(1,303)
Gain (loss) on carbon credit revaluation		2,846	5,158
Other comprehensive income associates		(116)	177
Income tax on other comprehensive income		(992)	(1,059)
Net income recognised directly as other comprehensive income		(18,722)	(1,233)
Surplus after taxation		4,186	15,493
Total comprehensive income for the year		(14,536)	14,260
Attributable to:			
Equity holders of the parent		(14,502)	14,333
Minority interest		(34)	(73)
		(14,536)	14,260

statement of changes in equity

For the year ended 30 June 2019

	<i>Note</i>	Group 2019 \$'000	Group 2018 \$'000
Movements in equity			
Opening equity		345,124	328,314
Total comprehensive income for the year		(14,536)	14,260
Contributions of Equity		2,550	2,550
Distributions to equity holders of the parent		-	-
Closing equity		333,138	345,124

balance sheet

For the year ended 30 June 2019

	Note	Group 2019 \$'000	Group 2018 \$'000
Current assets			
Cash and cash equivalents	12	17,374	1,973
Other current financial assets	5	1,319	31,980
Derivative financial instruments	20	-	-
Trade and other receivables	13	29,916	28,784
Taxation refund receivable		5,678	2,654
Inventories	9	10,890	11,356
Prepayments		853	945
Total current assets		66,030	77,692
Non-current assets			
Term receivables	13	11,041	11,968
Other non-current financial assets	5	218,510	170,009
Derivative financial instruments	20	14,825	11,262
Investments in associate companies	11	31,841	30,867
Intangible assets - carbon credits	8	26,894	27,024
Intangible assets - other		951	1,236
Forestry assets	7	164,010	150,172
Property, plant and equipment	6	811,702	761,233
Total non current assets		1,279,774	1,163,771
Total assets		1,345,804	1,241,463

balance sheet (continued)

For the year ended 30 June 2019

	Note	Group 2019 \$'000	Group 2018 \$'000
Current liabilities			
Short term borrowings	16	620	3,638
Trade and other payables	14	30,392	28,612
Employee entitlements / provisions	22	6,405	5,539
Accrued expenditure	15	5,041	332
Derivative financial instruments	20	956	786
Provision for tax		6,934	5,096
Current portion of term loans	17	-	-
Total current liabilities		50,348	44,003
Non-current liabilities			
Term loans	17	690,596	609,570
Shareholder's advance - DCC	18	112,000	112,000
Employee entitlements	22	986	967
Other non-current liabilities	19	531	963
Derivative financial instruments	20	43,512	20,889
Deferred taxation	4	114,693	107,947
Total non-current liabilities		962,318	852,336
Equity			
Share capital	26	123,589	121,039
Accumulated funds	27	142,540	143,072
Minority interest in subsidiaries		512	543
Revaluation reserves	28	16,712	16,828
Cash flow hedge reserves	28	(36,077)	(10,686)
Forest revaluation reserves	28	80,165	65,917
Carbon credit reserve	28	5,697	8,411
Total equity		333,138	345,124
Total liabilities and equity		1,345,804	1,241,463

statement of cashflows

For the year ended 30 June 2019

	Note	Group 2019 \$'000	Group 2018 \$'000
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		266,786	229,242
Effect of exchange		(799)	559
Interest received		11,154	12,347
Income tax refund		486	591
Dividend received		704	704
		<u>278,331</u>	<u>243,443</u>
<i>Cash was applied to:</i>			
Suppliers and employees		212,612	172,490
Finance costs paid		32,990	35,012
Taxation paid		1,917	2,817
Net GST paid/ (received)		(794)	1,232
		<u>246,725</u>	<u>211,551</u>
Net cash flow from operating activities	32	<u>31,606</u>	<u>31,892</u>
Cash flow from investing activities			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		327	2,460
Carbon credits sold		7,215	8,010
Decrease in investments		1,773	1,961
		<u>9,315</u>	<u>12,431</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		81,475	97,489
Increase in investments		18,500	-
		<u>99,975</u>	<u>97,489</u>
Net cash flow from investing activities		<u>(90,660)</u>	<u>(85,058)</u>
Cash flow from financing activities			
<i>Cash was provided from:</i>			
Call on Capital		2,550	2,550
Loans raised		71,905	42,695
		<u>74,455</u>	<u>45,245</u>
<i>Cash was applied to:</i>			
Loans repaid		-	5,178
		<u>-</u>	<u>5,178</u>
Net cash flow from financing activities		<u>74,455</u>	<u>40,067</u>
Net increase/(decrease) in cash		15,401	(13,099)
Opening cash and cash equivalents		<u>1,973</u>	<u>15,072</u>
Closing cash and cash equivalents		<u>17,374</u>	<u>1,973</u>

Notes to the financial statements

For the year ended 30 June 2019

■ REPORTING ENTITY

The financial statements presented here are the consolidated financial statements of the Group comprising Dunedin City Holdings Ltd (the Company) and its subsidiary and associate companies.

Dunedin City Holdings Ltd 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, the Dunedin City Council.

The financial statements of the Dunedin City Holdings Ltd Group are for the year ended 30 June 2019.

The registered address of the Company is 50 The Octagon, Dunedin 9016.

Dunedin City Holdings Ltd is a profit orientated entity.

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

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

■ STATEMENT OF COMPLIANCE

The Group 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 19 September 2019.

■ 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, with the exception of the valuation of Dunedin Stadium Property's fixed assets and the related depreciation expense.

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.

Investments in subsidiaries in the Parent Company are valued at cost.

■ 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.

■ 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 10 and 11);
- valuation of forestry assets (note 7);
- valuation of derivative financial instruments (note 20);
- carrying value of the deferred tax liability (note 4).

■ 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 one change in accounting policy as discussed below. 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 Outline
NZ IFRS 15 <i>Revenue from contracts with customers</i> Adoption date: year ended 30 June 2019	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. No material change to the revenue levels disclosed was required.
NZ IFRS 9 Financial Instruments Adoption date: year ended 30 June 2019	NZ IFRS 9 <i>Financial Instruments</i> will eventually replace NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . 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 profit or loss. This new standard had minimal impact on the Group reporting. As part of implementing the revised standard the Group determined the historical loss rate on trade receivables balances and provided in the doubtful debt provision for an expected credit loss in the future.

■ 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
<i>Amendments to NZ IAS 16 Leases</i> . Adoption date: periods beginning on or after 1 January 2019	NZ IFRS 16 removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. This is likely to have a material impact on the Company's financial statements and leading up to implementation the Company will review the new standard to ensure appropriate disclosure. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

■ CHANGE IN ACCOUNTING POLICY

In prior years City Forests Limited used 'cost' as a basis for allocating 'decreases due to harvest'. As at 30 June 2019, City Forests Limited has adopted 'fair value' as the basis for decreases due to harvest in line with NZ IAS 41 Agriculture. As a result, the Company has restated the fair value allocation of decreases due to harvest for the 2018 financial statements. The results of this is shown below in the revised statement of financial performance (and related notes), and the forestry assets reconciliation (per note 7). There is no net change in the Balance Sheet due to this reinstatement.

	Group 2018 Reported Position \$'000	Group Fair Value Adjustment \$'000	Group Restated Position \$'000
Total revenue (including Fair Value of Forestry Asset)	290,757	6,087	296,844
Total expenses	268,142	6,087	274,229
Profit before tax	22,615	-	22,615
Share of associate surplus	1,638	-	1,638
Surplus before tax	24,253	-	24,253
Income tax expenses	8,760	-	8,760
Net profit after tax	15,493	-	15,493
Other comprehensive income	(1,233)		(1,233)
Total comprehensive income for the year	14,260		14,260

Forestry assets (note 7)

Balance at the beginning of the year	136,333	-	136,333
Add costs capitalised in establishing forests during the year	2,353	-	2,353
Increase in forest from acquisition	2,575	-	2,575
Revaluation	13,585	6,087	19,672
Less Value of logs harvested	(4,674)	(6,087)	(10,761)
Balance at the end of the year	150,172	-	150,172

■ 1 OPERATING REVENUE

Accounting policy

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.

The Group applied IFRS 15 Revenue from Contracts with Customers from the 1 July 2018 and elected to use the modified retrospective approach in that prior year numbers were not restated and any impact to prior year revenue is recognised by an adjustment to opening retained earnings. Other than increased qualitative disclosures regarding revenue, there was no impact on the level of revenue disclosed as a result of adopting this standard and therefore no adjustment to opening retained earnings was required.

■ 1 OPERATING REVENUE continued

The Group earns revenue from the following main sources:

Line charges and pass-through and recoverable cost revenue is recognised at the fair value of services provided. These revenue streams relate to the provision of distribution services for electricity. Prices are regulated and customers are charged through a mix of fixed charges which are recognised on a straight line basis and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15 this revenue is recognised during the period in which the service is delivered.

Customer contribution revenue relates to contributions received from customers towards the costs of reticulating electricity to new connections, constructing uneconomic lines and relocating existing network assets. Revenue is generally recognised at the time the new connection is fully constructed and lived in. For contracts with multiple performance obligations revenue is recognised at the point in time when each performance obligation is satisfied.

Electrical Services revenue includes both capital and maintenance work for a variety of customers predominantly in the South Island. These works generally create or enhance an existing asset which the customer controls and that customer simultaneously receives / consumes the benefit as Delta performs the work. Work is generally performed based on a quoted price, a schedule of rates or a contract milestone. Revenue is generally recognised as invoiced for services rendered on a monthly basis, Work in progress based on stage of completion or Work in progress based on an approved claim.

Meters and related services works are provided to retailers and the public throughout New Zealand and are generally based on fixed amounts / unit rates for specific services provided. Generally works are completed in a 1-2 hour timeframe and monthly claims are agreed with customers prior to billing. Revenue is generally recognised as invoiced for services rendered during the month. Greenspace and Tree services works are mainly provided to councils and electricity distribution businesses throughout the South Island. These works generally create or enhance an existing asset which the customer controls and that customer simultaneously receives / consumes the benefit as Delta performs the work. Work is generally performed based on a quoted price or a schedule of rates. Revenue is generally recognised as invoiced for services rendered on a monthly basis.

In respect of export sales, the largest category of forestry sales revenue, the Group has determined that there are two performance obligations. The Group is obligated under the contract to supply the specified goods and also to arrange and pay for shipping and insurance on behalf of the customer. Control of the goods passes, and the service of arranging shipping and insurance is complete, at the point when the goods have been loaded onto a ship at the port of departure, to be delivered to the customer's chosen destination. Revenue is recognised at this point in time. In respect of domestic sales within New Zealand, control is considered to be transferred to the customer on delivery of the goods.

All venues management income is either related to an ongoing contract over a period of time (unused contracts quantified and shown as contract liabilities), or is event based. Memberships, corporate box licenses, signage and sponsorship agreements range from one year to ten years. Payment for these items has been received and recorded as income received in advance. This income is amortised as revenue on a straight-line basis over the term of the agreement.

	Group 2019 \$'000	Group 2018 \$'000
Line charges	62,562	59,541
Pass-through and recoverable cost revenue	35,321	40,196
Customer contributions	3,533	4,194
Electrical services	47,591	42,862
Meters and related services	8,389	9,471
Greenspace services	18,573	18,172
Tree services	5,777	4,887
Forestry sales revenue	58,810	52,718
New Zealand carbon credit sales	4,247	6,467
Venues management income	13,564	16,529
Railway income	9,216	7,547
Other operating revenue	161	421
Gain on sale of assets	9	482
	267,753	263,487

■ 2 FINANCIAL INCOME

Accounting policy

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

	Group 2019 \$'000	Group 2018 \$'000
Interest on advances to related parties	10,543	12,082
Interest on other investments	954	1,043
Dividends	-	1
Net gain on foreign currency transactions	-	559
	11,497	13,685

■ 3 SEPARATELY DISCLOSED EXPENDITURE

Accounting policy

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.

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.

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.

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

■ 3 SEPARATELY DISCLOSED EXPENDITURE continued

	Group 2019 \$'000	Group 2018 \$'000
Other expenses		
Bad debts written off	88	154
Impairment of intangible assets	18	10
Increase/(decrease) in impairment provision for receivables	317	116
Donations	19	31
Rental expense on operating leases	4,369	3,828
Research expenditure	214	205
Other expenditure	156,025	149,041
Expenditure of continuing activities	161,050	153,385

	Group 2019 \$'000	Group 2018 \$'000
Audit fees		
Audit New Zealand:		
Financial statements	304	269
Regulatory (information disclosure) reporting	35	20
Price and quality thresholds and other regulatory reporting	25	15
Other Providers:		
Other audit fees	408	90
Total audit fees	772	394

Accounting policy

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.

	Group 2019 \$'000	Group 2018 \$'000
Financial expenses		
Interest - related parties	5,945	5,872
Interest - term loans	26,648	28,638
Net loss on foreign currency transactions	799	-
Total financial expenses	33,392	34,510

■ 4 TAXATION

Accounting policy

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.

	Group 2019 \$'000	Group 2018 \$'000
Income Tax		
Operating surplus/(loss)	10,379	24,253
Tax thereon at 28%	2,906	6,791
Plus/(Less) the tax effect of differences		
Revenue not liable for taxation	(1,156)	(301)
Expenditure not deductible for taxation	3,907	1,587
Tax losses to be utilised	(4)	384
Under/(over) tax provision in prior years	100	(195)
Other	440	494
Taxation charge	6,193	8,760
Effective tax rate	59.7%	36.1%
The taxation charge is represented by:		
Current tax provision	707	1,944
Deferred tax provision	5,390	7,011
Under/(over) tax provision in prior years	55	70
Under/(over) deferred tax in prior years	41	(265)
	6,193	8,760
Tax expense continuing activity	6,193	8,760
Tax expense discontinued activity	-	-
	6,193	8,760

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, City Forests Limited and Dunedin Venues Management Limited are members of an income tax consolidated Group. The income tax consolidated Group is taxed as a single entity and each member is jointly and severally liable for the Group's income tax liability, except to the extent that members of the group elect to limit this 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 2018 and earlier years which will be available for use in subsequent reporting periods totalling \$17,101,000 (2018: \$17,682,265).

■ 4 TAXATION continued

Accounting policy

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax 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.

	Group \$'000	Group \$'000	Group \$'000	Group \$'000	Group \$'000	Group \$'000
Deferred tax	Opening Balance Sheet	Charged to Equity	Charged to Income	Closing Balance Sheet Assets	Closing Balance Sheet Liabilities	Closing Balance Sheet Net
2019						
Property, plant and equipment	59,872	-	3,268	(276)	63,416	63,140
Employee benefits	3,944	-	(290)	(2,135)	5,789	3,654
Forest	28,200	-	3,700	-	31,900	31,900
Forest costs capitalised	9,794	-	35	-	9,829	9,829
Other Investments	7,388	796	(748)	(49)	7,391	7,342
Hedge reserve – foreign exchange contracts	(223)	138	-	(85)	-	(85)
Hedge reserve – interest rate swaps	(1,028)	(59)	-	(1,087)	-	(1,087)
Balance at the end of the year	107,947	875	5,965	(3,632)	118,325	114,693
2018						
Property, plant and equipment	57,571	-	2,301	(283)	60,155	59,872
Employee benefits	3,812	-	132	(1,521)	5,465	3,944
Forest	24,396	-	3,804	-	28,200	28,200
Forest costs capitalised	10,178	-	(384)	-	9,794	9,794
Other Investments	5,363	1,285	740	(25)	7,413	7,388
Hedge reserve – foreign exchange contracts	141	(364)	-	(223)	-	(223)
Hedge reserve – interest rate swaps	(1,166)	138	-	(1,028)	-	(1,028)
Balance at the end of the year	100,295	1,059	6,593	(3,080)	111,027	107,947

■ 5 OTHER FINANCIAL ASSETS

Accounting policy

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.

	Group 2019 \$'000	Group 2018 \$'000
Current loan repayments due from Dunedin City Council	-	30,000
Other current financial assets	1,319	1,980
Total other current financial assets	1,319	31,980
Loan repayments due from Dunedin City Council:		
Maturity one to five years	-	57,515
Maturity over five years	218,500	112,485
	218,500	170,000
Shares and units in other companies and funds	10	9
Total other non current financial assets	218,510	170,009

Advances

The advances (above) due from the Dunedin City Council had a weighted average interest rate of 4.99% (2018: 4.77%).

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.

■ 6 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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.

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.

■ 6 PROPERTY, PLANT AND EQUIPMENT continued

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.

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 Morice Limited.

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

	Rate	Method
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:

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

■ 6 PROPERTY, PLANT AND EQUIPMENT continued

Property, plant and equipment 2019	Group Land \$'000	Group Forest Land \$'000	Group Buildings \$'000	Group Roads Bridges \$'000	Group Network \$'000	Group Plant Equipment \$'000	Group Sub-total \$'000
Cost or valuation							
Balance at the beginning of the year	38,599	43,322	146,040	7,886	601,654	89,366	926,867
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	1,132	10,750	7,504	254	71,446	2,599	93,685
Sales	(118)	-	(19)	-	(1,401)	(719)	(2,257)
Transfers	-	-	40	-	-	(17)	23
Balance at the end of the year	39,613	54,072	153,565	8,140	671,699	91,229	1,018,318
Accumulated depreciation							
Balance at the beginning of the year	-	1,847	21,495	4,252	161,372	49,833	238,799
Increase through acquisition	-	-	-	-	-	-	-
Depreciation	-	-	2,893	192	17,408	5,924	26,417
Impairment	-	462	2	-	-	-	464
Sales	-	-	(7)	-	(356)	(570)	(933)
Transfers	-	-	-	-	-	(17)	(17)
	-	2,309	24,383	4,444	178,424	55,170	264,730
Balance at the end of the year	39,613	51,763	129,182	3,696	493,275	36,059	753,588
Comprising:							
Cost	38,858	-	129,182	3,696	493,275	36,059	701,070
Valuation	755	51,763	-	-	-	-	52,518
Property, plant and equipment 2019	Group Sub-total \$'000	Group Motor Vehicles \$'000	Group Office Equipemnt \$'000	Group Loco- motives \$'000	Group Railway Track \$'000	Group Work in Progress \$'000	Group Total \$'000
Cost or valuation							
Balance at the beginning of the year	926,867	26,718	1,090	4,339	575	58,941	1,018,530
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	93,685	2,250	227	944	360	(15,252)	82,214
Sales	(2,257)	(447)	(87)	-	-	(705)	(3,496)
Transfers	23	68	(10)	-	-	(108)	(27)
Balance at end of year	1,018,318	28,589	1,220	5,283	935	42,876	1,097,221
Accumulated depreciation	-						
Balance at the beginning of the year	238,799	15,639	574	2,225	61	-	257,298
Increase through acquisition	-	-	-	-	-	-	-
Depreciation	26,417	2,354	127	301	12	-	29,211
Impairment	464	-	-	25	-	-	489
Sales	(933)	(436)	(83)	-	-	-	(1,452)
Transfers	(17)	-	(10)	-	-	-	(27)
	264,730	17,557	608	2,551	73	-	285,519
Balance at the end of the year	753,588	11,032	612	2,732	862	42,876	811,702
Comprising:							
Cost	701,070	11,032	612	2,732	862	42,876	759,184
Valuation	52,518	-	-	-	-	-	52,518

■ 6 PROPERTY, PLANT AND EQUIPMENT continued

Property, plant and equipment 2018	Group Land \$'000	Group Forest Land \$'000	Group Buildings \$'000	Group Roads Bridges \$'000	Group Network \$'000	Group Plant Equipment \$'000	Group Sub-total \$'000
Cost or valuation							
Balance at the beginning of the year	38,569	36,144	146,512	7,188	542,316	92,384	863,113
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	30	5,650	617	698	60,603	1,839	69,437
Sales	(290)	-	(1,641)	-	(1,265)	(7,982)	(11,178)
Transfers	290	-	552	-	-	2,690	3,532
Balance at the end of the year	38,599	41,794	146,040	7,886	601,654	88,931	924,904
Accumulated depreciation							-
Balance at the beginning of the year	-	389	19,729	4,072	145,888	48,256	218,334
Increase through acquisition	-	-	-	-	-	7	7
Depreciation	-	-	2,851	180	16,039	6,114	25,184
Impairment	-	(70)	(1,081)	-	-	(3,159)	(4,310)
Sales	(30)	-	(264)	-	(555)	(3,771)	(4,620)
Transfers	30	-	260	-	-	2,054	2,344
	-	319	21,495	4,252	161,372	49,501	236,939
Balance at the end of the year	38,599	41,475	124,545	3,634	440,282	39,430	687,965
Comprising:							
Cost	38,599	-	124,545	3,634	440,282	39,430	646,490
Valuation	-	41,475	-	-	-	-	41,475
Property, plant and equipment 2018	Group Sub-total \$'000	Group Motor Vehicles \$'000	Group Office Equipemnt \$'000	Group Loco- motives \$'000	Group Railway Track \$'000	Group Work in Progress \$'000	Group Total \$'000
Cost or valuation							
Balance at the beginning of the year	863,113	26,934	1,001	4,738	639	41,366	937,791
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	69,437	2,302	515	130	77	18,012	90,473
Sales	(11,178)	(2,849)	(74)	(529)	(141)	(139)	(14,910)
Transfers	3,532	331	83	-	-	(298)	3,648
Balance at the end of the year	924,904	26,718	1,525	4,339	575	58,941	1,017,002
Accumulated depreciation							
Balance at the beginning of the year	218,334	15,493	762	2,557	192	-	237,338
Increase through acquisition	7	-	21	-	-	-	28
Depreciation	25,184	2,420	109	282	10	-	28,005
Impairment	(4,310)	(77)	(2)	-	-	-	(4,389)
Sales	(4,620)	(2,313)	(66)	(614)	(141)	-	(7,754)
Transfers	2,344	116	81	-	-	-	2,541
	236,939	15,639	905	2,225	61	-	255,769
Balance at the end of the year	687,965	11,079	620	2,114	514	58,941	761,233
Comprising:							
Cost	646,490	11,079	620	2,114	514	58,941	719,758
Valuation	41,475	-	-	-	-	-	41,475

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

■ 7 FORESTRY ASSETS

Accounting policy

The group capitalises the initial costs for the establishment of the forest and all subsequent costs. These costs include site preparation, establishment, releasing, fertilising and tending.

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 statement of comprehensive income via surplus or deficit.

	Group 2019 \$'000	Group 2018 \$'000
Balance at the beginning of the year	150,172	136,333
Add costs capitalised in establishing forests during the year	2,275	2,353
Increase in forest from acquisition	90	2,575
Revaluation	20,333	19,672
Less Value of logs harvested	(8,860)	(10,761)
Balance at the end of the year	164,010	150,172
Gains/(losses) arising from changes in fair value less point of sale costs:		
Attributable to physical changes	7,224	12,097
Attributable to price changes	13,109	7,575
	20,333	19,672

The directors of City Forests Limited revalue its forestry assets annually, and the Group adopts that value.

The valuation methodology used establishes the fair value of the collective forest crop and an independent market value has been used to establish the forest land value. 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 6.0% (2018: 6.5%).

The forestry valuation is subject to a number of assumptions. The ones with the most significant volatility or impact on the valuation are the discount rate applied and log prices adopted. The discount rate adopted was 6.0%; a +/- 50 basis point movement in the discount rate would change the valuation by +\$8.85 mil / -\$8.04 mil. A 10% increase or decrease in assumed log prices would change the valuation by +\$13.59 mil / -\$13.56 mil; (note that these sensitivities are shown are independent and different outcome would result from combined changes in discount and log prices).

At 30 June 2019 the Company owned stands of trees on 18,143 hectares of a total land holding (including lease, Joint Venture & Forestry Right) of 22,544 hectares. During the year the Company harvested approx. 336,374 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 21, Financial Risk. 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 Woodlands Pacific. The peer review was completed with regard to a summary of market transactions at arms length terms and current market conditions. The valuation assumptions include all direct costs and revenues.

■ 8 NEW ZEALAND CARBON CREDITS

Accounting policy

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. Emissions obligations are recognised as a current or future liability depending on the legislated liability period. The difference between initial fair value or previous annual revaluations and disposal or revaluation value of the units is recognised in other comprehensive income

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 2,503,401 Post-89 derived NZU's, being the carbon sequestered by these forests during the 2008 to 2019 calendar years. There has been carbon credit sales during the financial year of 300,000 units.

As at 30th June 2019, 1,164,008 units were unsold (2018: 1,280,834). 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 30 June 2018 \$'000	Year ending 30 June 2017 \$'000
New Zealand carbon credits - non current	26,894	27,024

■ 9 INVENTORIES

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Log inventories are initially valued at fair value less 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.

	Group 2019 \$'000	Group 2018 \$'000
Raw materials and stores	6,442	6,986
Work in progress	4,393	4,370
Finished goods	55	-
	<u>10,890</u>	<u>11,356</u>

■ 10 INVESTMENTS IN SUBSIDIARY COMPANIES

	2019 Percentage Interest Held	2018 Percentage Interest Held
Parent company		
Name of entity (principal activities)		
City Forests Limited (Forestry)	100	100
Dunedin City Treasury Limited (Finance)	100	100
Aurora Energy Limited (Energy)	100	100
Dunedin Railways Limited (Transport)	72	72
Delta Utility Services Limited (Contractor and Asset Manager)	100	100
Dunedin Stadium Property Limited (Stadium ownership)	100	100
Dunedin Venues Management Limited (Events)	100	100

All subsidiary companies have balance dates of 30 June 2019.

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.

It is possible a commercial based valuation of the Dunedin Stadium Property Limited assets (Forsyth Barr Stadium) could be materially lower than the carrying value recorded in the Group's statement of financial position. The stadium is a unique asset with no active market to make a reasonable assessment of fair value between a willing buyer and seller. Whilst it is possible to identify certain cash flows with stadium assets, its primary purpose is to provide public benefit for which there are limited or no directly attributable cash flows within the Group. As such, the nature of existing cash flows within the Group do not necessarily represent commercial cash flows for the purposes of undertaking a discounted cash flow calculation to assess fair value. These factors mean that establishing a commercial value using a market value or discounted cash flow approach involves significant assumptions and estimates which would be highly uncertain. As a result, the Group is not able to reasonably assess the value of the acquired stadium assets on a commercial basis and consequently are also unable to determine the amount of the adjustment required. Any adjustment required to the stadium assets would be adjusted directly in equity.

11 INVESTMENTS IN ASSOCIATE COMPANIES

Accounting policy

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.

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

	Group 2019 Percentage Interest Held	Group 2018 Percentage Interest Held
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Name of entity (principal activities, place of business)

Dunedin International Airport Limited (Transport, Momona NZ)

50

50

For the purpose of applying the equity method of accounting, the financial statements of Dunedin International Airport Limited for the year ended 30 June have been used.

The associate companies is not listed and therefore there are no published price quotations to establish the fair value of the investment.

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

■ 11 INVESTMENTS IN ASSOCIATE COMPANIES continued

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

Dunedin International Airport Limited	As at 30 June 2019 \$'000	As at 30 June 2018 \$'000
Summarised statement of financial position		
Current assets		
Cash and cash equivalents	473	699
Other current assets	1,784	1,276
Total current assets	2,257	1,975
Non-current assets	92,377	86,684
Total assets	94,634	88,659
Current liabilities	8,072	3,840
Non-current liabilities		
Financial Liabilities	8,000	8,000
Other financial liabilities	14,834	15,036
Total-non current liabilities	22,834	23,036
Total liabilities	30,906	26,876
Net assets	63,728	61,783
Less Impairment	-	-
Other adjustments	(46)	(50)
Net assets after impairment and other adjustments	63,682	61,733
Carrying value of associates 50%	31,841	30,867
Summarised statement of comprehensive income		
Revenue (excl interest received)	17,571	16,560
(Loss)/Gain on investment and sale of PPE	(396)	(130)
Interest and Dividends received	15	92
Total Revenue	17,190	16,522
Less expenses		
Depreciation and amortisation	3,075	2,957
Interest expense	472	469
Other expenses	8,460	8,335
Total expenses	12,007	11,761
Operating surplus/(deficit) before tax	5,183	4,761
Income tax	1,596	1,486
Operating surplus/(deficit) after tax	3,587	3,275
Other comprehensive income	(232)	355
Total comprehensive income/(deficit)	3,355	3,630
Dividends received from associate	704	704

12 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

	Group 2019 \$'000	Group 2018 \$'000
Cash and bank	17,374	1,973

"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.

13 TRADE AND OTHER RECEIVABLES

Accounting policy

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

All past due balances are considered collectable, however in line with NZ IFRS 9 the Group applies a simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure credit losses, trade receivables are grouped based on similar credit risk and aging. The expected loss rates factor in the credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for where necessary based on current and forward-looking macroeconomic factors affecting the Group's customers.

	Group 2019 \$'000	Group 2018 \$'000
Trade receivables	20,896	18,437
Estimated impairment	(905)	(596)
	19,991	17,841
Due from related parties:		
Subsidiaries	-	-
Other related parties	1,802	268
Other current receivables	8,123	10,675
	29,916	28,784
Term receivables	11,041	11,968

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

The term receivable arose from Delta Utility Services Limited's supply of infrastructure services on a Christchurch development property and it is secured by a second mortgage over that development property. Interest is payable on this balance and loan repayments commenced in February 2019.

A summary of all receivables impaired or otherwise, is included at Note 21. The estimated doubtful debts provision relates entirely to the general provision for estimated credit loss.

■ 13 TRADE AND OTHER RECEIVABLES continued

	Group 2019 \$'000	Group 2018 \$'000
Opening doubtful debts provision	(596)	(403)
Additional provisions made during the year	(443)	(378)
Receivables written off during the year	88	154
Provisions reversed during the year	46	31
Doubtful debts on acquisition	-	-
Closing doubtful debts provision	(905)	(596)

■ 14 TRADE AND OTHER PAYABLES

Accounting policy

Trade and other payables are stated at cost.

	Group 2019 \$'000	Group 2018 \$'000
Trade payables	27,614	26,739
Due to related parties:		
Dunedin City Council and subsidiaries	-	78
	-	78
Other payables:		
GST payable	596	514
Other current liabilities	2,182	1,281
	2,778	1,795
	30,392	28,612

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

■ 15 ACCRUED EXPENDITURE

	Group 2019 \$'000	Group 2018 \$'000
Accruals	5,041	332

Aurora Energy Limited breached network reliability standards contained in the Commerce Commission's default price-quality path for Electricity Distribution Businesses in the 2015, 2016, 2017 and 2018 disclosure years. The Company also breached its regulated network reliability target for the 2019 disclosure year. As at 30 June 2019, a \$5 million provision has been made for pecuniary penalties that are likely to arise from these network reliability quality breaches.

■ 16 SHORT TERM BORROWINGS

	Group 2019 \$'000	Group 2018 \$'000
Short term borrowing	620	3,638
	620	3,638

The Group's short term borrowings are unsecured and are arranged at floating interest rates thus exposing the Group to cash flow interest rate risk.

■ 17 TERM BORROWINGS (SECURED)

Accounting policy

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the 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.

	Group 2019 \$'000	Group 2018 \$'000
Current	-	-
Non-current		
Multi-option debt facility	690,596	609,570
	690,596	609,570

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

Three independent banks have provided committed facilities to the amount of \$170 million (2017: \$125 million).

The amount of unamortised premium or (discount) on bonds on issue at 30 June 2019 is nil (2018: nil).

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

Dunedin City Treasury Limited issues bonds with a floating or fixed interest rate. The issuing of bonds at fixed interest rates exposes the Group to fair value interest rate risk. As at 30 June 2019 Dunedin City Treasury Limited had the following bonds on issue and promissory notes:

■ 17 TERM BORROWINGS (SECURED) continued

Multi-option debt facility	Interest Rate	Group 2019 \$'000	Group 2018 \$'000
Promissory notes		159,313	119,389
Bonds 17/7/18	Coupon rate 6.57%	-	50,000
Bonds 17/12/18	Coupon rate 6.85%	-	15,000
Floating rate notes 15/11/19	50bp over BKBM	50,000	50,000
Floating rate notes 16/10/20	43bp over BKBM	45,000	45,000
Bonds 16/11/20	Coupon rate 5.56%	50,000	50,000
Bonds 15/4/21	Coupon rate 3.15%	30,000	30,000
Bonds 25/11/21	Coupon rate 4.88%	70,000	70,000
Floating rate notes 15/10/22	56bp over BKBM	50,000	50,000
Floating rate notes 15/02/24	65bp over BKBM	25,000	25,000
Bonds 16/10/24	Coupon rate 3.79%	35,000	35,000
Bonds 17/7/25	Coupon rate 3.61%	50,000	-
Bonds 15/4/26	Coupon rate 3.98%	65,000	65,000
Bonds 15/3/26	Coupon rate 2.90%	50,000	-
Fair value impact on bonds		11,283	5,181
Total term borrowings		690,596	609,570

The repayment period on the term borrowings is as follows:

	Group 2019 \$'000	Group 2018 \$'000
Repayable less than one year	209,313	65,000
Repayable between one to five years	275,623	414,389
Repayable later than five years	205,660	130,181
	690,596	609,570

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 2019 \$'000	Group 2018 \$'000
Multi-option note facility	703,578	615,686
Forestry loans	-	-

■ 18 SHAREHOLDER'S ADVANCE

	Group 2019 \$'000	Group 2018 \$'000
Balance at the end of the year	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 \$5.9 million (2018: \$5.9 million) on the advance. In 2019, the gross interest on the debt was set at 5.27% (2018: 5.27%).

■ 19 OTHER NON-CURRENT LIABILITIES

	Group 2019 \$'000	Group 2018 \$'000
Other non-current liabilities	531	963

■ 20 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

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.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. 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 statement of financial performance.

The use of financial derivatives within the Group is governed by the Dunedin City Council's Treasury Risk Management Policy (reviewed and last approved 2 October 2018). 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 statement of financial performance. 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 statement of financial performance.

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 asset or liability if the remaining maturity of the hedge relationship is less than twelve months.

■ 20 DERIVATIVE FINANCIAL INSTRUMENTS continued

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance 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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

In accordance with NZ IFRS 9's transitional provisions for hedge accounting, the Group has applied the NZ IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018. The Group's qualifying hedging relationships in place as at 1 July 2018 also qualify for hedge accounting in accordance with NZ IFRS 9 and were therefore regarded as continuing hedge relationships. No rebalancing of any of the hedging relationships was necessary on 1 July 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under NZ IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under NZ IFRS 9 that would not have met the qualifying hedge accounting criteria under NZ IAS 39.

	2019 Asset \$'000	2019 Liability \$'000	2018 Asset \$'000	2018 Liability \$'000
<i>Fair value</i>				
Interest rate swaps	14,825	44,468	11,262	21,675
Analysed as:				
Current	-	956	-	786
Non-current	14,825	43,512	11,262	20,889
	14,825	44,468	11,262	21,675

21 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.

21.1 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 Associate 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.

Dunedin City Holdings Limited's forecast distributions for each three year period are disclosed in its annual Statement of Intent.

21.2 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 17. The maturity profiles of the Group's financial assets and liabilities, with the exception of equity investments are explained in note 21.9.

21.3 Interest rate risk

Under the Dunedin City Council Treasury Risk Management Policy approved on 2 October 2018, Dunedin City Treasury Limited utilise a portfolio approach to manage interest rate risk for the Group.

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

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

	Group 2019 \$'000	Group 2018 \$'000
Maturing in less than one year	30,000	42,500
Maturing between one and five years	530,000	437,500
Maturing in more than five years	365,000	382,500
	<u>925,000</u>	<u>862,500</u>

■ 21 FINANCIAL RISK continued

21.4 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 2019 \$'000	Group 2018 \$'000
Forward foreign exchange contracts		
- fair value	(302)	(799)
- nominal value (sale of USD and purchase of NZD)	23,129	14,400
Forward foreign exchange contracts		
- fair value	-	-
- nominal value (sale of NZD and purchase of USD)	-	-

21.5 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 2019 %	Group 2018 %
Effectiveness	100	100

21.6 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 2019 \$'000	Group 2018 \$'000
Past due receivables		
Age analysis: 30-60 days	219	1,380
60-90 days	657	325
90 days plus	909	1,221

21 FINANCIAL RISK continued

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

Financial assets analysis

2019	AA	AA-	No Rating	Group
Cash and cash equivalents	-	17,374	-	17,374
Trade and other receivables	1,265	-	28,651	29,916
Advances due from related parties	218,500	-	1,329	219,829
Derivatives	-	14,825	-	14,825
NZ carbon credits	-	-	26,894	26,894
	219,765	32,199	56,874	308,838
2018				
Cash and cash equivalents	-	1,973	-	1,973
Trade and other receivables	1,874	-	26,910	28,784
Advances due from related parties	200,000	-	1,980	201,980
Derivatives	-	11,262	-	11,262
NZ carbon credits	-	-	27,024	27,024
	201,874	13,235	55,914	271,023

21.7 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 0.6719. A parallel shift of +1%/-1% in the NZD market interest rate from the year end 90 day BBBR of 1.64% (2018: 2.01%).

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.

	Carrying Amount \$'000	Interest Rate				FX	
		-100bp		+100bp		-10%	10%
2019		Profit	Equity	Profit	Equity	Profit	Profit
Financial assets							
Derivatives – designated as cash flow hedges (interest rate swap and forward currency deals separately disclosed)	14,825					(2,877)	1,797
Other financial assets	257,194					289	(237)
	272,019	-	-	-	-	(2,588)	1,560
Financial liabilities							
Derivatives – designated as cash flow hedges (interest rate swaps and forward currency deals separately disclosed)	44,468		(70,617)		(23,853)		
Other financial liabilities	830,830	(8,420)		2,252			
	875,298	(8,420)	(70,617)	2,252	(23,853)	-	-
Total increase/(decrease)		(8,420)	(70,617)	2,252	(23,853)	(2,588)	1,560

■ 21 FINANCIAL RISK continued

	Carrying Amount \$'000	Interest Rate				FX	
		-100bp		+100bp		-10%	10%
		Profit	Equity	Profit	Equity	Profit	Profit
2018							
Financial assets							
Derivatives – designated as cash flow hedges (interest rate swap and forward currency deals separately disclosed)	11,262	-	-	-	-	2,369	(1,938)
Other financial assets	221,803	-	-	-	-	209	(171)
	233,065	-	-	-	-	2,578	(2,109)
Financial liabilities							
Derivatives – designated as cash flow hedges (interest rate swaps and forward currency deals separately disclosed)	21,675	-	(22,137)	-	20,284	-	-
Other financial liabilities	751,947	1,120	-	(1,120)	-	-	-
	773,622	1,120	(22,137)	(1,120)	20,284	-	-
Total increase/(decrease)		1,120	(22,137)	(1,120)	20,284	2,578	(2,109)

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. A proportion of derivatives contracted with third parties are offset by corresponding contractual arrangements with the Dunedin City Council. An interest rate movement of plus or minus 1% across the yield curve would have no impact on profit and loss and equity for these derivatives.
5. The shareholder's advance of \$112 million from the Dunedin City Council to Dunedin City Holdings Limited is variable rate debt that is not hedged.

21 FINANCIAL RISK continued

21.8 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).

	Level 1 NZ \$'000	Level 2 NZ \$'000	Level 3 NZ \$'000	Total NZ \$'000
2019				
Financial assets				
Derivative financial assets	-	14,825	-	14,825
New Zealand carbon credits	26,894	-	-	26,894
	26,894	14,825	-	41,719
Financial liabilities				
Derivative financial liabilities	-	44,468	-	44,468
2018				
Financial assets				
Derivative financial assets	-	11,262	-	11,262
New Zealand carbon credits	27,024	-	-	27,024
	27,024	11,262	-	38,286
Financial liabilities				
Derivative financial liabilities	-	21,675	-	21,675

21 FINANCIAL RISK continued

21.9 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.

	Carrying Amount \$000's	Contractual Cash Flows \$000's	Less than 1 year \$000's	1 to 2 years \$000's	2 to 5 years \$000's	More than 5 years \$000's	No maturity \$000's
Financial assets							
2019							
Cash and cash equivalents	17,374	17,374	17,374	-	-	-	-
Trade and other receivables	29,916	29,916	29,916	-	-	-	-
Derivative financial instruments	14,825	32,549	10,212	7,904	9,813	4,620	-
Investments	219,829	224,970	24,042	31,620	10,808	-	158,500
Total	281,944	304,809	81,544	39,524	20,621	4,620	158,500
2018							
Cash and cash equivalents	1,973	1,973	1,973	-	-	-	-
Trade and other receivables	28,784	28,784	28,784	-	-	-	-
Derivative financial instruments	11,262	19,868	7,243	5,505	5,546	1,574	-
Investments	201,989	311,673	22,922	23,335	265,416	-	-
Total	244,008	362,298	60,922	28,840	270,962	1,574	-
Financial liabilities							
2019							
Trade and other payables	30,392	30,392	30,392	-	-	-	-
Derivative financial instruments	44,468	108,822	17,118	15,715	39,286	36,703	-
Borrowings	691,216	761,153	230,203	141,749	179,515	209,686	-
Total	766,076	900,367	277,713	157,464	218,801	246,389	-
2018							
Trade and other payables	28,612	28,612	28,612	-	-	-	-
Derivative financial instruments	21,675	36,039	11,343	9,192	12,803	2,701	-
Borrowings	613,208	679,631	206,871	64,801	273,624	134,335	-
Total	663,495	744,282	246,826	73,993	286,427	137,036	-

■ 22 EMPLOYEE ENTITLEMENTS/PROVISIONS

Accounting policy

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.

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.

	Group 2019 \$'000	Group 2018 \$'000
Current liabilities		
Long service leave	280	245
Annual leave	5,088	4,570
Gratuities	223	126
Sick leave	95	57
Other provisions	719	541
	<u>6,405</u>	<u>5,539</u>
Non-current liabilities		
Long service leave	613	578
Gratuities	373	389
	<u>986</u>	<u>967</u>

■ 23 CONTINGENT LIABILITIES

	Group 2019 \$'000	Group 2018 \$'000
Performance bonds	1,119	1,269

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

Saddle Hill, Dunedin Fire

During the 2016/17 financial reporting period, Aurora Energy Limited was informed of a potential claim by landowners for property damage suffered as a result of the Saddle Hill, Dunedin fire in October 2015. An independent investigation found that the cause of the fire was unknown.

The Company holds public liability insurance. At reporting date, the financial consequences of this matter (if any) were not known.

■ 24 CAPITAL EXPENDITURE COMMITMENTS

	Group 2019 \$'000	Group 2018 \$'000
Plant and equipment	53,905	22,773
Land	-	-

■ 25 COMMITMENTS

	Group 2019 \$'000	Group 2018 \$'000
Minimum operating lease payments		
Payable within one year	3,991	2,822
Payable between one to five years	5,551	4,212
Payable later than five years	739	579
	<u>10,281</u>	<u>7,613</u>

Other commitments

Undrawn Facilities: Level of committed facilities undrawn was \$170,000,000 (2018: \$125,000,000)

■ 26 EQUITY – SHARE CAPITAL

	Group 2019 \$'000	Group 2018 \$'000
Issued capital		
973,489,000 ordinary shares	123,589	121,039

On incorporation, Dunedin City Holdings Limited issued 100,000,000 ordinary shares in favour of the Dunedin City Council. Only \$100,000 was called. During the year ended 30 June 2019 a further 2,550,000 ordinary shares were issued and called.

Since incorporation Dunedin City Holdings Ltd has issued additional shares of \$1 each in favour of the Dunedin City Council. The shares carry equal voting rights and 849,900,000 are uncalled. The amounts and dates of issue are:

- 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
- June 2016 115,839,000 ordinary shares
- June 2017 2,550,000 ordinary shares
- June 2018 2,550,000 ordinary shares
- June 2019 2,550,000 ordinary shares

■ 27 ACCUMULATED FUNDS

	Group 2019 \$'000	Group 2018 \$'000
Balance at the beginning of the year		
Group companies	129,033	118,606
Associate companies	14,039	12,401
	143,072	131,007
Net profit for the year	4,186	15,493
Dividend distributions	-	-
Minority share of (surplus) / deficit	33	73
Transfer to reserves – forest	(9,513)	(9,782)
Transfer to reserves – carbon credit	4,763	6,282
Balance at the end of the year	142,540	143,072
	Group 2019 \$'000	Group 2018 \$'000
<i>Represented by</i>		
Group companies	126,707	129,033
Associate companies	15,833	14,039
Balance at the end of the year	142,540	143,072

■ 28 RESERVES

	Group 2019 \$'000	Group 2018 \$'000
Associate company asset revaluation reserve		
Balance at beginning of the year	16,828	16,650
Gain/(loss) recognised on cash flow hedges/assets	(116)	178
Balance at the end of the year	16,712	16,828

The reserve relates to assets of Dunedin International Airport Limited.

Hedging reserve

Balance at beginning of the year	(10,686)	(3,126)
Gain/(loss) recognised on cash flow hedges:	(26,011)	(7,034)
Interest rate swaps/fx forwards	699	(752)
Deferred tax arising on hedges (note 20)	(79)	226
Balance at the end of the year	(36,077)	(10,686)

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.

Forest revaluation reserve

Balance at beginning of the year	65,917	53,858
Net revaluations of forest	9,513	9,782
Net revaluation of forest land	4,735	2,277
Balance at the end of the year	80,165	65,917

Carbon credit reserve

Balance at beginning of the year	8,411	10,820
Transfer from retained earning	(4,704)	(6,282)
Gain in carbon credits above initial recognition value	1,990	3,873
Balance at the end of the year	5,697	8,411

■ 29 EARNINGS PER SHARE

	Group 2019	Group 2018
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	973,489,000	970,939,000
Weighted average number of ordinary shares	850,000,000	850,000,000
Basic earnings per share – continuing operations	\$0.0049	\$0.0182
Earnings per paid up share from continuing operations	\$0.03	\$0.13

Diluted earnings per share

The Group had no dilutive potential ordinary shares during the current or previous period.

■ 30 DIVIDENDS

No dividends were paid during the financial year (2018: nil).

■ 31 RELATED PARTY TRANSACTIONS

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

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 10 to the Financial Statements.

Details of the percentage of ordinary shares held in associates are disclosed in note 11 to the Financial Statements.

Amounts receivable from and payable to related parties at balance date are disclosed in notes 13 and 14.

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 2019 \$'000	Group 2018 \$'000
<i>Sales of services to the Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited Group:</i>		
Contracting services	9,913	9,372
Interest income	10,321	11,896
Transport services	164	134
	<u>20,398</u>	<u>21,402</u>
<i>Purchases of goods and services from the Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited Group:</i>		
Interest	5,902	5,902
Materials/network assets	151	167
Rates and property rentals	1,591	1,635
Administration and office services	363	302
	<u>8,007</u>	<u>8,006</u>
<i>As at balance date:</i>		
Receivable from the Dunedin City Council and subsidiaries	1,320	1,225
Payable to the Dunedin City Council and subsidiaries (inclusive of shareholders advance)	112,084	112,157

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.

■ 31 RELATED PARTY TRANSACTIONS continued

During the course of the year:

The DCHL Group paid \$362,938 (2018: \$275,131) for services and provided services of \$8,577 (2018: \$13,000) to Action Engineering Limited, an organisation of which Mr G Crombie was a director. \$41,661 was payable at 30 June (2018: \$26,000);

The DCHL Group received \$35,137 (2018: \$26,000) and paid \$670,784 (2018: \$5,000) for services with Gallaway Cook Allan an organisation of which Mrs K Grant was a consultant during the year. \$36,000 was payable and \$nil was receivable at 30 June (2018: \$3,000 receivable);

The DCHL Group paid \$4,851 (2018: \$14,444) for services and provided services of \$10,328 (2018: \$14,3234) to Miller Creative Group Limited, an organisation of which Mr K Cooper is a director. No monies were payable and \$8,002 was receivable at 30 June (2018: nil payable or receivable).

The DCHL Group paid \$3,550 (2018: \$nil) for services and provided services of \$7,803 (2018: \$nil) to Otago Museum Trust Board, an organisation of which Mr G Crombie was a director. No monies were payable or receivable at 30 June (2018: \$nil payable or receivable);

The DCHL Group received \$98,361 (2018: \$nil) for services with the Southern District Health Board an organisation of which Mrs K Grant was the Commission, and Graham Crombie was the Deputy Commissioner of during the year. \$18,000 was receivable at 30 June (2018: \$nil receivable);

The DCHL Group received \$19,727 (2018: \$nil) and paid \$50,976 (2018: \$nil) for services with AG Foley Limited an organisation of which Mr G Crombie was a director during the year. \$7,849 was receivable and \$4,169 was payable at 30 June (2018: \$nil receivable or payable);

The DCHL Group received \$139,122 (2018: \$nil) and paid \$123,669 (2018: \$nil) for services with Otago Rugby Football Union an organisation of which Mr K Cooper was a director during the year. \$nil was receivable or payable at 30 June (2018: \$nil receivable or payable);

The DCHL Group received \$248,000 (2018: \$nil) and paid \$7,300 (2018: \$nil) for services with Central Otago District Council an organisation of which Mrs L Robertson was Chair of the Audit and Risk Committee during the year. \$27,000 was receivable and \$345 was payable at 30 June (2018: \$nil receivable or payable);

The DCHL Group received \$1,000 (2018: \$nil) and paid \$1,000 (2018: \$nil) for services with Scott Technology Limited group an organisation of which Christopher Hopkins was a director during the year. \$nil was receivable or payable at 30 June (2018: \$nil receivable or payable);

The DCHL Group received \$685,323 (2018: \$nil) and paid \$1,610 (2018: \$nil) for services with Highlanders Provincial Union an organisation of which Mr K Cooper was a director during the year. \$131,917 was receivable at 30 June (2018: \$nil receivable or payable);

The DCHL Group received \$252,166 (2018: \$nil) and paid \$9,745 (2018: \$nil) for services with Otago Polytechnic an organisation of which Mrs K Grant was Chair of the Council during the year. \$10,638 was receivable at 30 June (2018: \$nil receivable or payable);

The DCHL Group received \$13,338 (2018: \$nil) and paid \$500 (2018: \$nil) for services with Dunedin Symphony Orchestra an organisation of which Mrs K Grant was a director during the year. \$7,186 was receivable at 30 June (2018: \$nil receivable or payable);

The DCHL Group paid \$5,720 (2018: \$nil) for services with Designability Limited an organisation of which Mr K Cooper was a director during the year. \$4,428 was payable at 30 June (2018: \$nil receivable or payable);

Compensation of key management personnel

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

	Group 2019 \$'000	Group 2018 \$'000
Key management personnel remuneration	7,869	6,530

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.

■ 32 RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2019 \$'000	Group 2018 \$'000
Operating surplus/(deficit)	4,186	15,493
Share of net surplus/(deficit) in associated companies	(1,794)	(1,638)
<i>Items not involving cash flows</i>		
Depreciation	29,784	28,627
Depletion of forest	8,860	4,674
Deferred tax	5,857	6,495
Asset impairment	-	-
Forest revaluation	(20,333)	(13,585)
(Increase)/Decrease in cash flow hedge valuation	436	63
Other non-cash items	5,889	(17,481)
<i>Impact of changes in working capital items</i>		
(Increase)/Decrease in trade and other receivables	(2,596)	13,604
(Increase)/Decrease in other current assets	-	-
(Increase)/Decrease in inventories	(1,240)	(6,278)
(Increase)/Decrease in prepayments	325	180
(Increase) /Decrease in tax refund due	(4,737)	(1,774)
Increase /(Decrease) in trade and other payables	(3,550)	(3,293)
Increase /(Decrease) in provision for tax	4,065	3,029
Increase /(Decrease) in other current liabilities	5,653	818
<i>Items classified as investing or financing activities</i>		
Gain on sale of property, plant and equipment	(134)	(754)
Loss on sale of property, plant and equipment	1,492	893
Investment in financial instrument	(1,773)	-
Movement in capital creditors	1,216	2,819
Net cash inflows from operating activities	31,606	31,892

■ 33 EVENTS AFTER BALANCE DATE

The directors are not aware of any events after balance requiring disclosure.

statutory information

For the Year Ended 30 June 2019

■ INFORMATION ON THE DIRECTORS OF DUNEDIN CITY HOLDINGS LIMITED

Keith Thomas Cooper

Date appointed 2 February 2015 (Chair from 26 February 2019)

Responsibilities Chair, Company Director

Declarations of interests

Chair, Highlanders Provincial Union Limited Partnership

Chair, Otago Rugby Football Union (Inc)

Chair, Dunedin City Holdings Limited

Chair, Dunedin City Treasury Limited

Director, Dunedin Stadium Property Limited

Director, Designability Ltd

Director, Miller Construction (SI) Ltd

Director, Miller Creative Group Limited

Director and Shareholder, Littlebrook Farm Limited

Graham William Crombie

Date appointed: 17 July 2012

Date ceased: 13 February 2019

Responsibilities Chair, Company Director

Declarations of interests

Chair, Dunedin City Holdings Limited

Chair, Dunedin City Treasury Limited

Chair, Otago Museum Trust

Chair, NZ Genomics Limited

Chair, South Island Information Services Service Level Alliance

Chair, TANZ eCampus Limited

Independent Chair, Action Engineering Limited

Deputy Commissioner, Southern District Health Board

Director, A G Foley Limited

Director, Dunedin Stadium Property Limited

Director, Surf Life Saving NZ

Director and Shareholder, Innovatio Limited

Trustee, Orokonui Foundation Trust

Shareholder, WJ Investments Limited

Kathleen Enid Grant

Date appointed 17 July 2012

Responsibilities Deputy Chair, Company Director

Declarations of interests

Chair of Council, Otago Polytechnic

Commissioner, Southern District Health Board

Consultant, Galloway Cook Allan

Director, Dunedin City Holdings Ltd

Director, Dunedin City Treasury Ltd

Director, Dunedin Stadium Property Ltd

Director, Dunedin Symphony Orchestra

Trustee of various client trusts

Quentin C S Hix

Date appointed 1 January 2018

Responsibilities Company Director

Declarations of interests

Director, Aoraki Investments Limited

Director, Aoraki Management Services Limited

Director, Aoraki Trust Management Limited

Director, Dunedin City Holdings Limited

Director, Dunedin City Treasury Limited

Director, Dunedin Stadium Property Limited

Director, Institute of Environmental Science and Research Limited

Director, Ngāi Tahu Holdings Corporation Limited

Director, One To One Corporate Trustees Limited

Director, One To One Corporate Trustees 2011 Limited

Director, Presbyterian Support South Canterbury Limited

Director, Strmix Limited

Director, Ngāi Tahu Capital Limited

Director and Shareholder, Property Planit Limited

Director and Shareholder, Quentin Hix Legal Limited

Member, Te Rūnanga O Ngāi Tahu's governing board

Board member, Presbyterian Support South Canterbury Inc

Trustee, Hunter Downs Irrigation Trust

Trustee of various client trusts

Christopher Charles Hopkins

Date appointed 25 June 2019

Responsibilities Company Director

Declarations of Interests

Chair, Robotic Technologies Limited

Chair, Engineering Dunedin Incorporated

Director, Scott Technology Limited including all subsidiaries

Director, Scott Technology Euro Limited

Director, NS Innovations Pty Limited

Director, Rocklabs Automation Canada Limited

Director, Oakwood Group Limited

Director, Our Planit Limited

Director, Spade Work Limited

Director, City Forests Limited

Director, Dunedin City Holdings Limited

Director, Dunedin City Treasury Limited

Director, Dunedin Stadium Property Limited

Linda May Robertson

Date appointed 17 October 2013

Responsibilities Company Director

Declarations of interests

Chair, Audit and Risk Committee, Central Otago District Council

Chair, Pacific Radiology Group Limited

Chair, Pacific Medimaging Limited

Chair, Central Lakes Trust

Chair, Crown Irrigation Investments Limited

Director, Auckland Council Investments Limited

Director, Dunedin City Holdings Limited

Director, Dunedin City Treasury Limited

Director, Dunedin Stadium Property Limited

Director, NZ Local Government Funding Agency

Director, NZPM Group Limited

Director, Central Lakes Direct Limited

Director and Shareholder, RML Consulting Limited

Member, Audit and Risk Committee, Ministry of Social Development

Member, Technical Advisory Committee, NZ Export Credit Office

Member, Risk and Audit Committee, The Treasury

Member, Capital Markets Advisory Committee, The Treasury

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.

Dunedin City Holdings Ltd 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.

Employee Remuneration

Remuneration Range	Parent Company	Subsidiaries
\$510,000-519,999	-	1
\$420,000-429,999	-	1
\$410,000-419,999	-	1
\$380,000-389,999	-	1
\$310,000-319,999	-	2
\$290,000-299,999	-	3
\$240,000-249,999	-	1
\$230,000-239,999	-	1
\$200,000-209,999	-	1
\$190,000-199,999	-	2
\$180,000-189,999	-	3
\$170,000-179,999	-	2
\$160,000-169,999	-	5
\$150,000-159,999	-	8
\$140,000-149,999	-	8
\$130,000-139,999	-	16
\$120,000-129,999	-	24
\$110,000-119,999	-	37
\$100,000-109,999	-	65

All positions for the year have been listed. There were some changes to these during the year.

Directors' Remuneration and Benefits

	Remuneration \$	Company		Remuneration \$	Company
Parent company				44	Delta Utility Services Ltd
Keith T Cooper	74	Dunedin City Holdings Ltd	Trevor J Kempton	44	Delta Utility Services Ltd
Graham W Crombie	59	Dunedin City Holdings Ltd	John F Gallaher	56	City Forests Ltd
Kathleen E Grant	59	Dunedin City Holdings Ltd	Tim J Mephram	32	City Forests Ltd
Linda M Robertson	59	Dunedin City Holdings Ltd	Michael C Horne	32	City Forests Ltd
Quentin C S Hix	59	Dunedin City Holdings Ltd	Raewyn J Lovett	27	Dunedin Venues Management Ltd
Christopher C Hopkins	-	Dunedin City Holdings Ltd	Joanne M Conroy	18	Dunedin Venues Management Ltd
Parent company total	310		Kevin G Winders	18	Dunedin Venues Management Ltd
Subsidiaries				1	Dunedin Railways Ltd
Keith T Cooper	nil	Dunedin City Treasury Ltd	Glenys J Coughlan	15	Dunedin Venues Management Ltd
	nil	Dunedin Stadium Property Ltd	Peter J Hutchison	-	Dunedin Venues Management Ltd
Graham W Crombie	nil	Dunedin City Treasury Ltd	Stuart J McLauchlan	11	Dunedin International Airport Ltd
	nil	Dunedin Stadium Property Ltd	Patricia A Oakley	23	Dunedin International Airport Ltd
Quentin C S Hix	nil	Dunedin City Treasury Ltd	Mark Rogers	23	Dunedin International Airport Ltd
	nil	Dunedin Stadium Property Ltd	Jonathan Cameron	15	Dunedin International Airport Ltd
Kathleen E Grant	nil	Dunedin City Treasury Ltd			
	nil	Dunedin Stadium Property Ltd			
Linda M Robertson	nil	Dunedin City Treasury Ltd			
	nil	Dunedin Stadium Property Ltd			
Christopher C Hopkins	32	City Forests Ltd			
	nil	Dunedin City Treasury Ltd			
	nil	Dunedin Stadium Property Ltd			
William H Cockerill	19	Dunedin Stadium Property Ltd			
Stephen R Thompson	99	Aurora Energy Ltd			
Margaret P Devlin	54	Aurora Energy Ltd			
Brendon J Hall	54	Aurora Energy Ltd			
Wendy N Harvey	39	Aurora Energy Ltd			
David J Frow	15	Aurora Energy Ltd			
Brian J Wood	79	Delta Utility Services Ltd			
Steve W Grave	44	Delta Utility Services Ltd			
Tony D Allison	29	Dunedin International Airport Ltd			

No director of the Group 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.

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

Events subsequent to balance date

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

statement of service performance

For the year ended 30 June 2019

The performance targets established in the 2018/19 Statement of Intent for Dunedin City Holdings Ltd and the results achieved for the year ended 30 June 2019 are as follows:

Parent Company performance target

Business objectives

- 1.0 Review and approve the Statements of Intent and plans of each of the Group companies for consistency with the strategic direction of the DCC.
- 2.0 Review the operating activities of each of the Group companies along with Dunedin City Holdings Ltd for compliance with the goals and objectives of the Statement of Intent.
- 3.0 Review the performance of each Group Company against their Statement of Intent goals and objectives.

Financial

- 4.0 Monitor financial performance of each of the Group companies.
- 5.0 Monitor the capital structure of each Group Company.
- 6.0 Review the capital expenditure of each of the Group of companies for compliance and approval as required by Dunedin City Holdings Ltd.

Shareholders

- 7.0 Engage with the shareholder annually on opportunities for the Company and/or its subsidiaries to contribute, or assist where possible, with Council's community outcomes (as listed in the annual plan).
- 8.0 Engage with the shareholder regularly on the group's alignment with the Dunedin City Council Strategic Framework.
- 9.0 Bring to the attention of the shareholder any strategic or operational matters where there may be conflict between the Council's community outcomes and those of the Company and seek the shareholder's view on these.
- 10.0 Encourage each Company within the Group to act as a socially and environmentally responsible corporate citizen.
- 11.0 Keep the shareholders informed of all substantive matters.

Parent Company outcome achieved

The review of the draft 2020 Statements of Intent of subsidiary companies were completed. Amendments were made to the Board's satisfaction. Updated and final Statements of Intent were received by the Board by 30 June 2019 and forwarded to the DCC as ultimate shareholder.

Reviews of the operating activities were performed as required by the Board of Dunedin City Holdings Ltd.

Continual monthly reviews of companies' performance against key Statement of Intent goals have been undertaken. Subsidiaries' performance against Statement of Intent goals also reported on to DCC on a quarterly basis.

Continual monthly reviews of operating initiatives and financial performance of each of the Group companies have been undertaken, with Dunedin International Airport Ltd reviewed on a quarterly basis.

The Company's Standard and Poor's long term credit rating was reaffirmed at AA in December 2018. The A1+ short term rating remained the same.

Reviews of capital structure within the Group were performed during the financial year.

Continual monthly reviews of capital expenditure of each of the Group companies have been undertaken, with Dunedin International Airport Ltd reviewed on a quarterly basis.

Consideration was given to the shareholder's expectations in the annual Company's Statement of Intent.

The Company regularly engages with the shareholder regarding the group's alignment with the Dunedin City Council Strategic Framework.

There were no matters of conflict requiring escalation to the shareholder.

Reviews of the activities undertaken by the Group companies for purposes of being a socially and environmentally responsible corporate citizen have been undertaken throughout the year.

All substantive matters were reported to the shareholder within 24 hours of the Dunedin City Holdings Ltd board becoming aware of them.

Parent Financial forecasts		\$'000	Parent Achievement	\$'000
a	Shareholder's funds to total assets	53%	Shareholder's funds to total assets	55%
b	Interest paid to shareholder	5,902	Interest paid to shareholder	5,902
	Dividend distributions	-	Dividend distributions	.
c	Net profit after tax	-	Net profit after tax	3,347
	Cash flow from operations	128	Cash flow from operations	3,215
	Term loans	25,800	Term loans	19,800
	Contributions of equity	2,550	Contributions of equity	2,550

Group performance target

1. Subsidiaries have the required policies in place to be compliant with the Dunedin City Council Treasury Risk Management Policy.
2. Corporate Governance policies and procedures reflect best practice.
3. Business Continuity Plans are in place.
4. Health and Safety is best practice.
5. Risk management structures are sound.
6. Statutory and Regulatory is best practice with no urgent outstanding issues on Audit Reports.

Group outcome achieved

There were no breaches of the Dunedin City Council Treasury Risk Management Policy.

Confirmed that all group companies have appropriate Corporate Governance policies in place and they are reviewed on a regular basis.

Confirmed that all group companies have Business Continuity Plans in place or in progress, and they are reviewed at least annually.

Confirmed that all group companies have appropriate Health and Safety policies and procedures in place and they are reviewed at least annually.

Confirmed that all group companies have appropriate risk management structures in place and they are reviewed at least annually.

Confirmed that all group companies are in the process of resolving any urgent outstanding audit issues from the prior year.

Group Financial forecasts		\$'000	Group Achievement	\$'000
a.	Shareholder's funds to total assets	27%	Shareholder's funds to total assets	25%
b.	Interest paid to shareholder	5,902	Interest paid to shareholder	5,902
	Dividend distributions	-	Dividend distributions	-
c.	Net profit after tax	5,071	Net profit after tax	4,186
	Cash flow from operations	43,077	Cash flow from operations	31,606
	Capital expenditure	87,434	Capital expenditure	81,475
	Term loans	658,000	Term loans	690,596

directory

Directors

Graham W Crombie	appointed 17 July 2012 – 13 February 2019
Keith T Cooper	appointed 2 February 2015
Kathleen E Grant	appointed 17 July 2012
Quentin C S Hix	appointed 1 January 2018
Christopher C Hopkins	appointed 25 June 2019
Linda M Robertson	appointed 17 October 2013

Registered office

50 The Octagon
Dunedin
New Zealand

Bankers

Westpac

Taxation Advisers

Deloitte

Solicitors

Anderson Lloyd

Auditor

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

independent auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Dunedin City Holdings Limited Group's financial statements and statement of service performance for the year ended 30 June 2019

The Auditor General is the auditor of Dunedin City Holdings Limited Group (the Group). The Auditor General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the Group, on his behalf.

We have audited:

- the financial statements of the Group on pages 22 to 64, that comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on pages 68 to 69.

Qualified Opinion – Our work was limited over the carrying value of stadium assets, the related depreciation expense and related financial information in the statement of service performance

In our opinion, except for the effects of the matter described in the Basis for our qualified opinion section of our report:

- the financial statements of the Group on pages 22 to 64:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS); and
- the statement of service performance of the Group on pages 68 to 69 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2019.

Our audit was completed on 19 September 2019. This is the date at which our qualified opinion is expressed.

The basis for our qualified opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis of opinion

As disclosed in the notes to the financial statements on page 28, the Group is designated as a for-profit entity and applies accounting standards that comply with NZ IFRS. NZ IFRS requires fair values and the impairment of assets to be determined on a commercial basis, generally with reference to the cash flows those assets could generate.

As disclosed in note 10 on page 43, the Group includes Dunedin Stadium Property Limited (DSPL), which is designated as a public benefit entity for accounting purposes. The Group initially recorded the stadium assets using the carrying values in DSPL's financial statements as at 30 June 2016, which totalled \$185 million. DSPL could support this carrying value as a public benefit entity using non-commercial valuation approaches. However, on consolidating DSPL into the for-profit Group financial statements, we considered that the Group was required to record the stadium assets at carrying values that are supported by commercial valuation approaches.

There are indicators that a commercial valuation approach for the stadium assets would result in a materially lower carrying value in the Group's statement of financial position. The carrying value of stadium assets at 30 June 2019 is \$164.1 million (2018: \$170.7 million). However, the Group has not carried out an assessment of the value of the acquired stadium assets on a commercial basis and we are unable to determine the amount of the adjustments required. We are also unable to determine the adjustments required to the related depreciation expense on the stadium assets for the year ended 30 June 2019 and the summary financial information disclosed in the Group's statement of service performance on pages 68 and 69.

independent auditor's report (continued)

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance for the Group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

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

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported statement of service performance within the Group's framework for reporting its performance.

independent auditor's report (continued)

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the statement of service performance of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated statement of service performance. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 21, 65 to 67 and 70, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. As described in the Basis for our qualified opinion section above, we could not obtain sufficient evidence to confirm the financial information relating to the stadium assets. Accordingly, we are unable to conclude whether or not the other information that includes financial information about the Group is materially misstated with respect to this matter.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have reported on statutory and regulatory engagements for the Group's subsidiary and associate entities. These engagements are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the Group or any of its subsidiary and associate entities.



Julian Tan
Audit New Zealand
On behalf of the Auditor General
Dunedin, New Zealand