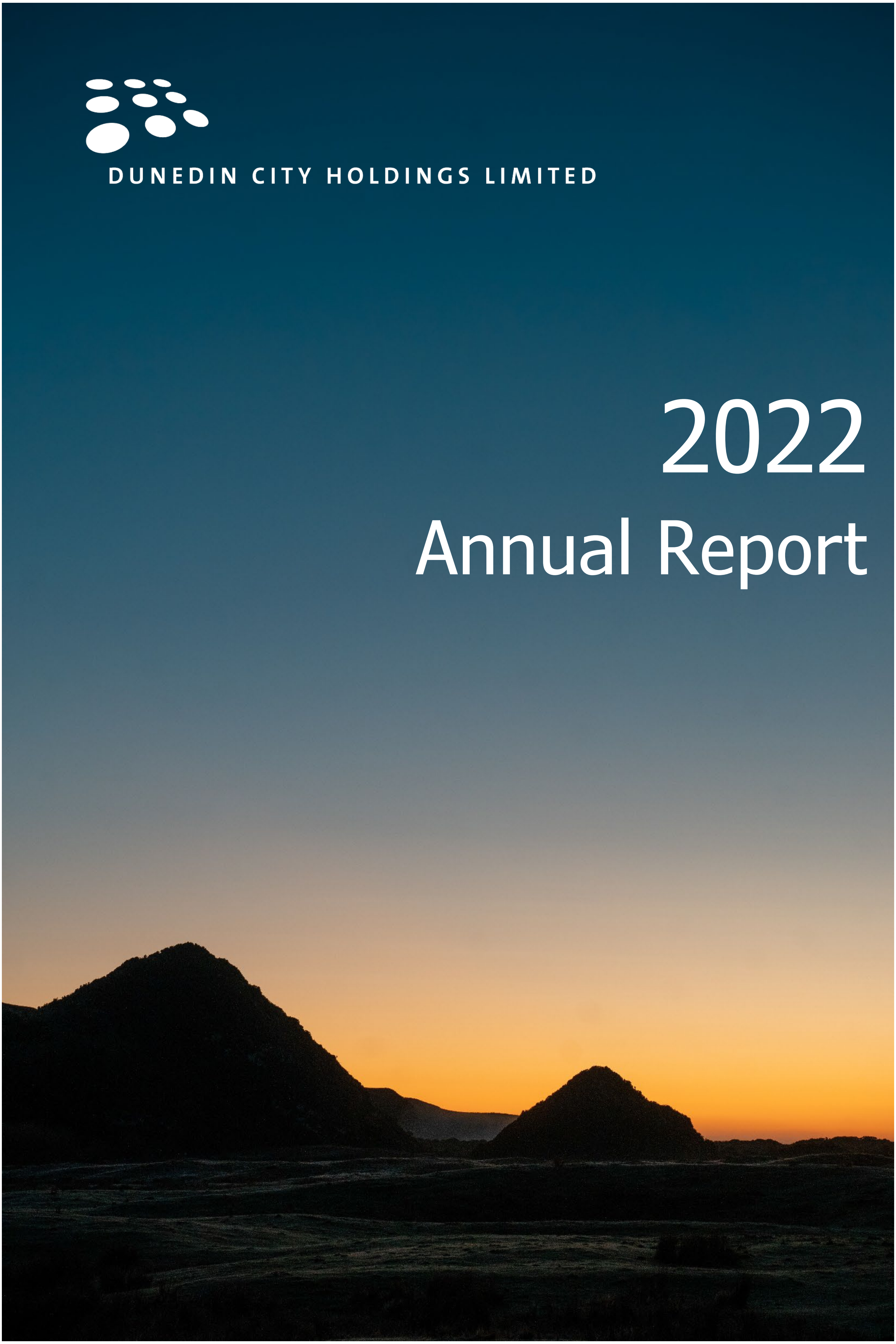
DUNEDIN CITY HOLDINGS LIMITED

2022
Annual Report



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Dunedin City Holdings Ltd

WHAT WE DO

Dunedin City Holdings Ltd (DCHL) is a Council Controlled Organisation (CCO) owned by Dunedin City Council. We oversee eight subsidiary and associate companies that own and manage key city assets and provide benefit to the city. DCHL's purpose is to achieve the best for Dunedin from its investments.

OUR PORTFOLIO

Abbreviations

Dunedin City Holdings Ltd (DCHL)
Aurora Energy Ltd (Aurora Energy)
City Forests Ltd (City Forests)
Delta Utility Services Ltd (Delta)
Dunedin International Airport Ltd (DIAL)
Dunedin Stadium Property Ltd (DSPL)
Dunedin Venues Management Ltd (DVML)
Dunedin Railways Ltd (Dunedin Railways or DRL)
Dunedin City Treasury Ltd (DCTL)

Chair's Review

The DCHL Group's results for the 2021/2022 financial year show a mixed result across the Group.

Our major trading companies – Aurora Energy, City Forests, Delta and DIAL – all recorded profits; some ahead and some behind budget. DSPL, Dunedin Railways and DVML all recorded losses, however.

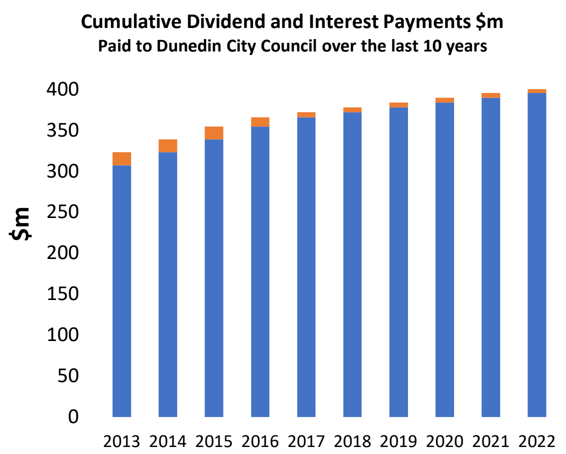
The Group as a whole recorded a loss of $3.5 million. This consolidated result is a product of not only companies' individual profits and losses, but also the accounting eliminations of dividend flows and transactions between companies within the group (such as between Aurora Energy and Delta), as shown below:

DCHL Group Consolidated Net Profit / (Loss) After Tax

$000's	Actual 2022	Statement of Intent forecast	Variance	Restated 2021
DCHL Parent	825	(1,438)	2,263	2,863
Aurora Energy	7,763	1,175	6,588	681
City Forests	6,160	18,809	(12,649)	33,221
Delta	2,919	3,273	(354)	4,540
DCTL	36	11	26	7
Dunedin Railways	(1,608)	-	(1,608)	(236)
DSPL	(6,997)	(5,418)	(1,579)	(7,468)
DVML	(903)	239	(1,142)	(307)
Less dividends received	(9,400)	(7,500)	(1,900)	(9,950)
Add DCHL's 50% share of DIAL profit	232	939	(707)	1,042
DCHL Group	(973)	10,091	(11,064)	24,393
Eliminations*	(2,486)	-	(2,486)	(1,989)
Net profit (loss) after tax	**(3,459)**	**10,091**	**(13,550)**	**22,404**

* Eliminations for FY22 include $1.557 million of unbilled work by Delta for Aurora Energy. This has been recorded as revenue by Delta but will not be recognised as a cost by Aurora Energy until FY23.

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



This interest payment was funded by the dividends DCHL receives from subsidiary and associate companies. In the 2022 financial year, dividends were higher than forecast from City Forests and Delta. No dividend was received from Aurora Energy due to its capital reinvestment programme, nor from DIAL due to the impact of Covid-19.

The group's overall debt (managed by DCTL) increased over the year. This was forecast in our Statement of Intent and was principally driven by increased capital expenditure at Aurora Energy and Dunedin City Council. Most other companies' debt remained relatively static.

Full financial statements for the year ended 30 June 2022 are included in this report.

Overview of companies' performance

Aurora Energy's FY22 financial statements reflect ongoing substantial levels of capital investment and improved financial performance when compared with recent years.

Capital expenditure of $83.0 million (compared to $76.6 million in 2021) was directed to new network assets in the Dunedin, Central Otago/Wānaka, and Queenstown Lakes areas during the year. Network operations and maintenance costs increased by $0.6 million to $20.2 million (FY21: $19.6 million).

Aurora Energy recorded a net profit after tax of $7.8 million (FY21: $0.7 million) compared with a forecast profit of $1.2 million. The positive result against forecast was driven by higher growth-related consumer connections revenue and below budget non-network operating expenditure.

City Forests had a profitable year making a $6.2 million after-tax profit and paid $6.8 million in dividends to its shareholder. This was significantly reduced profit from the previous year ($33.2 million) due to weaker log export markets, particularly in China, increased costs of export shipping, increased domestic costs, and a much lower forestry revaluation than in FY21.

The 2022 financial year certainly presented several challenges for Delta. The continued impact of the COVID-19 pandemic and inflationary pressures resulted in all areas of the company's operations coming under significant pressure towards the latter half of the financial year

Delta recorded a net profit after tax of $2.9 million in FY22, well down on budget/targets as well as FY21's profit of $4.5 million. Operating revenue was $108.9 million for FY22, an increase of 5 per cent on the previous year (FY21: $103.5 million), underpinned by growth in services provided to existing and new energy and environmental customers despite COVID-19 disruptions. Delta's debt with Infinity Yaldhurst was fully repaid in September 2021 and the company received a further $4.5 million in surplus sale proceeds from the development during the 2022 financial year.

DCTL has continued to perform well over the 2022 financial year, in what has been a challenging interest rate environment.

The cost of funds for the Dunedin City Council Group increased over the 2022 financial year by 0.68% to 3.17% as at 30 June 2022.

DSPL experienced an operating loss, as budgeted. The loss of $7.0 million (FY21: $7.5 million) is a slight improvement over the previous year, resulting from a reduction in depreciation and borrowing costs.

DSPL did not receive subvention payments from companies within the Group this year, which affected its result against target. DSPL's tax losses will carry forward to the Dunedin City Council Group in future years.

Within another Covid-19 disrupted year where a number of major events were cancelled or postponed (including the much anticipated sold out All Blacks v South Africa Test Match, Guns n' Roses, Six60 and Rod Stewart concerts), DVML were thrilled to still be able to host a variety of events at Forsyth Barr Stadium. Some of the major highlights were the All Blacks v Fiji Test Match, and the "We Can" Community Can Appeal collection (in collaboration with Highlanders, Otago Rugby and Otago Cricket). DVML recorded a net loss for the year of $0.9 million.

Dunedin Railways has this year focussed on maintaining key rolling stock and track assets, supported by funding from DCHL, pending further Council decisions about the company's long-term future.

Dunedin Railways' planned summer promotion of passenger rail services was disrupted by Covid-19, but services that were able to operate were well received by the community.

Unsurprisingly, the Covid-19 pandemic materially influenced FY22 passenger numbers at Dunedin Airport, and as a consequence, the company's financial performance.

DIAL's net profit after tax of $0.5 million was $1.6 million behind the prior year.

DIAL's shareholders' funds increased by $10.6 million, or 14.9%, to $82.1 million. This increase was primarily the result of a (post tax) $10.4 million valuation increase on land, buildings and airside pavements.

As the parent company, DCHL has pursued several initiatives to provide support, leadership and oversight across the Group this year. We have overseen the development of companies' carbon emissions and waste reduction strategies – a significant step forward in the city's goal for carbon neutrality by 2030.

DCHL has made progress in its strategy to take a stronger portfolio management focus, through more active monitoring of group entities' financial and non-financial performance. We continue our ongoing evaluation of the purpose and composition of the portfolio, based on a long-term view and our shareholder's aspirations for the portfolio. We look forward to continuing this work in 2023.

Outlook

Although inflation and Covid-19 will continue to impact companies, the underlying outlook for our major trading companies and the Group as a whole is broadly positive.

Aurora Energy's confirmed Customised Price Path (CPP) has provided the company with increased certainty over the next five years. The company's performance is forecast to improve across a number of financial metrics over this period as it continues to undertake its programme of investment in the network.

We see a continued positive outlook for City Forests, although the company's near-term profitability will depend on commodity log markets and the wider international economy.

A large proportion of Delta's forward workload is secured, providing a solid platform for future improvement and growth.

Given ongoing uncertainties in the travel and tourism markets, we envisage continued challenges at DIAL and DVML, although there are some promising signs of recovery.

We await Dunedin City Council decisions regarding the future of Dunedin Railways.

Group directors

Chris Hopkins retired as a director of DCHL, DCTL, DSPL and Dunedin Railways having served on the board for three years. We thank Chris for his contribution to DCHL. Chris continues his service as a director of DIAL.

Subsequent to balance date, in October 2022 we welcomed Tim Loan to the boards of DCHL, DCTL, DSPL and Dunedin Railways. Tim brings strong governance experience and financial expertise to the board.

There were several changes in directorships within the group of companies throughout the year. We acknowledge the service of directors we have farewelled: Margaret Devlin (Aurora Energy), Trevor Kempton (Delta) and Tony Allison and Jonathan Cameron (DIAL).

We have welcomed to the Group new directors Simon Clarke and Stephen Lewis (Aurora Energy, from July 2021), Janice Fredric (Aurora Energy, from July 2022), Jane George (Delta, from November 2021), Shane Ellison (DIAL, from July 2021) and Chris Hopkins (DIAL) (from July 2022).

DCHL oversees a diverse portfolio, with businesses spanning a wide spectrum of industries, markets, and company sizes. DCHL Group companies are also charged with delivering commercial returns – in Aurora's case in a regulated environment – 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 2022 financial year.

Keith Cooper, Chairman

Across the group

2022 in numbers

$1.7 billion	**total assets**
$281.8 million	**total operating revenue**
$43.2 million	**operating cash flow**
$97.9 million	**capital invested**
$5.9 million	**paid to DCC in interest on shareholders’ advance**
93,785	**customer connections at Aurora Energy**
948,500	**new trees planted by City Forests**
35	**trainees enrolled in greenspace and electrical trainee programmes at Delta**
3,150	**passengers on Dunedin Railways services**
96,000	**Attendees at 248 events hosted by Dunedin Venues Management Ltd**
759,117	**passengers through Dunedin International Airport**

Photo credit: DunedinNZ

Health, safety and wellbeing

The health and safety of staff, contractors, visitors and customers is a top priority for all DCHL Group 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.

Aurora Energy's number one priority is safety, and improving the safety management of the network and the people working on it is a critical focus. Aurora Energy has dedicated safety advisers in each business unit to undertake and maintain controls as well as provide upskilling opportunities to company staff and direct support to contractors.

An ongoing programme of independent safety audits across the network was maintained during FY22, and enhanced digitisation of safety systems and data collection techniques is allowing Aurora Energy to use business intelligence to cross reference data and produce safety insights via trend analysis.

Aurora Energy recorded zero serious harm events involving members of the public during FY22. Aurora Energy and its largest contractors recorded total recordable injuries per 200,000 hours worked (TRIFR) of 5.0, against a target of ≤4.00.

As an essential service provider, Aurora Energy is well prepared to respond to emergency situations that can disrupt electricity supply, and Business Continuity and Emergency Response plans are regularly reviewed and updated.

A number of wellbeing initiatives were undertaken throughout the year, including a series of webinars aimed at helping employees build the mental skills and knowledge required for thriving at work. A flexible working guide has been formalised, to ensure team culture continues to thrive while also providing options for flexible hours and working from home.

City Forests is committed to achieving best practice Health and Safety performance. Resources allocated to this key operational area have been significant during the year. City Forests recorded a Lost Time Injury Frequency (LTIF) of 12.2 lost time injuries per 1 million hours worked (LTIF 11.5 previous year).

City Forests continues to develop a strong safety culture demonstrated by external certification of contract operations, internal and external audit compliance, driver training programs and a commitment to a drug and alcohol impairment free workplace.

Delta maintained its strong focus on health and safety throughout the 2022 financial year. Total recordable injuries per 200,000 hours worked (TRIFR) was below the company's expected target and Delta has seen a significant reduction in injury severity during the year.

The past two years have certainly increased the strain on resilience, mental health and wellbeing of Delta employees. Delta undertakes a number of initiatives aimed at improving the wellbeing of people with a calendar of focus topics and initiatives throughout the year. The company's HSEQ team are currently working with the business to develop the framework that gives our wellbeing approach more clarity and structure.

The focus of Dunedin Railways' Health and Safety over the 2022 financial year was on the management of Covid-19 protocols and delivering services in alignment with Ministry of Health guidelines. This affected some passenger services which were not able to operate under orange or red settings.

Dunedin Railways delivered the *Summer of Trains Not Planes* promotion with zero passenger incidents through robust passenger management plans which identified risks and controls that put passenger safety at the forefront.

DVML has continued its focus on improvement in the key areas of safety leadership, worker engagement and risk management during the year. DVML recorded zero lost time injuries and zero recordable incidents for the third consecutive financial year.

DVML completed its second SafePlus audit during the year achieving notably higher "Developing" scores across all measurement categories.

As Dunedin International Airport navigated the ever-changing environment and associated effects of the global Covid-19 pandemic, considerable effort and focus was placed on ensuring the right processes were in place to protect people and the operation of the airport.

The introduction of the New Zealand Covid-19 Protection Framework presented challenges for airports, whilst also providing the platform to keep the national air traffic system moving. Building on the work undertaken in the prior year on their Pandemic Response Plan, the Airport deployed a workplace rapid antigen testing process, N95 mask wearing and isolation procedures. Underpinning this was the Airport's Business Continuity Plan which provided a framework to better understand the impact Covid-19 infections & self-isolation had on the business.

DIAL continues to emphasise the need for stakeholders, partners and staff to report close calls, identify new hazards and to celebrate good safety behaviours.

Safety will continue to have priority at DIAL.

Community initiatives

Our community involvement continues to cover a wide range of civic, charitable, sporting and recreational activities. In 2022, this support comprised a combination of financial sponsorship, and the provision of staff resources and other forms of non-financial assistance from within the Group's resources.

Aurora Energy prioritises working directly with the community and attending events to share what the company is doing, speak with consumers, and answer their questions. Unfortunately, Covid-19 traffic light settings disrupted all but one planned community event during FY22.

Aurora Energy continues to be a proud major sponsor of the Otago Science and Technology Fair and is an avid supporter of students studying STEM (science, technology, engineering and maths).

Aurora Energy also supports the communities where they have carried out major projects. Examples of this include supporting the Haehaeata Natural Heritage Trust in Clyde, donating a community notice board in St Bathans, joining a planting day on the Otago Peninsula with Save The Otago Peninsula, and working with the Glenorchy Heritage and Museum Group to provide information panels.

Ongoing collaboration with the Quarantine Island Kamua Taurua community and mana whenua from the Ōtākau rūnaka has followed Aurora Energy's award-winning Harbour Crossing project, where overhead lines between Port Chalmers and Portobello were replaced with submarine cables. Plans are in place to plant native trees where lattice towers were removed from the island, and a legacy project is underway to co-design a gathering place that acknowledges the history of mana whenua, and the mauri of Ōtākou (the harbour).

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 and Flagstaff 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.

Organised events such as the Rally of Otago, trail rides and cross-country running events were undertaken within the forest estate during the year. Firewood donations have been made to a number of community service organisations, clubs and charities during the year to support fundraising activities.

Delta is proud to support the communities in which the company operates and provide essential infrastructure services. In FY22, Delta played a major role in the first-ever Rākau o te tau / Tree of the Year Aotearoa. The competition was a major success, with over 6,000 individual votes.

Additionally, Delta's company-wide safety initiative known as the Charity Challenge continued throughout the year. Each time an employee reports a close call or identifies a new hazard, the charity challenge fund increases. When the fund reaches a certain threshold, the best entry is selected, and that member of staff nominates a charity of their choice. Delta donated $8,500 through this initiative to Heart Kids Otago and Ark Preschool in Tasman.

Spurred into action by the cancellation of the door-to-door emergency services Christmas appeal, DVML, in collaboration with the Highlanders, Otago Rugby and Otago Cricket were proud to support and deliver the We Can! Community Can Appeal drive-through can collection held at Forsyth Barr Stadium in December 2021. All donations were delivered to Dunedin Foodbanks, The Salvation Army, St Vincent de Paul and Presbyterian Support Otago.

DVML continues to host successful internship placements for Otago Polytechnic Students in areas of event and venue management, business development and marketing. Interns gain on-the-ground training and become an integral part of the DVML culture.

Community Groups continue to access both Forsyth Barr Stadium and the Dunedin Centre through DVML administering the Community Access Grant, which provides a fund of $750,000 for associated venue costs for community events. The full value of the Community Event funding was utilised by the community.

Dunedin Railways added to the city's community spirit with two sold-out Christmas Inlander train services. Families enjoyed a fun afternoon full of games, Christmas songs, dancing and of course a visit from Santa.

Dunedin Airport continued to support events and organisations within the Dunedin city and region over FY22.

On 23rd May 2022 DIAL celebrated 60 years of Dunedin Airport. The event was celebrated by the unveiling of a mural which depicts Kuao Langsbury ONZM and HRH Prince Charles at the Royal Albatross Colony at Pukekura, Otago Peninsula on 6th March 2005. This mural was produced by artist, Tyler Stent.

In June the Dunedin Airport team were involved in a Yellow Eyed Penguin planting day where staff planted 261 native shrubs in nesting areas.

Environmental initiatives

Environmental sustainability is a continued focus for our group of companies. In the 2022 financial year companies contributed to a wide range of environmental initiatives.

The energy sector will look very different in the future and Aurora Energy is already planning for this. Electricity users want an affordable energy supply that supports their changing lifestyles and energy needs, as part of the drive for decarbonisation and a more sustainable way of life.

Together with all other New Zealand energy networks, Aurora Energy will play a central role in enabling a more sustainable future through electrification.

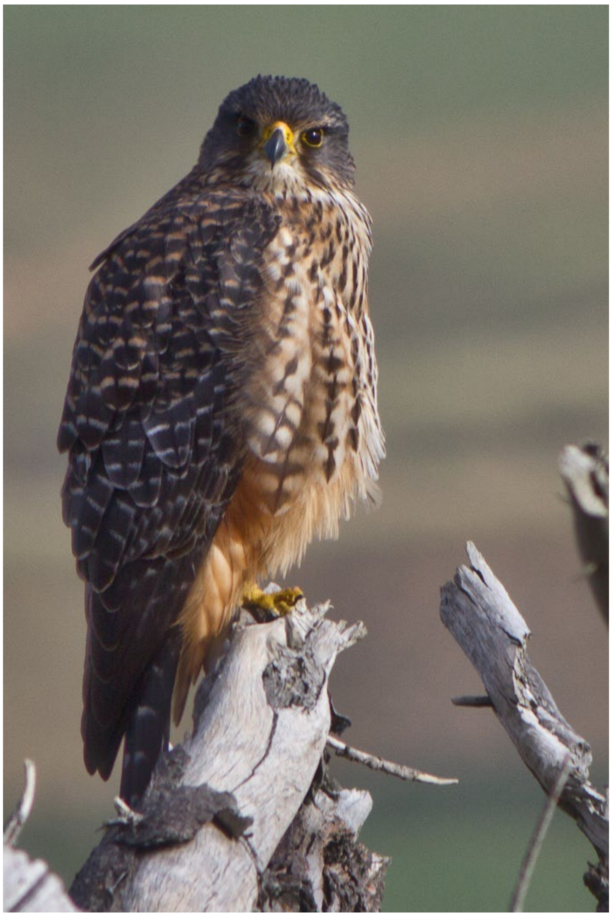
Aurora Energy is actively involved with the South Island Distribution Group, a partnership of electricity distribution businesses across the South Island. Collectively, they are looking at the future of electricity distribution management, including how to incorporate innovative ways to manage capacity and peak demands.

As well as strengthening the electricity network, Aurora Energy is surveying market-based solutions beyond the usual poles and lines, to help manage peak growth. This will help delay investment in traditional electricity infrastructure, keeping prices more affordable. Aurora Energy has partnered with solarZero in an industry-first initiative to use distributed energy resources as a more cost-effective alternative to managing increasing peak electricity demand. This benefit ultimately flows through to consumers.

City Forests actively manages over 2,435ha of reserves incorporated throughout the 24,000ha forest estate.

City Forests has held uninterrupted international Forest Stewardship Council (FSC) certification for twenty-two years. Certification assesses the company's management practices for reserve areas and native species as well as its overall environmental and social performance, including sustainable management of forest crop. Subsequent to balance date, a FSC re-certification audit was conducted. City Forests passed the audit and received positive feedback from the audit team commending the company on its high standard of implementation of FSC forest management criteria.

City Forests 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. City Forests makes contributions to a number of external environmental organisations, including Orokonui Ecosanctuary ($60,000), Yellow Eyed Penguin Trust ($10,000) and Otago Wildlife Hospital ($5,000).

Delta achieved two of its major Statement of Intent objectives in achieving both ISO 14001 (Environmental Management Systems) and ISO 45001 (Health & Safety Management Systems) accreditations while retaining ISO 9001 (Quality Management Systems). The ISO framework is one of the most widely recognised international standards and highlights Delta's commitment to robust processes and continuous improvement.

Delta also established a 7-year Carbon Emission and Waste Reduction Strategy, designed to take immediate action on the company's waste and emissions.

Dunedin Railways is committed to playing its part in minimising its environmental footprint. This will be done by reducing the amount of Greenhouse Gases associated with the company's passenger train services, on a per trip basis.

To support its commitment Dunedin Railways has developed specific strategies and targets in relation to reducing the company's emissions and waste to landfill for the 2023 financial year.

DVML have developed an emissions reduction strategy and a waste reduction strategy during the financial year. DVML has focused on reducing cups to landfill, substituting cups with cans where possible. Sustainability measures remain an important part of the selection criteria for service contracts and equipment tenders.

For the second year running DIAL measured and reported the Greenhouse Gas (GHG) emissions of the company's operations. From here, DIAL will continue to expand reporting to include a wider set of Scope 3 emissions (contractors, embodied carbon in materials) and implement GHG emissions reduction initiatives as identified in the company's inaugural Emissions Reduction Strategy.

DIAL continues its commitment to be carbon zero by 2030 in line with the target of the Dunedin City Council.

Greenhouse Gas Emissions summary

For the year ended 30 June 2022

During the year DCHL Group companies have assessed and measured their Greenhouse Gas (GHG) emissions.

Group companies completed this process in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

The Group has at this stage focussed on measuring Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

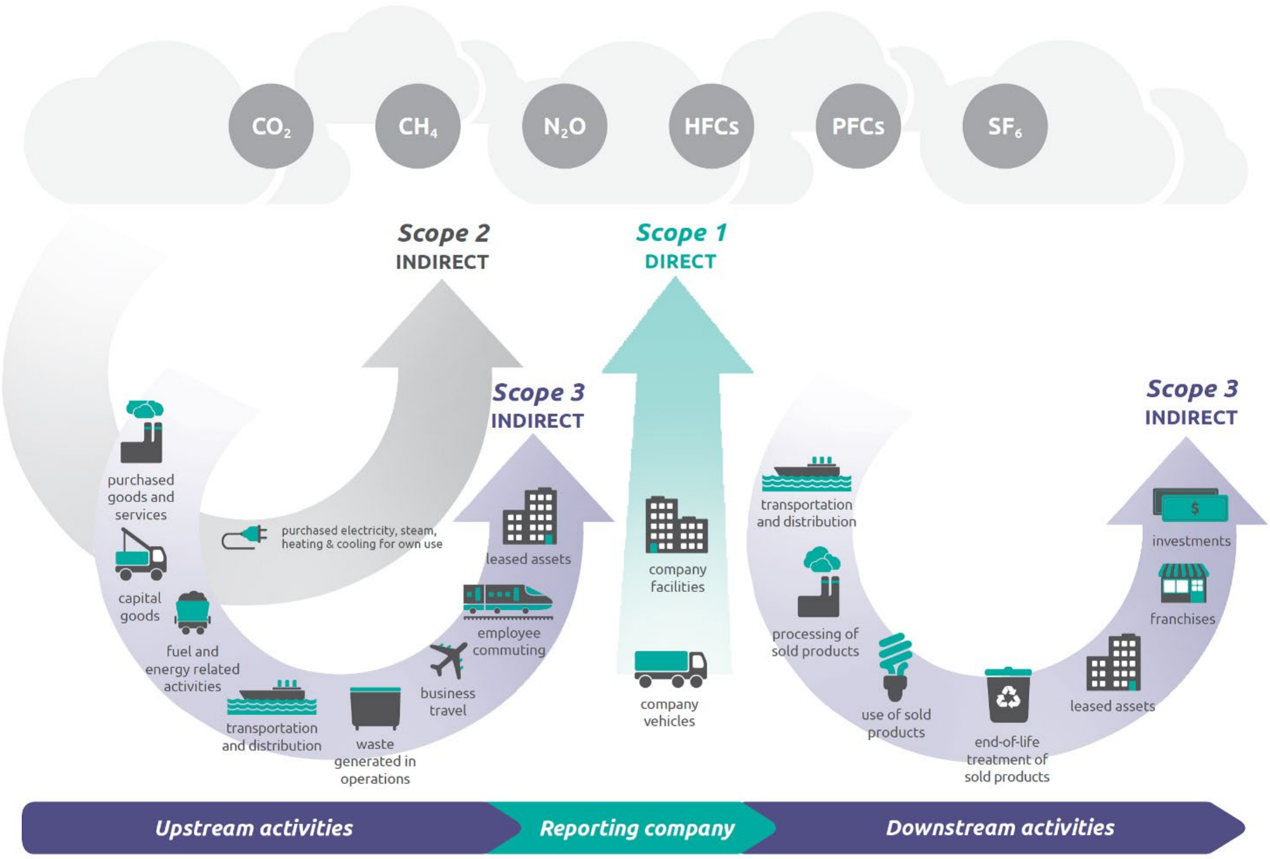
Scope 1 emissions are direct emissions that are operationally controlled by DCHL Group companies, including:

- Mobile consumption emissions related to vehicles owned or operated by the DCHL Group
- Stationary combustion emissions related to machinery and equipment
- Fugitive emissions from refrigerant use within HVAC air-conditioning systems we operate
- Farm emissions related to dairy cattle, fertiliser, and farm vehicle fuel consumption (farm owned by Dunedin Airport Ltd)
- Wastewater treatment plant emissions used for the airport facilities as well as the Momona village (Dunedin Airport Ltd).

Also measured within Scope 1 is sequestration of carbon, which is measured as an offset to carbon emitted. In the DCHL Group's case, this includes native, non-commercial reserve areas of the City Forests estate. The commercial plantations are excluded from these measurements as they are part of the New Zealand Emissions Trading Scheme.

Scope 2 emissions are indirect GHG emissions from imported energy, including:

- Purchased electricity that is consumed at sites our companies operate from
- GHG emissions related to electricity losses within Aurora's distribution network



Scope 3 emissions are indirect or value chain emissions.

To ensure alignment across the Dunedin City Holdings Limited (DCHL) group of companies it was agreed that the companies would report on a consistent set of Scope 3 emissions which are waste, freight and travel. In addition, each company was able to choose to expand their Scope 3 emission reporting to include other indirect sources where their unique operations and trading relationships warranted this.

The Group's Scope 3 emissions include the following:

- Upstream and downstream transportation (the freighting of goods purchased or sold by DCHL Group companies)
- Business travel (primarily flights and accommodation)
- Waste generated in our offices and sites
- Electricity transmission & distribution losses
- City Forests contract operations including land management, forest establishment and silviculture, roading and harvesting, log transport, port operations and international shipping.

Other than the items noted above, we have not captured all indirect emissions relating to our supply chains. We will review which Scope 3 emissions are relevant and appropriate on an ongoing basis, as we continue to measure and report our carbon footprint.

Results

Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

The Consolidated DCHL Group measured a gross total of 41,911 tCO2-e, across Scope 1, 2 and 3 in the year ended 30 June 2022. The tables below show how these emissions are broken down by scope, by company, by source category and by activity.

At a summary level, the largest categories of Scope 1 emissions across the DCHL group – that is, those within the group's direct operational control – come from fuel use across the group, and dairy farming at Dunedin International Airport.

The group's most significant Scope 2 emissions are recorded at Aurora Energy. Electricity Transmission and Distribution emissions refer to the difference between the amount of electricity that enters Aurora's network at Grid Exit Points and the total amount of electricity measured at customers' premises. The losses occur primarily due to physical energy loss as electricity passes through transformers and other equipment.

The emissions associated with network losses are calculated using a national grid factor for electricity, which takes account of the mix of electricity generation across New Zealand. The national factor does not differentiate for the different mixes of renewable and thermal (fossil fuel) generation between South Island and North Island grids.

In practice, it will be challenging for Aurora itself to influence the emissions associated with network losses, in either a proportional or absolute sense, however on balance we would expect to see an overall reduction over time, as a greater portion of New Zealand's electricity is generated from renewable sources.

Unsurprisingly, Scope 3 emissions account make up the largest portion of total emissions measured across the DCHL Group. The largest source of emissions in this category is freight, which is driven primarily by emissions associated with shipping City Forests' logs to Asia.

It is important to note that as described above, City Forests' commercial forest carbon sequestration / emissions are excluded from the scope of this measurement and reporting exercise, because the commercial forest areas are registered under the New Zealand Emissions Trading Scheme (ETS) and cannot be included in these calculations as well.

We have, however, taken into account 2,435 hectares of native, non-commercial forest held by City Forests, which is the equivalent offset of 5,535 tCO2e. This then provides a net emissions total across the group of 36,376 tCO2e.

Table 1 Emissions by Scope

Scope	tCO2-e	% of Total
Scope 1	6,499	16%
Scope 2	10,421	25%
Scope 3	24,992	60%
Total Scope 1, 2, 3	41,911	100%
Forestry net total	(5,535)	-13%
Total	**36,376**	

Upon consolidation of the Group, we have removed the double-counting of emissions from Aurora Energy transmitting electricity to DCHL individual companies. The electricity transmission loss emissions are recorded as Aurora's Scope 2 emissions (direct emissions) and at subsidiary and associate companies as Scope 3 emissions (indirect emissions). As such, upon consolidation the component of Scope 3 emissions relating to each company has been removed. This accounts for approximately 30 tCO2-e across the Group.

Table 2 Emissions by Company (tonnes CO2-e)

Company	Scope 1	Scope 2	Scope 3	Total	Forestry	Net
City Forests	104	3	24,129	24,237	(5,535)	18,702
Aurora Energy	201	9,898	106	10,205	-	10,205
Delta Utility Services	3,692	105	640	4,436	-	4,436
Dunedin Airport	2,155	192	36	2,383	-	2,383
Dunedin Venues	246	214	23	482	-	482
Dunedin Railways	99	10	56	165	-	165
Dunedin City Holdings	1	0	1	2	-	2
Dunedin City Treasury	1	0	1	2	-	2
Total	**6,499**	**10,421**	**24,992**	**41,911**	(5,535)	**36,376**

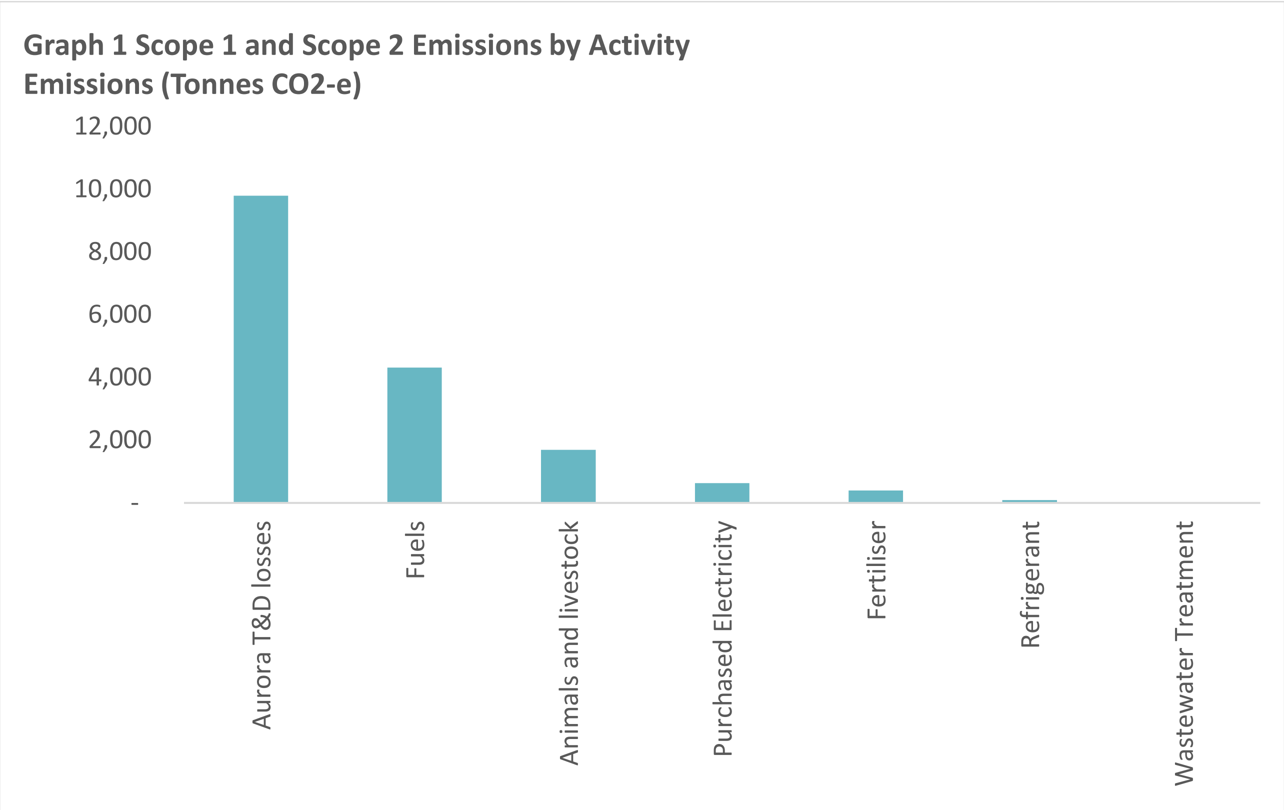


Table 3 Emissions by Source Category

Scope	Emission source category	Tonnes CO2-e	Tonnes CO2	Tonnes CH4	Tonnes N2O	Tonnes Other (SF6, HFCs)
1.	Fuels	4,311	4,229	10	71	
1.	Refrigerant	90	-	-	-	90
1.	Animals and livestock	1,693	-	1,418	275	
1.	Fertiliser	395	59	-	336	
1.	Wastewater Treatment	10	-	4	7	
2.	Purchased Electricity	628	606	22	1	
2.	Aurora T&D losses	9,792	9,547	227	19	
3.	Flights (Domestic)	114	112	0	2	
3.	Flights (International)	1	1	-	0	
3.	Freight	20,524	20,236	10	278	
3.	Waste to landfill	183	-	183	-	
3.	T&D losses	22	20	2	0	
3.	Car-based Transport	7	6	0	0	
3.	Contractor Fuels	4,105	4,035	6	65	
3.	Accommodation	36	36	-	-	
	Forestry (owned)	(5,535)	(5,535)	-	-	
	Forestry (harvest and deforestation)	-	-	-	-	
1.	Scope 1 total	6,499	4,288	1,431	690	90
2.	Scope 2 total	10,421	10,153	248	20	-
3.	Scope 3 total	24,992	24,446	201	344	-
	Scope 1, 2 and 3 total	**41,911**	**38,887**	**1,881**	**1,053**	**90**
	Forestry net total	(5,535)	(5,535)	**-**	**-**	**-**
	Inventory total	**36,376**	**33,352**	**1,881**	**1,053**	**90**

- CH_4 and N_2O expressed in terms of $kgCO_2$-e
- T&D refers to electricity transmission and distribution
- Scope 2 emissions for the T&D losses associated with network comapanies are excluded

Steps towards reducing our carbon emissions and waste

During the year each DCHL Group company, including DCHL as a parent entity, developed strategies and targets for reducing GHG emissions and waste.

Emissions targets have been informed by best practice guidance, including:

- The most globally recognised standard for emissions reduction target setting, the Science Based Targets Initiative (SBTI), which aligns reduction targets with the Paris Agreement objective of limiting global warming to no more than 1.5C by 2030
- Focussing first and foremost on reducing Direct (Scope 1 and 2) emissions, as opposed to Indirect (Scope 3) emissions
- Capturing significant Scope 3 emissions and identifying opportunities to reduce these in future.

Next steps

Each DCHL company has adopted a target to be net zero carbon by 2030, as a contribution to Dunedin City Council's goal of achieving net carbon neutrality city-wide by 2030.

Over the 2023 financial year we will be building on our existing work to develop a roadmap to 2030. We will engage with our shareholders Dunedin City Council regarding non-controllable emissions and the potential cost of offsetting residual emissions. We will also work with Council to identify alternative or complementary opportunities to contribute to the Dunedin City Council's city-wide net zero carbon goal.

Graham Crombie intern director programme

DCHL 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. Intern directors attend all board and committee meetings of their respective companies and participate fully in board activities (without voting rights or decision-making responsibilities).

Intern Directors also receive mentoring from company directors, professional coaching sessions and funding towards governance education with the Institute of Directors.

In 2020 the programme was named after Graham Crombie, Chair of DCHL 2013-2019.

Graham had a passion for people development, and for supporting future leaders within the city of Dunedin. Graham was active in mentoring and supporting emerging directors, including the first intake of DCHL Intern Directors in 2018.

The third intake of intern directors are part-way through their 18-month terms and their feedback on the programme has been positive. Intern Directors have gained valuable insight into the roles of company directors, particularly with their terms including the ongoing challenge of Covid-19.

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

We look forward to continuing to work with our current intern directors over the 2023 financial year.

DCHL's 2022-2023 Intern Directors

From left: Michael Price (Dunedin Airport), Ruth Zeinert (Aurora Energy), Suzanne Watt (City Forests), Sian Sutton (DVML) and Gillian Musuka (Delta)

Photo credit: Otago Daily Times

Subsidiary and associate company reports

Aurora Energy

WHAT WE DO

Aurora Energy owns and operates the electricity network in Dunedin, Central Otago/Wānaka and Queenstown Lakes. It owns the poles, lines and equipment that distribute electricity from Transpower's national grid to more than 93,500 homes, farms and businesses. The Company is responsible for maintaining and renewing infrastructure, and the safety and reliability of electricity supply is a critical driver across all elements of the business.

WHAT WE DID THIS YEAR

Aurora Energy has made significant progress on their five-year, $563 million investment programme to maintain and upgrade critical assets across the network, and has had another year of stabilised network performance.

A substantial proportion of end-of-life assets have either been replaced or upgraded, the wider work programme is progressing to plan, and ongoing improvements to processes, systems, and data capture is supporting better decision making.

Aurora Energy was proud to win two New Zealand Energy Excellence Awards for their Harbour Crossing project in Dunedin, where lattice towers and overhead lines were replaced with submarine cables. These were: 'Community Initiative of the Year' and 'Network Initiative of the Year'.

While this was a once-in-a-lifetime project, Aurora Energy has completed other major projects that will improve the reliability and safety of electricity supply. These include:

- Pole, cross arm and line replacement in Deborah Bay and Aramoana. Three months' work was completed in three weeks by bundling work so there was less impact on customers.
- Back-up supply for Clyde. This allows the Alexandra network to take on Clyde township power when required.
- New substation in Omakau. Building commenced for a new substation, which will double the capacity to ensure it can meet growth in the area, and will provide more options during maintenance and unplanned outages. Due for completion in FY23.
- Glenorchy township. A large programme was completed, which included replacing 110 power poles and 25 cross arms, realigning power poles in Mid Rivers, and installing a new 11 kV air break switch.
- Arrowtown upgrade. This $6 million project has commenced and involves a new 9 km, 33 kV underground cable that will enhance security and reliability of supply. Progress is ahead of schedule.

The company is continuing to build Aurora Energy as a consumer-centric business, with people at the heart of day-to-day decision making and planning. The information consumers receive when their power is interrupted has improved, and given the amount of work underway, it's imperative that electricity users and communities are kept informed about the status of work in their local area.

Enabling the energy future of communities is a focus for Aurora Energy, and while maintaining the health of the existing network asset is essential, it also needs to be upgraded and positioned for the future. A robust network will provide value to customers by enabling how and when electricity is used to support decarbonisation. Aurora Energy is leading the sector thinking in some areas, for example their solar energy non-network peak management work in Upper Clutha.

Aurora Energy is thankful to its around-the-clock control room team, and contractors who work 24/7 in all weather conditions, to keep the lights on.

THE PEOPLE	
Directors	Steve Thompson (Chair)
	Simon Clarke
	Margaret Devlin (until 30.06.2022)
	Wendie Harvey
	Stephen Lewis
Chief Executive	Richard Fletcher

AT A GLANCE	2022	2021
	$'000	$'000
Revenue	126,680	116,254
Net Surplus/(Loss) after Tax	7,763	681
Shareholders' Funds	186,440	178,139
Total Assets	730,576	671,909

City Forests

WHAT WE DO

City Forests' principal activities 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 had a profitable year making a $6.16m after-tax profit and paid $6.8m in dividends to its shareholder. This was, however, significantly reduced profit from the previous year ($33.2m) due to the following factors:

- Weaker log export markets particularly in China due to prominent building companies experiencing financial difficulties and Covid lock downs.
- Increased costs of export shipping
- Increased domestic costs particularly fuel.

In addition, this year's annual valuation of forest crops involved a much smaller movement (and therefore a much smaller impact on net profit after tax) than the prior year. The fair value of forest crops this year increased by $1.1 million from the previous year, compared with a $31.1 million movement in FY21.

City Forests also implemented an accounting policy change for the treatment of carbon credits this year, which reduced its profit by $6.6m when compared with the company's Statement of Intent profit forecast of $18.8 million. This change relates to the company valuing the carbon credits it will need to surrender on harvest at nil, instead of at market value as it has in the past. This change better reflects the company's operations and financial position.

Health, safety and well-being are an ongoing focus in all City Forests' operations and the company is pleased to report further progress in improving health and safety systems, compliant external audits of company and contract operations and further development of critical risk control measures.

Environmental performance continues to be strong with Forest Stewardship Council certification renewed, no compliance or risk management issues and wilding pine removal operations periodically undertaken to eradicate seed spread from legacy plantings in a small number of areas.

Recreation within the forest estate is in demand with significant mountain bike and walking tracks established and maintained throughout the estate as well as hunting and other permitted recreation activities. City Forests continues sponsorships targeting local environmental and community organisations and well as operationally supporting Predator Free Dunedin.

City Forests continues to focus on improving its forest estate through enhanced tree genetics and quality silviculture, maintaining its roading network to a high standard and undertaking all supply chain operations in a professional manner to service domestic and export log markets.

City Forests continues to follow a strategy of sustainable harvest and has been re-investing a portion of its revenues to expand the forest estate through modest acquisition in close proximity to existing forest areas.

The outlook for the coming year remains optimistic but challenging as inflation and well-documented geopolitical issues continue to impact demand and costs.

THE PEOPLE

Directors	John Gallaher (Chair)
	Scott Mason
	Phil Melhopt (from 01.02.2022)
	Tim Mepham
	Alison Posa
Chief Executive	Grant Dodson

AT A GLANCE

	2022 $'000	2021 $'000
Revenue	75,656	104,061
Net Surplus/(Loss) after Tax	6,160	33,221
Shareholders' Funds	282,203	246,898
Total Assets	389,058	337,920

Delta

WHAT WE DO

Delta is an infrastructure specialist providing a range of contracting services to local authority and private sector customers. Delta constructs, manages, and maintains essential energy and environmental infrastructure largely in the South Island. Headquartered in Dunedin, with regional depots in Nelson, Christchurch, Rangiora, Cromwell, Alexandra, Wānaka, Queenstown, and Auckland.

WHAT WE DID THIS YEAR

The financial year ended 30 June 2022 (FY22) certainly presented several challenges for Delta. The continued impact of the Covid-19 pandemic and inflationary pressures resulted in all areas of the company's operations coming under significant pressure towards the latter half of the financial year. Despite this, Delta continued to experience solid demand for its core services and remained well connected with the communities it operates in.

Delta recorded a net profit after tax of $2.9 million in FY22, well down on budget/targets as well as FY21's profit of $4.5 million. Operating revenue was $108.9 million for FY22, an increase of 5 per cent on the previous year (FY21: $103.5 million), underpinned by growth in services provided to existing and new energy and environmental customers despite Covid-19 disruptions.

Delta's commitment to achieving customer KPIs and outcomes during the year remained at the forefront. The commencement of new contracts with Network Tasman, Nelson Electricity and the Dunedin City Council were all completed to a high standard while delivering full work schedules and capital projects to existing customers.

Delta's debt with Infinity Yaldhurst, which arose from the supply of infrastructure services on a Christchurch subdivision, was fully repaid in September 2021. The subdivision progressed well this year with the historical issues previously impeding the development now resolved. During the year Delta received $12.2 million, $4.5 million of which was surplus sale proceeds from the development.

Total recordable injuries per 200,000 hours worked (TRIFR) was below Delta's expected target. The company has seen a significant reduction in injury severity during the year.

Delta achieved two of its major Statement of Intent objectives in achieving both ISO 14001 (Environmental Management Systems) and ISO 45001 (Health & Safety Management Systems) accreditations while retaining ISO 9001 (Quality Management Systems). The ISO framework is one of the most widely recognised international standards and highlights Delta's commitment to robust processes and continuous improvement. Delta also established a 7-year Carbon Emission and Waste Reduction Strategy, designed to take immediate action on the company's waste and emissions.

Delta continued to provide excellent career path options, with 35 trainees enrolled in various greenspace and electrical trainee programmes across the company's locations. Additionally, this year's Staff Engagement Survey saw a record-high response rate with 71% of Delta employees taking part.

Delta is proud to support the communities in which it operates and provides essential infrastructure services. In FY22, Delta played a major role in the first-ever Rākau o te tau / Tree of the Year Aotearoa. The competition was a major success, with over 6,000 individual votes.

Additionally, the company-wide safety initiative known as the Charity Challenge continued throughout the year. Delta donated $8,500 through this initiative to Heart Kids Otago and Ark Preschool in Tasman.

THE PEOPLE

Directors	Brian Wood (Chair)
	Tony Allison
	Jane George (from 01.11.2021)
	Steven Grave
	Trevor Kempton (until 31.10.2021)
Chief Executive	Mike Costelloe

AT A GLANCE

	2022 $'000	2021 $'000
Revenue	115,122	105,391
Net Surplus/(Loss) after Tax	2,919	4,540
Shareholders' Funds	26,153	25,834
Total Assets	65,646	63,360

Dunedin City Treasury

Dunedin City Treasury Ltd

WHAT WE DO

Dunedin City Treasury Ltd (DCTL) provides treasury and funds management services to Dunedin City Council, DCHL and its subsidiary and associate companies. 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 perform well over the 2022 financial year, in what has been a challenging interest rate environment.

The cost of funds for the Dunedin City Council (DCC) Group increased over the 2022 financial year by 0.68% to 3.17% as at 30 June 2022.

DCTL issued two new tranches of bonds over FY22. In November 2021, DCTL issued a new Medium Term Note (MTN) of $100 million for a term of 7 years at a yield of 3.22% which was a margin to swap of +0.44%. In April 2022, the Company issued a new Floating Rate Note (FRN) of $50 million priced at the 3-month benchmark interest rate of +0.30%. The new MTN was used to refinance the $70 million 25 November 2021 MTN maturity. The new FRN was used to increase term funding and was not part of any refinancing strategy.

DCTL had $175 million of Promissory Notes on issue as at 30 June 2022, compared to $150 million as at the same time last year. The average rate achieved was +0.0165% above the 3-month benchmark interest rate. The average bid coverage ratio was 1.9 times the Promissory Notes tendered, illustrating strong investor appetite for DCTL paper. Issue margins increased slightly during the financial year, impacted by the more restrictive monetary policy settings of the Reserve Bank of New Zealand (RBNZ).

DCTL's higher cost of funds in FY22 follows the implementation of an aggressive tightening of monetary policy by the RBNZ. The RBNZ increased the Official Cash Rate (OCR) five times over the financial year, taking the OCR from 0.25% to 2.00% on 25 May 2022. The RBNZ departed from increasing the OCR in 0.25% increments and adopted a more hawkish stance in April and May 2022, increasing the OCR in increments of 0.50%. An OCR of approximately 4.25% by early 2023 was priced into the New Zealand yield curve as at 30 June 2022. The Company's portfolio of interest rate hedges softens the impact of higher floating benchmark interest rates.

DCTL's activity is governed by the Dunedin City Council Treasury Risk Management Policy, which is designed to manage risk across a range of areas. The Company maintained compliance with the Policy during the 2022 financial year and continues to manage funds in the best interests of its borrowers.

DCTL continues to ensure that funding facilities are spread over time, to help manage funding risk. From 30 June 2022, the Company has less than $350 million of outstanding funding due to mature in any forward one-year period.

Subsequent to balance date, DCTL continued to work towards adding the New Zealand Local Government Funding Agency (LGFA) as a source of funding, which was completed on 3 November 2022.

THE PEOPLE

Directors	Keith Cooper (Chair)
	Chris Hopkins (until 24.06.2022)
	Susie Johnstone
	Linda Robertson
	Richard Thomson
Treasurer	Richard Davey

AT A GLANCE

	2022 $'000	2021 $'000
Revenue	24,016	23,784
Net Surplus/(Loss) after Tax	36	7
Shareholders' Funds	19,175	(30,925)
Total Assets	954,978	835,224

Dunedin Railways

DUNEDIN RAILWAYS
WORLD CLASS TRAIN TRIPS

WHAT WE DO

Until March 2020 Dunedin Railways operated a tourist and excursion train on the Taieri Gorge railway line and on the Seasider line north of Dunedin. Covid-19 had a severe impact on the company and it transitioned to hibernation from 1 July 2020. The company's current focus is on maintaining key assets pending further decisions from Dunedin City Council.

The directors of DCHL have assumed roles as directors of the Company over its hibernation period, and DCHL has been instructed to fund the company over financial years 2022, 2023 and 2024.

WHAT WE DID THIS YEAR

During the 2022 financial year, a small hibernation team has focussed on keeping key rolling stock and the Taieri Gorge Line maintained to support passenger services as far as Hindon (with minimal maintenance between Hindon and Middlemarch).

Dunedin Venues Management Ltd have supported the hibernation team and have carried out the company's administrative functions.

Dunedin Railways operated a limited schedule of passenger services. Covid-19 restrictions meant the company operated fewer services than anticipated, although over the 2022 financial year 3,150 passengers travelled on Dunedin Railways services, to either Hindon, Waitati or Oamaru.

Dunedin Railways has been pleased to receive positive feedback about these services. Themed trains such as the Santa Express were popular, and continued collaboration with the Waitati community has resulted in excellent experiences for customers as well as benefits for the community.

The company's financial results are broadly in line with forecasts and reflect the company's semi-hibernated status.

Dunedin Railways Ltd looks forward to being able to operate a moderately expanded schedule of services in the 2023 financial year, as cruise ships return to Dunedin.

THE PEOPLE

Directors	Keith Cooper (Chair)
	Chris Hopkins (until 24.06.2022)
	Susie Johnstone
	Linda Robertson
	Richard Thomson

AT A GLANCE

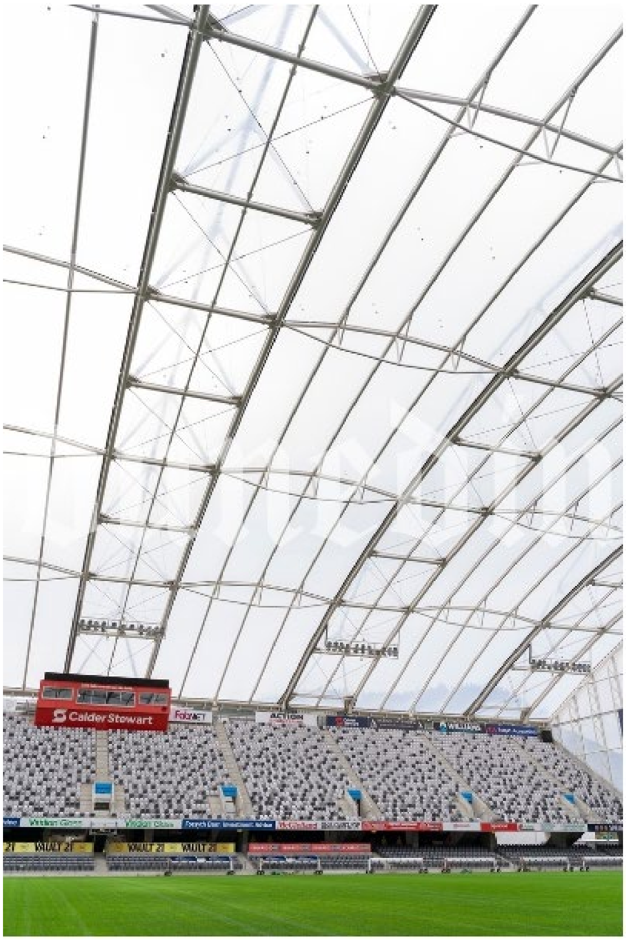
	2022	2021
	$'000	$'000
Revenue	258	1,347
Net Surplus/(Loss) after Tax	(1,608)	(236)
Shareholders' Funds	338	221
Total Assets	501	412

Dunedin Stadium Property

DUNEDIN STADIUM PROPERTY LTD

WHAT WE DO

Dunedin Stadium Property Ltd's (DSPL's) principal activity is the ownership of Forsyth Barr Stadium. DSPL oversees the maintenance programme with the objective of ensuring the stadium is at a standard that enables it to operate effectively.



WHAT WE DID THIS YEAR

During the year the Directors reviewed the Asset Management Plan and are in the process of finalising it. It includes an appropriate budget for assets to be maintained at an operational level, over the next ten years. In some cases, the maintenance spend may be increased over that in the Asset Management Plan so as to provide for a longer life.

DSPL recorded a net deficit before subventions and income tax of $7.0 million for the year. This is an improvement of $0.5 million over the previous year, resulting from a reduction in depreciation and borrowing costs.

This year no subvention payments were received from companies within the Dunedin City Holdings Limited Group. Subvention payments are dependent on the ongoing profitability of the underlying group of companies owned by Dunedin City Holdings Limited. Instead, DSPL has a deferred tax asset in relation to tax losses of $18.6 million to carry forward and will utilise this within the Dunedin City Holdings Limited Group in future years.

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

THE PEOPLE

Directors	William Cockerill (Chair)
	Keith Cooper
	Chris Hopkins (until 24.06.2022)
	Susie Johnstone
	Linda Robertson
	Richard Thomson

AT A GLANCE

	2022 $'000	2021 $'000
Revenue	2,445	2,413
Net Surplus/(Loss) after Tax	(6,997)	(7,468)
Shareholders' Funds	60,342	65,089
Total Assets	145,765	151,824

Dunedin Venues Management

WHAT WE DO

Dunedin Venues Management Limited (DVML) is Dunedin's premier venue and event services company. DVML manages the Forsyth Barr Stadium, Dunedin Centre and Town Hall Complex.

WHAT WE DID THIS YEAR

Within another Covid-19 disrupted year where a number of major events were cancelled or postponed, (including the much anticipated sold out All Blacks v South Africa Test Match, Guns n' Roses, Six60 and Rod Stewart concerts) DVML were thrilled to still be able to host a variety of events at Forsyth Barr Stadium. Some of the major highlights were the All Blacks v Fiji Test Match, and the "We Can" Community Can Appeal collection (in collaboration with Highlanders, Otago Rugby and Otago Cricket).

The Highlanders rugby season was disrupted with the Super Rugby Franchises being relocated to Queenstown, however Forsyth Barr Stadium was able to host a total of nine Super Rugby matches, five with public in attendance and four played behind 'closed doors'.

Through the Bunnings NPC season, Otago Rugby were scheduled to play seven matches at Forsyth Barr Stadium, four were played and three were cancelled, again due to Covid-19 restrictions.

Planning for the 2023 FIFA Women's World Cup continued, with a number of FIFA delegates visiting Forsyth Barr Stadium during the year, projects being scoped and operational delivery planning taking place.

During the year Community Access Grant applications were strong with a number of Community Events being hosted across both the Dunedin Centre and Forsyth Barr Stadium. Once again there were a variety of memorable events with one of the highlights being the first international event to be held, the "Ukraine Benefit Concert" where all proceeds were donated to the Red Cross in Ukraine.

DVML experienced another strong domestic concert/entertainment programme. The Ocean Alley concert at the Dunedin Centre was the first 'large' show back post lockdown (after 5 postponements), and the band and crowd alike were thrilled to have live music back again. From NZSO, comedian Tom Sainsbury, DJ's Lee Mvthews to Drax Project, this year has provided a wide range of fantastic events and the excitement of live entertainment returning and the enjoyment it has brought to people has been a pleasure to share.

Business events showed resilience through a Covid-19 disrupted year with the team delivering a number of successful events throughout the year when restrictions allowed, with an extra busy period during May/June when over 50 events were delivered following the relaxing of Covid-19 restrictions.

Another highlight for DVML was the loyal and heartfelt support that was received during the year from the Forsyth Barr Stadium Membership. We are looking forward to providing a full programme of content in the coming year.

THE PEOPLE

Directors	Raewyn Lovett (Chair)
	Joanne Conroy
	Adam La Hood
	Dylan Rushbrook
Chief Executive	Terry Davies

AT A GLANCE

	2022 $'000	2021 $'000
Revenue	8,520	11,101
Net Surplus/(Loss) after Tax	(903)	(307)
Shareholders' Funds	1,308	1,911
Total Assets	20,743	22,420

Dunedin International Airport

WHAT WE DO

Dunedin International Airport Ltd (DIAL) 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.

DIAL is owned 50% by DCHL and 50% by the Crown.

WHAT WE DID THIS YEAR

DIAL has ended on a positive note after beginning the year in an environment of uncertainty, operating with the trials and tribulations of Covid-19, and re-focussing and promoting Dunedin and the Lower South to a largely domestic audience.

As we recovered from the initial Covid-19 lockdowns, things were progressing well until August 2021 when, due to the Delta variant, the whole country went into regional Level 4 lockdowns. As such, while we note improvements against our comparative period, our passenger numbers remain approximately 42% below pre Covid-19 years where Dunedin Airport was experiencing in excess of 1 million passengers per year.

Compared to the prior year, domestic capacity (excluding charter and flight training flights) decreased immaterially (by less than 1.0%) to 949,001 seats with a corresponding marginal increase in passengers of 0.3% to 759,117.

Following Virgin Australia being placed into administration in April 2020, International services were not reinstated at Dunedin Airport during the 2022 financial year. Accordingly, nil international passengers arrived at nor departed from the Airport.

The Airport continues to invest heavily in relationships with airline's partners, and is exploring opportunities to provide a direct Tasman connection to our region.

The airport financial performance rises and falls with passenger numbers. So, it is not surprising that DIAL's total revenue, including interest income, dividends, and gains/losses on investments and on sale of property, plant and equipment, decreased by 9.5% to $13.2 million.

Notwithstanding its relatively fixed operational cost base, DIAL incurred operating expenditure for the 30 June 2022 financial year of $12.5 million, a 7.4% ($0.9 million) increase over the prior year. This increase was primarily caused by an increase in salaries and wages as the airport looked to re-establish front line and operational teams back to the level required to recover and rebuild post Covid-19. Further, airfield maintenance expenses have increased over the prior year in line with the runway, taxiway, and apron maintenance program.

The culmination of the revenue and expenditure movements is a net profit after tax of $0.5 million, which is $1.6 million behind the prior year.

DIAL's shareholders' funds increased by $10.6 million, or 14.9%, to $82.1 million. This increase was primarily the result of a $10.4 million valuation increase on land, buildings and airside pavements which were revalued at 30 June 2022.

With the deferral of growth-related development expenditure for significant portion of the 2022 financial year, capital expenditure remained consistent with the prior financial year at $0.9 million. Of this, approximately $0.25 million related to the replacement of the trickle filter at the Airport's sewage treatment plant, $0.25 million for the deposit on one of two replacement fire appliances, and $0.15 on the development and design of our Airport Emergency Services station.

THE PEOPLE

Directors	Jonathan Cameron (Chair)
	Darin Cusack
	Shane Ellison (from 19.07.2021)
	Barbara Robertson (from 19.07.2021)
	Tony Allison (until 19.07.2021)
Chief Executive	Richard Roberts

AT A GLANCE

	2022	2021
	$'000	$'000
Revenue	13,222	14,603
Net Surplus/(Loss) after Tax	464	2,083
Shareholders' Funds	82,097	71,457
Total Assets	114,053	102,865

Statement of Responsibility

The Board of DCHL accepts responsibility for the preparation of the annual financial statements and the judgements used in them;

The Board of DCHL 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 DCHL, except for any adjustments that may have been required in relation to the carrying value of DSPL'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 DCHL for the financial year ended 30 June 2022.

Director

Director

Directors' declarations of interest

For the year ended 30 June 2022

DIRECTOR	RESPONSIBILITIES	DECLARATIONS OF INTEREST
Keith T Cooper 02.02.15 - present (Chair 26.02.19 - present)	Non-Executive Director / Chair	Director & Chair, Dunedin City Holdings Limited Director & Chair, Dunedin City Treasury Limited Director & Chair, Dunedin Railways Limited - appointed 1 July 2020 Director, Dunedin Stadium Property Limited Director, Miller Creative Group Limited Owner/Director, Littlebrook Farm Limited
Linda M Robertson 17.10.13 - 17.10.22	Non-Executive Director	Chair, Audit and Risk Committee, Central Otago District Council Chair, Central Lakes Trust Chair, Crown Irrigation Investments Limited Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited - appointed 1 July 2020 Director, NZ Local Government Funding Agency Director, Alpine Energy Limited - appointed 27 August 2020 Director, Central Lakes Direct Limited Director and Shareholder, RML Consulting Limited Member, Risk and Audit Committee, The Treasury Member, Capital Markets Advisory Committee, The Treasury Kiwi Wealth companies comprising of: Kiwi Wealth Management Ltd, Kiwi Wealth Investments General Partnership Ltd, Kiwi Investment Management Ltd, Kiwi Wealth Ltd, Portfolio Custodial Nominees Ltd - appointed July 2021 Member, Audit and Risk Committee, Office of the Auditor-General and Audit New Zealand - effective January 2022
Christopher C Hopkins 25.06.19 - 24.06.22	Non-Executive Director	Chair, Health Central Limited - appointed 21 September 2020 Director, Oakwood Group Limited Director, Our Planit Limited Director, Spade Work Limited Director, GW Batts Trustee Limited Director, Dunedin City Holdings Limited - ceased 24 June 2022 Director, Dunedin City Treasury Limited - ceased 24 June 2022 Director, Dunedin Stadium Property Limited - ceased 24 2022 Director, Dunedin Railways Limited - appointed 1 July 2020, ceased 24 June 2022 Director, Bletsoe Securities Limited - appointed 1 April 2021 Director, Veritide Limited - appointed 1 August 2021 Director, Farra Engineering Limited - appointed 1 October 2021 Director, J B Frame & Son Ltd - appointed 5 March 2021 Director and Shareholder, Southmed Limited - appointed April 2020 Director and Shareholder, INMR Measure Limited - appointed 30 September 2020 Director and Shareholder, Mimeo Industrial Limited - appointed 18 February 2021 Director and Shareholder, CompanyHQ Limited - appointed 3 September 2021

Directors' declarations of interest

For the year ended 30 June 2022

DIRECTOR	RESPONSIBILITIES	DECLARATIONS OF INTEREST
Richard J Thomson 1.07.20 - present	Non-Executive Director	Director, Dunedin City Holdings Limited - appointed 1 July 2020 Director, Dunedin City Treasury Limited - appointed 1 July 2020 Director, Dunedin Stadium Property Limited - appointed 1 July 2020 Director, Dunedin Railways Limited - appointed 1 July 2020 Director and Shareholder, Thomson & Cessford Ltd (T/A Acquisitions) Chair, Hawksbury Community Living Trust (and subsidiary entities) Trustee, Healthcare Otago Charitable Trust Director, Central Otago Health Services Limited - appointed 6 December 2021
Susie J Johnstone 1.03.21 - present	Non-Executive Director	Director, Dunedin City Holdings Limited - appointed 1 March 2021 Director, Dunedin City Treasury Limited - appointed 1 March 2021 Director, Dunedin Stadium Property Limited - appointed 1 March 2021 Director, Dunedin Railways Limited - appointed 1 March 2021 Director & Shareholder, Shand Thomson Chartered Accountants Member, Office of the Auditor General Audit & Risk Committee - ceased December 2021 Director & Shareholder, Johnstone Afforestation Trustee, Dunedin Diocese Trust Board Trustee, Clutha Community Foundation Trustee of various client trusts through Shand Thomson & Abacus Nominee Companies

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

	2022 $'000	2021 $'000 Restated	2020 $'000 Restated	2019 $'000 Restated	2018 $'000 Restated
Revenue	**281,784**	291,131	257,964	269,651	262,709
Profit/(loss) before tax, impairment and subvention payment from continuing activities	**(2,771)**	33,245	(10,295)	4,369	18,122
Profit/(loss) after tax from continuing operations	**(3,459)**	22,404	(8,021)	(141)	11,079
Tax expenses/(income)	**688**	10,840	(2,273)	4,510	7,043
Profit/(loss) after tax	**(3,459)**	22,404	(8,021)	(141)	11,079
Net interest paid to the Council on advance	**5,902**	5,902	5,902	5,902	5,902
Net profit/(loss) before shareholder interest and subvention	**2,443**	28,306	(2,119)	5,761	16,981
Cash flows from operating activities	**43,223**	37,769	14,343	24,036	24,368
Shareholder's funds	**435,635**	353,360	288,226	297,039	306,087
Shareholder's advance	**112,000**	112,000	112,000	112,000	112,000
Total shareholder's interest	**547,635**	465,360	400,226	409,039	418,087
Rate of return (on shareholder funds)	**-0.8%**	6.3%	-2.8%	0.0%	3.6%
Dividend paid	**-**	-	-	-	-
Net interest paid to the Council on advance	**5,902**	5,902	5,902	5,902	5,902
Total interest and dividends paid to the Council	**5,902**	5,902	5,902	5,902	5,902
Total assets	**1,658,003**	1,481,647	1,382,970	1,281,378	1,183,046
Shareholder's funds to total assets	**26.3%**	23.8%	20.8%	23.2%	25.9%

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

Statement of financial performance

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000 Restated
Revenue			
Operating revenue	1	262,207	243,251
Financial income	2	10,102	9,716
Gain in fair value of forestry	12	9,475	38,164
Total operating revenue		281,784	291,131
Expenditure			
Employee expenses		65,205	60,583
Audit fees	3	555	448
Financial expenses	3	29,243	28,960
Other expenses	3	154,483	135,001
Depreciation - right of use leased assets	13	3,421	3,522
Depreciation and amortisation	11 & 14	31,880	30,413
Total operating expenditure		284,787	258,927
Operating profit/(loss)		**(3,003)**	**32,203**
Share of associate surplus		232	1,042
Profit/(loss) before taxation		**(2,771)**	**33,245**
Less taxation expense	4	688	10,840
Profit/(loss) after taxation		**(3,459)**	**22,404**

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

Statement of other comprehensive income

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000 Restated
Other comprehensive income			
Items that may be reclassified subsquently to profit or loss:			
Gain (loss) on cash flow hedges		53,740	29,339
Other comprehensive income associates		154	91
Items that will not be reclassified subsquently to profit or loss:			
Gain (loss) on forestry land revaluations		10,156	6,524
Gain (loss) on carbon credit revaluation		40,167	17,348
Other comprehensive income associates		5,247	-
Income tax on other comprehensive income		(26,280)	(12,992)
Net income recognised directly as other comprehensive income		83,183	40,310
Profit/(loss) after taxation		(3,459)	22,404
Total comprehensive income/(loss) for the year		**79,724**	**62,714**

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

Statement of changes in equity

For the year ended 30 June 2022

	Notes	$'000 *Share capital*	$'000 *Accumulated funds*	$'000 *Associate revaluation reserve*	$'000 *Cash flow hedge reserve*	$'000 *Land revaluation reserve*	$'000 *Carbon credit reserve*	$'000 ***Total equity***
2021			**Restated**				**Restated**	
Balance as at 30 June 2020		126,139	131,151	18,813	(43,580)	33,081	22,623	**288,226**
Profit/(loss) after tax		-	22,404	-	-	-	-	**22,404**
Other comprehensive income		-	(158)	91	21,152	6,602	12,493	**40,180**
Total comprehensive Income/(loss) for the period		**-**	**22,246**	**91**	**21,152**	**6,602**	**12,493**	**62,585**
Transactions with owners in their capacity as owners:								**-**
Contributions of equity		2,550	-	-	-	-	-	**2,550**
Balance as at 30 June 2021		**128,689**	**153,397**	**18,904**	**(22,428)**	**39,683**	**35,116**	**353,360**
2022								
Balance as at 30 June 2021		128,689	153,397	18,904	(22,428)	39,683	35,116	**353,360**
Profit / (loss) after tax		-	4,556	-	-	-	(8,015)	**(3,459)**
Other comprehensive income		-	-	5,400	38,692	10,157	28,934	**83,183**
Total comprehensive Income for the period		**-**	**4,556**	**5,400**	**38,692**	**10,157**	**20,919**	**79,724**
Transactions with owners in their capacity as owners:								
Contributions of equity		2,550	-	-	-	-	-	**2,550**
Balance as at 30 June 2022		**131,239**	**157,953**	**24,304**	**16,264**	**49,840**	**56,035**	**435,634**

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

Statement of financial position

As at 30 June 2022

	Note	2022	2021 Restated	1-Jul-21 Restated
		$'000	$'000	$'000
Current assets				
Cash and cash equivalents	5	14,346	21,979	50,227
Other current financial assets	6	275	1,121	902
Derivative financial instruments	17	646	2,059	1,226
Trade and other receivables	7	32,592	34,320	29,547
Taxation refund receivable		-	-	529
Inventories	8	6,819	5,436	6,320
Non current assets held for sale		-	-	1,770
Prepayments		2,612	2,186	938
Total current assets		57,290	67,101	91,459
Non-current assets				
Term receivables	7	-	6,021	10,023
Other non-current financial assets	6	333,821	271,525	243,509
Derivative financial instruments	17	25,999	8,244	15,973
Investments in associate companies	9	41,026	35,706	34,574
Intangible assets - carbon credits	11	78,809	49,443	31,970
Intangible assets - other	11	6,696	5,040	4,072
Forestry assets	12	201,362	200,246	169,150
Right of use assets	13	12,188	9,983	8,308
Property, plant and equipment	14	900,812	828,338	773,932
Total non current assets		1,600,713	1,414,546	1,291,511
Total assets		**1,658,003**	**1,481,647**	**1,382,970**
Current liabilities				
Trade and other payables	15	34,957	35,962	31,391
Employee entitlements / provisions	16	7,507	6,988	6,666
Derivative financial instruments	17	2,342	1,228	3,011
Provision for tax		2,978	657	-
Current portion of lease liability	18	3,272	3,129	2,613
Short term borrowings	19	1,497	1,482	1,194
Current portion of term loans	20	-	-	-
Total current liabilities		52,554	49,446	44,875
Non-current liabilities				
Term loans	20	891,178	818,992	790,136
Shareholder's advance - DCC	21	112,000	112,000	112,000
Employee entitlements	16	725	862	1,038
Other non-current liabilities		359	53	648
Lease liabilities	18	9,147	7,263	5,817
Derivative financial instruments	17	29,618	36,489	59,767
Deferred taxation	4	126,787	103,182	80,463
Total non-current liabilities		1,169,814	1,078,841	1,049,869
Equity				
Share capital	25	131,239	128,689	126,139
Accumulated funds	26	157,953	153,397	131,151
Revaluation reserves	27	24,304	18,904	18,813
Cash flow hedge reserves	27	16,264	(22,428)	(43,580)
Land revaluation reserves	27	49,840	39,683	33,081
Carbon credit reserve	27	56,035	35,116	22,623
Total equity		435,635	353,360	288,226
Total liabilities and equity		**1,658,003**	**1,481,647**	**1,382,970**

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

Statement of cash flows

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000 Restated
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		260,558	242,524
Interest received		7,819	8,208
Income tax refund		-	-
Dividend received		8	-
		268,385	250,732
Cash was applied to:			
Suppliers and employees		195,940	182,828
Finance costs paid		29,082	29,356
Taxation paid		1,042	1,028
Net GST paid/ (received)		(902)	(249)
		225,162	212,963
Net cash flow from operating activities	31	43,223	37,769
Cash flow from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		5,389	1,820
Carbon credits sold/(purchased)		11,131	(125)
Receipts from investments		3,456	4,698
		19,976	6,393
Cash was applied to:			
Purchase of property, plant and equipment		97,862	83,968
Increase in investments		77,715	28,000
		175,577	111,968
Net cash flow from investing activities		(155,601)	(105,575)
Cash flow from financing activities			
Cash was provided from:			
Call on Capital		2,550	2,550
Loans raised	32	174,170	240,270
		176,720	242,820
Cash was applied to:			
Loans repaid	32	70,000	200,000
Lease liability repaid	32	3,070	3,604
		73,070	203,604
Net cash flow from financing activities		103,650	39,216
Net increase/(decrease) in cash		(8,728)	(28,590)
Effect of exchange rate changes		1,095	342
Opening cash and cash equivalents		21,979	50,227
Closing cash and cash equivalents		**14,346**	**21,979**

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

Notes to the financial statements

For the year ended 30 June 2022

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 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 2022.

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 30 November 2022.

BASIS OF ACCOUNTING

The financial statements have been prepared on the historic cost basis, except for the revaluation of certain property, plant and equipment, 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 the statement of financial performance in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of financial performance 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 intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Notes to the financial statements

For the year ended 30 June 2022

CHANGES IN ACCOUNTING POLICY

Except for the two changes stated below, there have been no other changes in accounting policy. All other policies for the current year and comparative year have been applied on a consistent basis.

Carbon Credit Accounting

As a result of NZ IAS 20 and NZ IAS 38 the group has voluntarily changed its accounting policy for carbon credit accounting. This change in policy will result in a consistent recognition method for the class of asset that the NZUs awarded under the NZ ETS are included in.

The NZUs awarded are acquired by way of a government grant, so in accordance with NZ IAS 20 will be valued at the nominal value of nil for all units that are allocated. Subsequently the class of NZUs that are distinguished as liability free NZUs are revalued at fair value.

This increase/decrease in value from the initial recognition amount is recognised as a revaluation gain/loss in other comprehensive income. The change in policy therefore results in these revaluation gains and losses only being disclosed in other comprehensive income rather than being split between other revenue in the statement of comprehensive income and revaluation gains for the same class of intangible asset.

The Group considers this change supports providing reliable and more relevant information to the readers of the financial statements. The Group has reported the adjustment to all periods prior to presented as an adjustment to the opening balance of each affected component of equity. (NZ IAS 8.5).

Software-as-a-Service (SaaS) arrangements

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC), a committee supporting profit-oriented reporting, published an agenda decision clarifying how configuration and customisation costs incurred in implementing SaaS should be accounted for.

The IFRIC concluded that SaaS arrangements are service contracts providing the customer with the right to access the SaaS provider's application software over the contract period. Costs incurred to configure or customise software in a cloud computing arrangement, can be recognised as intangible assets only if the activities create an intangible asset that the entity controls, and the intangible asset meets the recognition criteria.

Some of the costs incurred by the Group are for the development of software code that enhances or modifies, or creates additional capability to the system and meet the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Costs that do not result in intangible assets are expensed as incurred unless they represent payment for future services to be received. In which case, a prepayment is initially recognised and then expensed as those subsequent services are received.

The New Zealand Accounting Standards Board has not issued similar guidance, management however considers the IFRIC decision relevant to the accounting for similar types of arrangements of the Group. The Group changed its accounting policy from 1 July 2021 to be consistent with the IFRIC agenda decision and applied this change retrospectively and has restated comparative balances accordingly.

The impact of the change in accounting policy is that some intangible assets that were previously capitalised no longer meet the criteria for capitalisation and have therefore been expensed or taken to prepayments.

Notes to the financial statements

For the year ended 30 June 2022

The change to the comparative years financial statements, as a result of the two adjustments, is summarised as follows:

	Previously reported 2021	Carbon credit adjustment	Saas Ajustment	Restated 2021
	$'000	$'000	$'000	$'000
Statement of financial performance				
Operating revenue	248,320	(5,069)		243,251
Other expenses	134,884		117	135,001
Profit/(loss) before taxation	37,389	(5,069)	(117)	32,203
Taxation expense	12,292	(1,419)	(33)	10,840
Profit/(loss) after taxation	26,138	(3,650)	(84)	22,404
Statement of Other Comprehensive Income				
Gain (loss) on carbon credit revaluation	12,279	5,069		17,348
Income tax on other comprehensive income	(11,573)	(1,419)		(12,992)
Net income recognised directly as other comprehensive income	36,660	3,650		40,310
Total comprehensive income/(loss) for the year	62,798	-	(84)	62,714
Statement of Financial Position				
Prepayments	1,564		622	2,186
Intangible assets - other	5,779		(739)	5,040
Deferred tax liability	103,215		(33)	103,182
Accumulated funds	171,735	(18,254)	(84)	153,397
Carbon credit reserve	16,862	18,254		35,116
Total equity	353,444	-	(84)	353,360
Statement of Cash Flows				
Payments to suppliers and employees	182,089		739	182,828
Purchase of property, plant and equipment	84,707		(739)	83,968

The amount of the adjustment relating to the period before those presented is decrease in accumulated funds of $14,604,055; an increase in Carbon Revaluation Reserve of $14,604,055.

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:

- carrying value of the deferred tax liability (note 4);
- impairment of investments in associate companies (note 9);
- valuation of NZ carbon credits (note 11);
- valuation of forestry assets (note 12);
- valuation and impairment of property, plant and equipment including profit elimination on intra-group transactions (note 14);
- valuation of derivative financial instruments (note 17).

STANDARDS AMENDED OR ISSUED DURING THE YEAR

During the year, there were no new or amended accounting standards which materially impacted on the financial reporting of the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are no new or revised standards issued, but not yet effective, that have a material impact on the financial reporting of the Group.

Notes to the financial statements

For the year ended 30 June 2022

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 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 livened. For contracts with multiple performance obligations revenue is recognised at the point in time when each performance obligation is satisfied.

The Commerce Commission's Customised Price-Quality Path Determination for Aurora Energy Limited included a 10% limit on the annual increase in line charge revenue in order to reduce the price impact on consumers. Combined with the impact of volume driven revenue variances the total deferred revenue at 31 March 2022 is $13.417 million. This deferred revenue will be recovered from consumers in future financial years commencing from around 2027.

Electrical Services revenue is derived from the construction of electrical infrastructure assets. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for several projects the total transaction price is allocated across each project based on stand-alone selling prices. Revenue from construction contracts is recognised over time on a cost-to-cost method i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15. The company generally becomes entitled to invoice customers through a monthly claim based on a measure and value calculation or on a milestone basis. The customer is sent a relevant claim or statement of work, the customer assesses the claim and approves it for payment on which an invoice is raised. The Group recognises a contract asset (Work in Progress) for any work performed. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the cost–to–cost method, then the Group recognises a contract liability (Income in Advance) for the difference.

A small amount of Delta Utility Services Limited's contracts include performance bonuses for meeting relevant performance KPIs. In this instance the expected value of revenue is only recognised to the amount management considers it likely, measurable and recoverable. This is assessed on a periodic basis and is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise.

Notes to the financial statements

For the year ended 30 June 2022

Construction and service contracts can include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore are estimated and included in the total costs of the contracts. Where required, amounts are recognised in provisions. Where material a retention is held or a performance bond is put in place to reflect this claim/defects periods. Where material costs are incurred to obtain or fulfil a contract, these costs are held on the statement of financial position and amortised over either the life of the contract or, in the case of a construction contract, in line with the stage of completion. The Group has applied the practical expedient in paragraph B16 of IFRS 15 Revenue from Contracts with Customers, in that disclosure information regarding future performance obligations is not required as it has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of its performance completed to date.

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.

The Covid-19 leave support scheme and wage subsidy were available from the Ministry of Social Development (MSD) when certain Covid-19 restrictions apply and there is a related reduction in revenue. In 2021 Dunedin Venues and Dunedin Railways recognised Covid-19 income . This year, Delta Utility Services Limited, Dunedin Venues and Dunedin Railways recognised Covid-19 income. The subsidies were accounted for in line with NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

	2022 $'000	2021 $'000 Restated
Line charges	78,532	69,584
Pass-through and recoverable cost revenue	34,594	32,660
Customer contributions	11,301	11,007
Electrical services	19,009	16,569
Meters and related services	11,027	10,631
Greenspace services	22,612	19,040
Tree services	3,001	1,626
Forestry sales revenue	64,095	63,662
Venues management income	8,258	10,756
Railway income	241	301
Covid-19 wage subsidy	844	131
Other operating revenue	3,658	6,729
Gain on sale of assets	5,035	555
	262,207	243,251

Notes to the financial statements

For the year ended 30 June 2022

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.

Since the inception of the Term Receivable balance, interest has been accounted for at a conservative level to contractual obligations, on the basis that the probability of contractual future repayments being on time and at the required level was low. During the past year the underlying development which relates to this receivable has progressed well, to the point where recovery of the contractual balance is reasonably certain. The increased probability that the Group will now receive amounts in line with contractual requirements has resulted in the Group recognising an additional $0.4 million of interest in June 2021 that related to the period 1 June 2017 to 30 June 2020.

	2022 $'000	2021 $'000
Interest on advances to related parties	8,802	8,205
Interest on other investments	197	1,169
Dividends	8	-
Net gain on foreign currency transactions	1,095	342
	10,102	9,716

3 SEPARATELY DISCLOSED EXPENDITURE

Accounting policy
At each statement of financial position 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 statement of financial performance.

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 right-of-use assets except where lease payments that are short-term or low value are recognised as an expense on a straight-line basis over the term of the lease.

Lease liability payments are allocated between interest expense and reduction of the lease liability over the term of the lease. Capitalised right-of-use assets are depreciated over the shorter of the estimated useful life of the assets and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Notes to the financial statements

For the year ended 30 June 2022

The 2021, bad debts written back relates to the writeback of the Term Receivable. This receivable arose from the supply of infrastructure services on a Christchurch development property and was written down by $508k on initial recognition on the basis that the probability of contractual future repayments being on time and at the required level was highly unlikely. During the past year the underlying development which relates to this receivable has progressed well, to the point where recovery of the Delta Utility Services Limited's contractual balance is reasonably certain and the carrying value has been increased in line with the contractual value. This Term Receivable was repaid in full during the 2022 financial year.

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

	2022 $'000	2021 $'000
Other expenses		
Bad debts written off	85	122
Bad debts written back	(4)	(508)
Increase/(decrease) in expected credit losses for receivables	(109)	(112)
Donations	25	30
Rental expense on leases	2,099	98
Research expenditure	4	-
Transmission costs on the energy network	31,068	30,310
Maintenance costs on the energy network	20,240	19,610
Cost of bush applied	13,408	12,375
Contractor costs	16,864	18,115
Subcontractor costs	20,912	16,553
Shipping costs	28,138	17,704
Loss on sale of assets	2,287	-
Other expenditure	19,466	20,704
Expenditure on continuing activities	154,483	135,001

Audit fees		
Audit New Zealand:		
Financial statements	441	348
Regulatory (information disclosure) reporting	46	43
Price and quality thresholds and other regulatory reporting	68	28
Customised price-quality path application	-	-
Other Providers:		
Other audit fees	-	29
Total audit fees	555	448

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 statement of financial performance in the period in which they are incurred.

	2022 $'000	2021 $'000
Financial expenses		
Interest - related parties	5,963	5,534
Interest - term loans	22,960	23,090
Interest - leased assets	320	336
Net loss on foreign currency transactions	-	-
Total financial expenses	29,243	28,960

Notes to the financial statements

For the year ended 30 June 2022

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 statement of financial performance 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 statement of financial position date.

Income Tax

	2022 $'000	2021 $'000 Restated
Operating profit/(loss)	(2,771)	33,245
Tax thereon at 28%	(776)	9,309
Plus/(Less) the tax effect of differences		
Revenue not liable for taxation	(3,902)	(12,907)
Expenditure not deductible for taxation	4,607	13,789
Tax losses to be utilised	-	1,901
Under/(over) tax provision in prior years	146	70
Group recognition of deferred tax in current year	-	(1,657)
Other	613	336
Taxation charge	688	10,840
Effective tax rate	-24.8%	32.6%
The taxation charge is represented by:		
Current tax provision	2,975	566
Deferred tax provision	(2,434)	11,623
Under/(over) tax provision in prior years	390	(900)
Under/(over) deferred tax in prior years	(243)	(449)
	688	10,840
Tax expense continuing activity	688	10,840
Tax expense discontinued activity	-	-
	688	10,840

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 2022 and earlier years which will be available for use in subsequent reporting periods totalling $17,605,890 (2021: $17,563,017).

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 statement of financial position 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 statement of financial position 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 statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the financial statements

For the year ended 30 June 2022

Deferred tax

	$'000 *Opening Balance*	**$'000** *Charged to Equity*	**$'000** *Charged to Income*	**$'000** *Closing Balance Assets*	**$'000** *Closing Balance Liabilities*	**$'000** *Closing Balance Net*
2022						
Property, plant and equipment	46,755	-	3,178	(1,367)	51,300	49,933
Provisions	5,592	-	464	(3,321)	9,377	6,056
Tax losses	(4,754)	-	(3,161)	(7,912)	-	(7,912)
Forest	40,414	-	(544)	-	39,870	39,870
Forest costs capitalised	10,638	-	422	-	11,060	11,060
Carbon credits	13,350	11,233	(3,127)	(426)	21,883	21,456
Hedge reserve – foreign exchange contracts	246	(1,248)	-	(1,002)	-	(1,002)
Hedge reserve – interest rate swaps	(9,059)	16,295	91	-	7,327	7,327
Balance at the end of the year	103,182	26,280	(2,677)	(14,029)	140,816	126,787
2021 - Restated						
Property, plant and equipment	44,811	(78)	2,022	(1,468)	48,223	46,755
Provisions	3,551	-	2,041	(2,390)	7,982	5,592
Tax losses	(2,204)	-	(2,550)	(4,754)	-	(4,754)
Forest	32,859	-	7,555	-	40,414	40,414
Forest costs capitalised	10,156	-	482	-	10,638	10,638
Carbon credits	8,798	4,855	(303)	(390)	13,740	13,350
Hedge reserve – foreign exchange contracts	(93)	339	-	-	246	246
Hedge reserve – interest rate swaps	(16,936)	7,877	-	(9,059)	-	(9,059)
Balance at the end of the year	80,943	12,993	9,247	(18,061)	121,243	103,182

Notes to the financial statements

For the year ended 30 June 2022

5 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 statement of financial position.

	2022 $'000	2021 $'000
Cash and cash equivalents	14,346	21,979

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.

6 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.

	2022 $'000	2021 $'000
Current loan repayments due from Dunedin City Council	-	-
Other current financial assets	275	1,121
Total other current financial assets	275	1,121
Loan repayments due from Dunedin City Council:		
Maturity one to five years	-	-
Maturity over five years	333,800	271,500
	333,800	271,500
Shares and units in other companies and funds	21	25
Total other non current financial assets	333,821	271,525

Advances

The advances (above) due from the Dunedin City Council had a weighted average interest rate of 2.65% (2021: 3.03%).

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.

7 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.

	2022 $'000	2021 $'000
Trade receivables	22,557	26,019
Expected credit loss	(566)	(692)
	21,991	25,327
Due from related parties:		
Other related parties	10,129	8,122
Other current receivables	472	871
	32,592	34,320
Term receivables	-	6,021

Notes to the financial statements

For the year ended 30 June 2022

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

The term receivable was held at amortised cost and arose from Delta Utility Services Limited's supply of infrastructure services on a Christchurch development property. It was secured by a second mortgage over that development property and interest was payable on the balance. It was repaid in full in September 2021.

A summary of all receivables impaired or otherwise, is included at Note 22. The estimated doubtful debts provision relates entirely to the general provision for estimated credit loss.

	2022 $'000	2021 $'000
Opening doubtful debts provision	(692)	(849)
Additional provisions made during the year	(51)	(39)
Receivables written off during the year	85	122
Provisions reversed during the year	92	74
Doubtful debts on acquisition	-	-
Closing doubtful debts provision	(566)	(692)

8 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.

	2022 $'000	2021 $'000
Raw materials and stores	6,819	5,429
Work in progress	-	-
Finished goods	-	7
	6,819	5,436

9 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 statement of financial position 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 the statement of financial performance 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 Group is in a position to exercise significant influence (associates) at the cost of the acquisition.

Name of entity (principal activities, place of business)	2022 Interest held	2021 Interest held
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.

Notes to the financial statements

For the year ended 30 June 2022

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	
	2022	**2021**
Summarised statement of financial position	**$'000**	**$'000**
Current assets		
Cash and cash equivalents	1,685	1,781
Other current assets	1,594	1,432
Total current assets	3,279	3,213
Non-current assets	110,774	99,403
Total assets	114,053	102,616
Current liabilities	2,103	3,049
Non-current liabilities		
Financial Liabilities	13,250	14,750
Other financial liabilities	16,603	13,360
Total-non current liabilities	29,853	28,110
Total liabilities	31,956	31,159
Net assets	82,097	71,457
Less Impairment	-	-
Other adjustments	(46)	(46)
Net assets after impairment and other adjustments	82,051	71,411
Carrying value of associates 50%	41,026	35,706
Summarised statement of comprehensive income		
Revenue (excl interest received)	13,369	14,574
(Loss)/Gain on investment and sale of PPE	(206)	3
Interest and Dividends received	59	26
Total Revenue	13,222	14,603
Less expenses		
Depreciation and amortisation	3,891	3,908
Interest expense	482	497
Other expenses	8,101	7,210
Total expenses	12,474	11,615
Operating profit/(loss) before tax	748	2,988
Income tax	284	905
Operating profit/(loss) after tax	464	2,083
Other comprehensive income	10,800	181
Total comprehensive income/(deficit)	11,264	2,264
Dividends received from associate	312	-

10 INVESTMENTS IN SUBSIDIARY COMPANIES

	2022	**2021**
Parent company	**Interest held**	**Interest held**
Name of entity (principal activities)		
City Forests Limited (Forestry)	100%	100%
Dunedin City Treasury Limited (Finance)	100%	100%
Aurora Energy Limited (Energy)	100%	100%
Dunedin Railways Limited (Transport)	100%	100%
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.

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.

Notes to the financial statements

For the year ended 30 June 2022

11 INTANGIBLE ASSETS

New Zealand Carbon Credits

Accounting policy

Carbon credits held are treated as intangible assets.

Purchased carbon units are initially measured at cost.

Carbon units are granted by the Government under the emissions trading scheme for carbon sequestration by post-1989 forests. Although some carbon units earned for forest growth will subsequently be returned to the government when the forest is harvested, a proportion of units will never be returned under expected forest crop rotations.

All units allocated by government are initially measured at nil. Those units that are not required to be held to be surrendered to meet future harvest liabilities, are subsequently valued at fair value.

Carbon units that are held to be surrendered to meet future harvest liabilities, are measured at nil.

Liability free carbon units are marked to market (revalued) annually at 30 June subsequent to initial recognition and biannually thereafter. This fair value is based on current market prices. The difference between initial fair value or previous annual revaluation and revaluation value of the liability free units is recognised in other comprehensive income.

Emissions obligations are recognised for forest harvesting that has occurred up to balance date. Emissions obligations are measured based on the carrying value of carbon units held by the company that will be used to settle the obligation (generally nil value) plus the fair value of any excess carbon units required to be purchased to meet the emissions obligation.

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. 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 2,865,718 Post-89 derived NZU's, being the carbon sequestered by these forests during the 2008 to 2021 calendar years. There were carbon credit sales during the financial year of 150,000 units (2021: nil).

The carbon credits are assessed as having an indefinite life as they have no expiry date. As the NZUs are an indefinite life intangible asset they are not amortised but are tested for impairment on an annual basis or when indications of impairment exist.

As at 30th June 2022, 1,045,944 units were unsold (2021: 1,187,042). Under the accrual principle, the safe carbon level credits have been valued based on the current market prices and recognised in the financial statements. The value has been carried in the financial statements as follows:

	Year ending 30 June 2022 $'000	**Year ending 30 June 2021 $'000**
New Zealand carbon credits - non current	78,809	49,443

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.

During the prior year the Company finalised modelling work to forecast future annual carbon sequestration and emission transactions in accordance with the rules of the New Zealand Emission Trading Scheme. This modelling established a safe or liability free carbon level being the number of NZU's the Company has available for sale liability free. NZU's held above this safe level effectively have no value as the NZU's are subject to future surrender liabilities following harvest. The safe carbon is a management estimate based on the company's current official FMA (Forestry Management Approach) yield tables, and a City Forests' specific harvest schedule of Carbon Accounting Areas (CAAs) when managed in perpetuity. The estimate assumes ETS land eligibility for areas not yet registered. The modelling is independently reviewed by Woodlands Pacific Consulting Ltd.

The recognition of NZU's held in the Company's registry account is defined by accounting policy.

NZU's # of units at end of year	**Year ending 30 June 2022**	**Year ending 30 June 2021**
Held At Fair value	1,037,641	1,137,414
Held at Nil value	8,303	49,628
Total Units at end of year	1,045,944	1,187,042
Units – Post 1990		
Opening	1,185,662	995,940
Credits Issued	-	180,602
Per Emissions Trading Register	1,185,662	1,176,542
Units acquired	8,902	9,120
Units sold	(150,000)	-
Fair Value NZUs	1,044,564	1,185,662
Units – Pre 1990		
Opening balance	1,380	-
Acquired	-	1,380
Closing balance at end of year	1,380	1,380
Closing balance all units at end of year	1,045,944	1,187,042
Less Units at Nil value	(8,303)	(49,628)
	1,037,641	1,137,414

Notes to the financial statements

For the year ended 30 June 2022

	$'000
Value applied to risk free units @ $75.95	78,809

The price of the risk-free units is determined by the NZU spot price on Jarden Commtrade as at 30 June.

The risk-free number of NZUs are determined by forest estate modelling of the company's forest growth and forecast harvest profile. This generates forecast future annual carbon sequestration and harvest liability transactions in accordance with the rules of the New Zealand Emission Trading Scheme.

The time period that a NZU is held at nil value to meet future harvest liabilities is from balance date to the projected low point in the company's carbon modelling.

The calculation of Safe carbon is a management estimate based on the best information available at 30 June. The calculation is dependent on assumptions made in:

• the formation of the future harvest plan,
• an assumption of no change to the current FMA carbon yield tables, and
• an estimation of carbon to be derived from a proportion of the post-89 forest area currently un-registered. This is new land either in the registration process or pending registration following planting.

All of these variables are expected to change over time. The calculation is most sensitive to the harvest plan assumptions and the harvest plan can be expected to be modified over time as the forest harvest program is managed to meet market and supply chain operational constraints.

Other intangible assets

Accounting policy
Other intangible assets is largely software which is recognised at cost and amortised on a straight-line basis over its estimated useful life which is a maximum period of ten years.

	2022 $'000	2021 $'000 Restated
Cost		
Opening balance	11,771	10,062
Purchases	2,709	2,090
Transfers	-	-
Disposals	(2,563)	(381)
Total cost	11,917	11,771
Accumulated amortisation		
Opening balance	6,731	5,990
Amortisation	1,052	1,109
Transfers	-	-
Disposals	(2,562)	(368)
Total amortisation	5,221	6,731
Closing balance	6,696	5,040

12 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 through a graduated current to five year average price curve 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 profit or loss.

Notes to the financial statements

For the year ended 30 June 2022

	2022 $'000	2021 $'000
Balance at the beginning of the year	200,246	169,150
Add costs capitalised in establishing forests during the year	3,649	3,392
Increase in forest from acquisition	1,400	1,915
Revaluation	9,475	38,164
Less Value of logs harvested	(13,408)	(12,375)
Balance at the end of the year	201,362	200,246
Gains/(losses) arising from changes in fair value less point of sale costs:		
Attributable to physical changes	6,617	7,440
Attributable to price changes	2,858	30,724
	9,475	38,164

The directors of City Forests Limited revalue its forestry assets annually as at 30 June, 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 5.5% (2021: 5.5%).

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 5.5%; a +/- 50 basis point movement in the discount rate would change the valuation by +$12.8 mil / -$11.7 mil. A 10% increase or decrease in assumed log prices would change the valuation by +$16.8 mil / -$16.8 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 2022, the Company owned stands of trees on 19,919 hectares of a total land holding (including lease, Joint Venture & Forestry Right) of 24,914 hectares. During the year the Company harvested approx. 343,326 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 22, 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.

Notes to the financial statements

For the year ended 30 June 2022

13 RIGHT-OF-USE ASSETS

Accounting policy

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus, where applicable, any indirect costs incurred and an estimate of costs to dismantle or/and remove the asset or reinstate/restore the asset or the site where it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives of the assets are determined on the same basis as those of property, plant and equipment. In addition, the asset is periodically reviewed for impairment.

Also see Note 18 Lease liabilities, for more information.

2022	Land & Buildings $'000	Plant & Equipment $'000	Motor Vehicles $'000	Total $'000
Cost or valuation				
Balance at the beginning of the year	3,601	2,354	9,390	15,345
Purchases	2,882	35	2,623	5,540
Sales	(138)	-	(193)	(331)
Balance at the end of the year	6,345	2,389	11,820	20,554
Accumulated depreciation				
Balance at the beginning of the year	878	856	3,628	5,362
Depreciation	847	397	2,177	3,421
Sales	(60)	-	(357)	(417)
	1,665	1,253	5,448	8,366
Balance at the end of the year	4,680	1,136	6,372	12,188

2021	Land & Buildings $'000	Plant & Equipment $'000	Motor Vehicles $'000	Total $'000
Cost or valuation				
Balance at the beginning of the year	2,689	2,188	6,331	11,208
Purchases	1,383	166	3,761	5,310
Sales	(471)	-	(702)	(1,173)
Balance at the end of the year	3,601	2,354	9,390	15,345
Accumulated depreciation				
Balance at the beginning of the year	524	386	1,990	2,900
Depreciation	769	470	2,283	3,522
Sales	(415)	-	(645)	(1,060)
	878	856	3,628	5,362
Balance at the end of the year	2,723	1,498	5,762	9,983

14 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 statement of financial position 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 statement of financial performance to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

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

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

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

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

Depreciation on revalued assets, excluding land, is charged to the statement of financial performance. On the subsequent sale or retirement of a revalued asset, the attributable revaluation profit remaining in the appropriate property revaluation reserve is transferred directly to accumulated funds.

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For the year ended 30 June 2022

Assets held under finance leases are depreciated.

The Group has had its land assets independently valued at 30 June 2022 by Morice Limited using the Fair Value approach. This is the valuation company used by various other foresry owners. The real estate market has been impacted by COVID-19 and results in material market and valuation uncertainty. The valuation is based on market data and falls within Level 1 of the fair value hierarchy. This method is consistent with the previous period and the market values recommended by Morice Limited are incorporated into the financial statements. The land is valued at the component level and the valuation methodology takes into account the key factors impacting land value such as location, productivity, size, ETS status, altitude, contour, local authority zoning and development potential relative to market evidence. The revaluation movement in the land for the year ended 30 June 2022 was $10,156k (2021 $6,745k).

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 100%	Straight Line
Motor vehicles	5% to 33%	Straight Line
Railway assets	1% to 50%	Straight Line
Office equipment and fittings	4% to 67%	Straight Line
Construction in progress	no depreciation charged	

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

	Rate	*Method*
Buildings	2% to 5%	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

Property, plant and equipment

2022	**Land $'000**	**Forest Land $'000**	**Buildings $'000**	**Roads Bridges $'000**	**Network $'000**	**Plant Equipment $'000**	**Sub-Total $'000**
Cost or valuation							
Balance at the beginning of the year	39,344	75,762	152,611	9,206	709,765	91,211	1,077,899
Purchases	-	8,893	1,138	680	593	2,274	13,578
Revaluation	-	10,156	-	-	-	-	10,156
Sales	(708)	-	-	-	(2,565)	(1,561)	(4,834)
Impairment	-	-	-	-	-	(891)	(891)
Transfers	92	-	4	-	78,710	323	79,129
Balance at the end of the year	38,728	94,811	153,753	9,886	786,504	91,356	1,175,038
Accumulated depreciation							
Balance at the beginning of the year	-	1,575	30,079	4,865	202,433	61,321	300,273
Depreciation	-	-	3,077	236	19,277	5,621	28,211
Impairment	-	(453)	-	-	-	(888)	(1,341)
Sales	-	-	-	-	(257)	(1,446)	(1,703)
Transfers	-	-	3	-	-	(141)	(138)
	-	1,122	33,159	5,101	221,453	64,467	325,302
Balance at the end of the year	38,728	93,689	120,594	4,785	565,051	26,889	849,736
Comprising:							
Cost	38,728	-	120,594	4,785	565,051	26,889	756,047
Valuation	-	93,689	-	-	-	-	93,689

2022	**Sub-Total $'000**	**Motor Vehicles $'000**	**Office Equipment $'000**	**Locomotives $'000**	**Railway Track $'000**	**Work in Progress $'000**	**Total $'000**
Cost or valuation							
Balance at the beginning of the year	1,077,899	28,785	1,730	181	12	39,823	1,148,430
Purchases	13,578	2,260	91	-	-	88,467	104,396
Revaluation	10,156	-	-	-	-	-	10,156
Sales	(4,834)	(786)	-	-	-	(14)	(5,634)
Impairment	(891)	-	(39)	-	-	-	(930)
Transfers	79,129	661	293	-	-	(88,740)	(8,657)
Balance at end of year	1,175,038	30,920	2,075	181	12	39,536	1,247,761
Accumulated depreciation							
Balance at the beginning of the year	300,273	18,988	816	15	-	-	320,092
Depreciation	28,211	2,441	162	14	-	-	30,828
Impairment	(1,341)	-	-	-	-	-	(1,341)
Sales	(1,703)	(753)	-	-	-	-	(2,456)
Transfers	(138)	2	(38)	-	-	-	(174)
	325,302	20,678	940	29	-	-	346,950
Balance at the end of the year	849,736	10,242	1,135	152	12	39,536	900,812
Comprising:							
Cost	756,047	10,242	1,135	152	12	39,536	807,123
Valuation	93,689	-	-	-	-	-	93,689

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For the year ended 30 June 2022

Property, plant and equipment

2021	Land $'000	Forest Land $'000	Buildings $'000	Roads Bridges $'000	Network $'000	Plant Equipment $'000	Sub-Total $'000
Cost or valuation							
Balance at the beginning of the year	39,146	65,506	152,760	8,767	626,185	91,675	984,039
Purchases	-	3,846	55	439	536	1,249	6,125
Revaluation	-	6,745	-	-	-	-	6,745
Sales	(6)	(335)	(87)	-	(1,416)	(2,888)	(4,732)
Impairment	-	-	(134)	-	-	(380)	(514)
Transfers	204	-	17	-	84,461	1,555	86,237
Balance at the end of the year	39,344	75,762	152,611	9,206	709,765	91,211	1,077,899
Accumulated depreciation							
Balance at the beginning of the year	-	2,378	27,265	4,647	185,027	58,926	278,243
Depreciation	-	-	3,044	218	18,029	5,498	26,789
Impairment	-	(803)	(134)	-	-	(380)	(1,317)
Sales	-	-	(96)	-	(623)	(2,720)	(3,439)
Transfers	-	-	-	-	-	(3)	(3)
	-	1,575	30,079	4,865	202,433	61,321	300,273
Balance at the end of the year	39,344	74,187	122,532	4,341	507,332	29,890	777,626
Comprising:							
Cost	39,344	-	122,532	4,341	507,332	29,890	703,439
Valuation	-	74,187	-	-	-	-	74,187

2021	Sub-Total $'000	Motor Vehicles $'000	Office Equipment $'000	Locomotives $'000	Railway Track $'000	Work in Progress $'000	Total $'000
Cost or valuation							
Balance at the beginning of the year	984,039	28,543	1,823	181	12	56,519	1,071,117
Purchases	6,125	1,726	58	-	-	76,725	84,634
Revaluation	6,745	-	-	-	-	-	6,745
Sales	(4,732)	(1,491)	(3)	-	-	-	(6,226)
Impairment	(514)	-	(228)	-	-	-	(742)
Transfers	86,237	7	80	-	-	(93,421)	(7,097)
Balance at the end of the year	1,077,899	28,785	1,730	181	12	39,823	1,148,430
Accumulated depreciation							
Balance at the beginning of the year	278,243	18,035	905	1	-	-	297,184
Depreciation	26,789	2,358	145	14	-	-	29,306
Impairment	(1,317)	-	(228)	-	-	-	(1,545)
Sales	(3,439)	(1,408)	(6)	-	-	-	(4,853)
Transfers	(3)	3	-	-	-	-	-
	300,273	18,988	816	15	-	-	320,092
Balance at the end of the year	777,626	9,797	914	166	12	39,823	828,338
Comprising:							
Cost	703,439	9,797	914	166	12	39,823	754,151
Valuation	74,187	-	-	-	-	-	74,187

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

The carrying amounts of property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If such impairment exists, the recoverable amount of assets is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's net selling price and value in use. An impairment loss is recognised whenever the carrying amount of assets exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance.

Network

In assessing the recoverable amount of Aurora Energy's electricity network and fibre assets the directors have relied on the assessment completed by Aurora Energy. The directors of Aurora Energy have reviewed the results of impairment testing undertaken by Aurora Energy's management with assistance from Deloitte as at 30 June 2022. The impairment testing was performed on a "no growth" basis in accordance with NZ IAS 36 Impairment of Assets.

The impairment testing used the discounted cashflow (DCF) methodology to arrive at an estimated valuation range based on Free Cash Flows (FCF) for a 10 year period from 1 July 2022. The key assumptions utilised in the impairment testing were that:

- For the 10 years from 1 July 2022, the network forecasts are derived from the Commerce Commission final CPP decision allowances for the period ended 31 March 2026 and Building Blocks Allowable Revenue (BBAR) forecasts. In calculating the BBAR forecast from 1 April 2026, it is assumed that the Company reverts to a Default Price-Quality Path from the 2026/27 regulatory year and the Company's DPP4 operating expenditure allowance is determined by reference to actual expenditure during the 2024/25 regulatory year.
- Capital expenditure will mirror the Company's operating budget and regulatory expenditure allowances derived from the Commerce Commissions' final CPP decision for the period ended 31 March 2026, followed by expenditure forecasts included in the Company's 10 year Asset Management Plan.

Notes to the financial statements

For the year ended 30 June 2022

- Operating expenditure will mirror the Company's operating budget and regulatory expenditure allowances derived from the Commerce Commission's final CPP decision for the period ending 31 March 2026, followed by expenditure forecasts included in the Company's 10 year Asset Management Plan. It is assumed that Aurora Energy's DPP4 operating expenditure allowance will be determined by reference to actual expenditure in the 2024/25 regulatory year.

- In applying the DCF methodology Aurora Energy considered a range of discount rates from 5.20% to 6.20%. The discount rate is a matter of professional judgement.

- In determining the discount rate for year-end impairment testing, the 10 year Government bond rate at valuation date was used as a basis for the risk-free rate. The risk-free rate was used in conjunction with a view of an appropriate post-tax market risk premium.

- The discount rates used in the impairment testing were based on the same level of asset beta and similar level of leverage as set by the Commerce Commission for the 5 year regulatory period from1 April 2020.

Sensitivity analysis showed a 0.25% decrease/(increase) in the DCF discount rate used for impairment testing would increase/(decrease) the indicative value range by about $17 million.

On reviewing the DCF analysis the Directors assessed that there was no impairment to the carrying value of the network assets as at 30 June 2022.

The value of the assets is fundamentally linked to Aurora Energy's ability to operate within the future expenditure allowances approved by the Commerce Commission.

Locomotives and Railway Track

In assessing the recoverable amount of Dunedin Railways' assets as at 30 June 2020, the directors of that Company considered that the potential to earn revenue from the assets was minimal, given the Company's transition to hibernation and wider uncertainty in the tourism sector. The directors then considered the asset's net selling price. Dunedin Railways' assets are relatively specialised and, in some instances, unique; therefore, making it difficult to obtain independent evidence of their fair value less costs to sell.

On balance, and with the benefit of industry and commercial knowledge, the directors considered it appropriate to write-down the Dunedin Railways' asset to $297 thousand, being the best estimate of the fair value less costs to sell. An associated impairment expense of $4.486 million was recorded in the Statement of Financial Performance for the year ended 30 June 2020. At balance date each year since, the directors assessed that there had been no change in the recoverable amount of Dunedin Railways' assets from the 2020 financial year.

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For the year ended 30 June 2022

15 TRADE AND OTHER PAYABLES

Accounting policy
Trade and other payables are stated at amortised 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.

	2022 $'000	2021 $'000
Trade payables	21,417	26,889
Due to related parties:		
Dunedin City Council and subsidiaries	432	71
	432	71
Other payables:		
Contract liabilities	3,252	4,556
GST payable	0	652
Other current liabilities	9,856	3,794
	13,108	9,002
	34,957	35,962

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

Included in the 2021 financial year trade payables was a quality excursion payment of $673k due to an embedded generator in relation to outage targets exceeding those in the contract.

Contract liabilities relate to Aurora Energy's customer prepayments on capital contribution projects that have not been completed, and Dunedin Venues revenue received in advance from its contracts with customers.

16 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 statement of financial position 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.

	2022 $'000	2021 $'000
Current liabilities		
Long service leave	444	383
Annual leave	6,364	5,871
Gratuities	329	319
Sick leave	128	121
Other provisions	242	294
	7,507	6,988
Non-current liabilities		
Long service leave	595	649
Gratuities	130	213
	725	862

Notes to the financial statements

For the year ended 30 June 2022

17 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

Financial assets and financial liabilities are recognised on the Group's statement of financial position 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 9 March 2021). 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 statement of financial performance 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 statement of financial performance. 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.

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 statement of financial performance 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 statement of financial performance.

	2022 Asset $'000	2022 Liability $'000	2021 Asset $'000	2021 Liability $'000
Fair value				
Interest rate swaps	26,645	28,380	9,423	37,715
Analysed as:				
Current	646	663	1,179	1,228
Non-current	25,999	27,717	8,244	36,487
	26,645	28,380	9,423	37,715

	2022 Asset $'000	2022 Liability $'000	2021 Asset $'000	2021 Liability $'000
Fair value				
Foreign exchange contracts	-	3,580	880	2
Analysed as:				
Current	-	1,679	880	-
Non-current	-	1,901	-	2
	-	3,580	880	2

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For the year ended 30 June 2022

18 LEASE LIABILITIES

Accounting policy
The Group leases land, buildings, plant and equipment, and motor vehicles with lease terms up to 10 years.

The lease liabilities are initially measured at the present value of the lease payments, discounted using the interest rate inherent in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liabilities are measured at amortised cost using the effective interest method. They are remeasured when there is a change in future lease payments arising from a change in index or rate.

Also see Note 13 Right-of-use assets, for more information.

	2022 $'000	2021 $'000
Current	3,272	3,129
Non current	9,147	7,263
Balance at the end of the year	12,419	10,392
Maturity analysis		
Payable within one year	3,272	3,129
Payable between one to five years	7,727	5,901
Payable later than five years	1,420	1,362
	12,419	10,392

19 SHORT TERM BORROWINGS

	2022 $'000	2021 $'000
Short term borrowing	1,497	1,482
	1,497	1,482

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.

20 TERM BORROWINGS

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 statement of financial performance 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.

	2022 $'000	2021 $'000
Current		
	-	-
Non-current		
Multi-option debt facility	891,178	818,992
	891,178	818,992

As at 30 June 2022, the Group had a $975 million multi option instrument issuance facility (subsequently increased to $1,200 million effective 15 August 2022) which is secured against certain assets and undertakings of the Dunedin City Council Group. Group debt is raised Dunedin City Treasury Liminted, by issuing long dated bonds, floating rate notes or by the issue of promissory notes.

Three independent banks have provided committed facilities to the amount of $200 million (2021: $200 million).

The amount of unamortised premium or (discount) on bonds on issue at 30 June 2022 is nil (2021: 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.

While the contractual maturities of the Group's debt are not all long-term, the Group expects and has the decretion to refinance debt under the multi option instrument issuance facility. As per the face of the accounts, the Group has therefore determined that all debt is non-current as per the provisions of NZ IAS1.

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For the year ended 30 June 2022

Multi-option debt facility	Interest Rate	2022 $'000	2021 $'000
Promissory notes		174,013	149,858
Medium term notes 25/11/21	Coupon rate 4.88%	-	70,000
Floating rate notes 15/10/22	56bp over BKBM	50,000	50,000
Medium term notes 15/11/22	Coupon rate 1.51%	45,000	45,000
Medium term notes 16/10/23	Coupon rate 0.36%	50,000	50,000
Floating rate notes 15/02/24	65bp over BKBM	25,000	25,000
Medium term notes 16/10/24	Coupon rate 3.79%	35,000	35,000
Floating rate notes 01/04/25	30bp over BKBM	50,000	-
Medium term notes 17/7/25	Coupon rate 3.61%	50,000	50,000
Medium term notes 15/4/26	Coupon rate 3.98%	65,000	65,000
Medium term notes 15/3/26	Coupon rate 2.90%	50,000	50,000
Medium term notes 15/11/26	Coupon rate 2.09%	55,000	55,000
Medium term notes 16/11/26	Coupon rate 0.676%	60,000	60,000
Medium term notes 18/04/28	Coupon rate 1.93%	110,000	110,000
Medium term notes 27/11/28	Coupon rate 3.22%	100,000	-
Fair value impact on bonds		(27,835)	4,134
Total term borrowings		891,178	818,992

The repayment period on the term borrowings is as follows:

	2022 $'000	2021 $'000
Repayable less than one year	268,667	220,994
Repayable between one to five years	434,433	374,216
Repayable later than five years	188,078	223,782
	891,178	818,992

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:

	2022 $'000	2021 $'000
Multi-option note facility	874,498	829,066

21 SHAREHOLDER'S ADVANCE

	2022 $'000	2021 $'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 (2021: $5.9 million) on the advance. In 2022, the gross interest on the debt was set at 5.27% (2021: 5.27%).

22 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.

22.1 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.

22.2 Liquidity risk

Liquidity risk is the risk that the Group 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 Group 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.

Notes to the financial statements

For the year ended 30 June 2022

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 20. The maturity profiles of the Group's financial assets and liabilities, with the exception of equity investments are explained in note 22.9.

22.3 Interest rate risk

Under the Dunedin City Council Treasury Risk Management Policy last approved 9 March 2021, Dunedin City Treasury Limited utilises 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:

	2022 $'000	2021 $'000
Maturing in less than one year	315,000	182,500
Maturing between one and five years	412,500	442,500
Maturing in more than five years	640,000	455,000
	1,367,500	1,080,000

Note the above table only includes 3rd party interest rate swaps. There is a $10m interest rate swap held with their parent, Dunedin City Council.

22.4 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 statement of financial position date, the total notional amount and fair values of outstanding forward foreign exchange contracts to which City Forests Limited is committed are as follows:

	2022 $'000	2021 $'000
Forward foreign exchange contracts		
- fair value	3,580	878
- nominal value (sale of USD and purchase of NZD)	41,211	35,132

22.5 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.

	2022 %	2021 %
Effectiveness	100	100

22.6 Credit risk

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

The Group 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 statement of financial position 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:

	2022 $'000	2021 $'000
Past due receivables		
Age analysis: 30-60 days	2,642	4,337
60-90 days	186	64
90 days plus	587	525

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For the year ended 30 June 2022

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

2022	**AA**	**AA-**	**No Rating**	**Group**
Cash and cash equivalents	-	14,346	-	14,346
Trade and other receivables	3,568	-	29,024	32,592
Term receivables	-	-	-	-
Advances due from related parties	333,800	-	297	334,097
Derivatives	-	26,645	-	26,645
NZ carbon credits	-	-	78,809	78,809
	337,368	40,991	108,130	486,489
2021				
Cash and cash equivalents	-	21,979	-	21,979
Trade and other receivables	1,440	-	32,880	34,320
Term receivables	-	-	6,021	6,021
Advances due from related parties	271,500	-	1,146	272,646
Derivatives	-	10,303	-	10,303
NZ carbon credits	-	-	49,443	49,443
	272,940	32,282	89,490	394,712

22.7 Categories of financial assets and liabilities

Accounting policy

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Under NZ IFRS 9, all the financial assets and liabilities are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income on the basis of the Group's business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

The Group enters into derivative financial instruments to manage its exposure to interest rate risks. There was no change of classification in relation to derivatives, these continue to be measured at fair value through profit or loss.

The Group's advances to DCC are measured at amortised cost in accordance with NZ IFRS 9.

The Group's other financial assets and liabilities including cash and cash equivalents, trade and other receivables, term receivables, trade and other payables, accrued expenditure, short term borrowings, term loans, and shareholder's advance to DCC are measured at amortised cost as they meet the conditions under IFRS 9.

Under NZ IFRS 9, the impairment model requires the recognition of impairment provisions based on expected credit losses. It applies to financial assets classified at amortised cost. The introduction of the impairment model has had no impact on the Group's financial assets classified at amortised cost. For trade and other receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

The category and carrying amount of financial assets and liabilities in each of the NZ IFRS 9 categories is as follows:

	2022	**2021**
Financial assets measured at amortised cost:	**$'000**	**$'000**
Cash and cash equivalents (note 5)	14,346	21,979
Trade and other receivables (note 7)	32,592	34,320
Other financial assets (note 6)	334,097	272,646
Term receivables (note 7)	-	6,021
Financial assets measured at amortised cost	381,035	334,966
Financial assets at fair value through the statement of financial performance:		
Derivative financial instruments assets (note 17)	26,645	10,303
Financial liabilities measured at amortised cost:		
Trade and other payables (note 15)	31,705	31,406
Short term borrowings (note 19)	1,497	1,482
Term loans (note 20)	891,178	818,992
Shareholder's advance - DCC (note 21)	112,000	112,000
Total financial liabilities measure at amortised cost	1,036,380	963,880
Financial liabilities at fair value through the statement of financial performance:		
Derivative financial instrument liabilities (note 17)	31,960	37,717

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For the year ended 30 June 2022

22.8 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 0.6221. A parallel shift of +1%/-1% in the NZD market yield curve from the year end of 2.86% (2021: 0.35%).

Should these movements occur, the effect on consolidated statement of financial performance 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%
2022		Profit	Equity	Profit	Equity	Equity	Equity
Financial assets							
Derivatives – designated as cash flow hedges (interest rate swaps)	26,645	-	(30,595)	-	28,550	-	-
Derivatives – designated as cash flow hedges (forward currency deals)	-	-	-	-	-	-	-
Other financial assets	370,434	97		(97)		-	-
	397,079	97	(30,595)	(97)	28,550	-	-
Financial liabilities							
Derivatives – designated as cash flow hedges (interest rate swaps)	584	-	(1,299)	-	566	-	-
Derivatives – designated as cash flow hedges (forward currency deals)	3,580	-	-	-	-	4,965	(4,062)
Other financial liabilities	1,026,092	(8,277)		7,934			
	1,030,256	(8,277)	(1,299)	7,934	566	4,965	(4,062)
Total increase/(decrease)		(8,180)	(31,894)	7,837	29,116	4,965	(4,062)

	Carrying Amount $'000	Interest Rate				FX	
		-100bp		+100bp		-10%	10%
2021							
Financial assets							
Derivatives – designated as cash flow hedges (interest rate swaps)	3,250	-	(2,179)	-	3,680	-	-
Derivatives – designated as cash flow hedges (forward currency deals)	878	-	-	-	-	(3,774)	3,088
Other financial assets	319,952	(103)		105			
	324,080	(103)	(2,179)	105	3,680	(3,774)	3,088
Financial liabilities							
Derivatives – designated as cash flow hedges (interest rate swaps and forward currency deals separately disclosed)	35,388	-	(24,287)	-	19,945	-	-
Other financial liabilities	959,363	(14,385)		13,541			
	994,751	(14,385)	(24,287)	13,541	19,945	-	-
Total increase/(decrease)		(14,488)	(26,466)	13,646	23,625	(3,774)	3,088

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 statement of financial performance 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 the statement of financial performance 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.

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For the year ended 30 June 2022

22.9 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).

2022	Level 1 NZ $'000	Level 2 NZ $'000	Level 3 NZ $'000	Total NZ $'000
Financial assets				
Derivative financial assets	-	26,645	-	26,645
New Zealand carbon credits	78,809	-	-	78,809
	78,809	26,645	-	105,454
Financial liabilities				
Derivative financial liabilities	-	31,960	-	31,960
2021				
Financial assets				
Derivative financial assets	-	10,303	-	10,303
New Zealand carbon credits	49,443	-	-	49,443
	49,443	10,303	-	59,746
Financial liabilities				
Derivative financial liabilities	-	37,717	-	37,717

22.10 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 statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Contractual amounts for the interest expense and balance of the shareholder advance have not been included as the interest is currently payable on a year by year basis and there is no contractual date for the repayment of the outstanding balance.

Financial assets	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
2022							
Cash and cash equivalents	14,346	14,346	14,346	-	-	-	-
Trade and other receivables	32,592	32,592	32,592	-	-	-	-
Term receivables	-	-	-	-	-	-	-
Derivative financial instruments	26,645	(35,130)	(3,320)	(5,097)	(12,344)	(14,369)	-
Investments	334,097	335,018	10,032	-	-	-	324,986
Total	407,680	346,826	53,650	(5,097)	(12,344)	(14,369)	324,986
2021							
Cash and cash equivalents	21,979	21,979	21,979	-	-	-	-
Trade and other receivables	34,320	34,320	34,320	-	-	-	-
Term receivables	6,021	6,021	-	1,537	4,484	-	-
Derivative financial instruments	10,303	7,558	4,004	2,006	3,275	(1,727)	-
Investments	272,646	272,309	777	10,032	-	-	261,500
Total	345,269	342,187	61,080	13,575	7,759	(1,727)	261,500
Financial liabilities							
2022							
Trade and other payables	31,705	31,705	31,705	-	-	-	-
Derivative financial instruments	31,960	27,582	6,589	6,968	9,646	4,379	-
Borrowings	892,675	992,739	288,116	90,573	397,097	216,953	-
Total	956,340	1,052,026	326,410	97,541	406,743	221,332	-
2021							
Trade and other payables	31,406	31,406	31,406	-	-	-	-
Derivative financial instruments	37,717	39,848	9,056	9,891	16,004	4,897	-
Borrowings	820,474	834,044	241,260	107,550	255,210	230,024	-
Total	889,597	905,298	281,722	117,441	271,214	234,921	-

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For the year ended 30 June 2022

23 CONTINGENT LIABILITIES

	2022 $'000	2021 $'000
Performance Bonds	377	1,157

The performance bonds issued are principally in favour of South Island Local Authorities for contract work by Delta Utility Services Limited. There is no indication that any of these contingent liabilities will crystallise in the foreseeable future.
In January 2021 the Labour Inspectorate office opened an investigation into Delta Utility Services Limited's leave processes and payments. Subsequent to balance date, a final report was received and accepted from the Labour Inspectorate which identified errors in the company's calculation of holiday pay. The likely outcome will be an enforceable undertaking to review holiday pay calculations and remedy any errors. As at balance date the financial consequences of this matter were not quantifiable.

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. As at 30 June 2022 the value of the potential liability in future years is not known with suffiient certainty to be classified as a contingent liability, due to the variations in the harvesting schedule, carbon reporting periods and the value of carbon to surrender (2021: $nil).

24 CAPITAL EXPENDITURE COMMITMENTS

	2022 $'000	2021 $'000
Plant and equipment	29,305	11,000
Land	2,475	1,000

Other commitments

Undrawn Facilities: Level of committed facilities undrawn was $200,000,000 (2021: $200,000,000)
Field Service Agreement Contracts: The Group is party to two field service agreement contracts. The value of total committed expenditure under these contracts is $13 million for the 31 March 2023 and 31 March 2024 regulatory years.

25 EQUITY - SHARE CAPITAL

	2022	2021
Issued capital	**$'000**	**$'000**
1,103,689,000 ordinary shares	131,239	128,689

On incorporation, Dunedin City Holdings Limited issued 100,000,000 ordinary shares in favour of the Dunedin City Council. Only $100,000 was called.

Since incorporation Dunedin City Holdings Ltd has issued additional shares of $1 each in favour of the Dunedin City Council. The shares carry equal voting rights and 975,000,000 are uncalled. During the year ended 30 June 2022 a further 2,550,000 ordinary shares were issued. The amounts and dates of all issues made since incorporation 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
- April 2020 — 125,100,000 ordinary shares
- June 2020 — 2,550,000 ordinary shares
- June 2021 — 2,550,000 ordinary shares
- June 2022 — 2,550,000 ordinary shares

26 ACCUMULATED FUNDS

	2022 $'000	Restated 2021 $'000
Balance at the beginning of the year		
Group companies	134,704	113,499
Associate companies	18,693	17,651
	153,397	131,150
Net profit /(loss) for the year	(3,459)	22,404
Adjustment to remove inter-group leases	-	(157)
Transfer to reserves – carbon credit	8,015	-
Balance at the end of the year	157,953	153,397

	2022 $'000	2021 $'000
Represented by		
Group companies	139,029	134,704
Associate companies	18,925	18,693
Balance at the end of the year	157,953	153,397

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27 RESERVES

	2022 $'000	Restated 2021 $'000
Associate company asset revaluation reserve		
Balance at beginning of the year	18,904	18,813
Gain/(loss) recognised on cash flow hedges/assets	5,400	91
Balance at the end of the year	24,304	18,904

The reserve relates to assets of Dunedin International Airport Limited.

	2022 $'000	Restated 2021 $'000
Hedging reserve		
Balance at beginning of the year	(22,428)	(43,580)
Gain/(loss) recognised on cash flow hedges:	53,739	29,339
Deferred tax arising on hedges (note 4)	(15,047)	(8,187)
Balance at the end of the year	16,264	(22,428)

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.

	2022 $'000	Restated 2021 $'000
Land revaluation reserve		
Balance at beginning of the year	39,683	33,081
Net revaluation of forest land	10,157	6,602
Balance at the end of the year	49,840	39,683
Carbon credit reserve		Restated
Balance at beginning of the year	35,116	22,623
Transfer from accumulated funds	(8,015)	-
Net gain in carbon credits above initial recognition value	28,934	12,493
Balance at the end of the year	56,035	35,116

28 EARNINGS PER SHARE

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

	2022	2021
Number of shares		
Shares at year end	1,106,239,000	1,103,689,000
Weighted average number of ordinary shares	1,103,849,685	1,101,299,685
Basic earnings per share	-$ 0.0031	$ 0.0203
Earnings per paid up share	-$ 0.03	$ 0.17

Diluted earnings per share

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

29 Dividends

No dividends were paid during the financial year (2021: nil).

30 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 9 to the Financial Statements.

Amounts receivable from and payable to related parties at balance date are disclosed in notes 7 and 15.

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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:

	2022 $'000	2021 $'000
Sales of services to Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited Group:		
Contracting services	9,993	6,150
Interest income	8,756	8,005
Grants	1,933	1,018
Transport services	-	11
	20,682	15,184
Purchases of goods and services from Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited Group:		
Interest	5,902	5,941
Materials/network assets	141	495
Rates and property rentals	1,721	1,075
Administration and office services	724	775
	8,488	8,286
As at balance date:		
Receivable from the Dunedin City Council and subsidiaries	337,389	274,106
Payable to the Dunedin City Council and subsidiaries (inclusive of shareholders advance)	112,432	112,086

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 Board of Directors, Chief Executives, any manager with the title of Chief Financial Officer or equivalent and any manager with general management responsibilities over a major division.

2022				Received $'000	Paid $'000	Receivable $'000	Payable $'000
Related Party	**Relationship**	**Director**	**Entity**				
AG Foleys Ltd	Director	J George	Delta Utility Services Ltd	5,882	18,140	589	-
Alpine Energy Ltd	Director Chair	L Robertson S Thompson	DCHL Group Aurora Energy Ltd	56,992	98,204	-	-
AWS Legal	Board member until March 2021	L Robertson	DCHL Group		*No longer a related party*		
Central Otago District Council	Chair of the Audit & Risk Committee	L Robertson	DCHL Group	2,446,886	59,469	263,548	1,970
Cook Brothers Group Ltd	Chief Financial Officer	A La Hood	Dunedin Venues Mant. Ltd	16,000	-	-	-
CORDE Ltd (previously Sicon Ltd)	Chair	S Grave	Delta Utility Services Ltd	19,528	-	-	-
Deloitte Limited	Consultant until 31 May 2021	S Thompson	Aurora Energy Ltd		*No longer a related party*		
Dunedin Diocese Trust Board	Trustee	S Johnstone	DCHL Group	3,949	-	1,725	-
E-Spatial Limited	Director	B Wood	Delta Utility Services Ltd	-	-	-	-
ETEL Limited	Director	B Hall	Aurora Energy Ltd		*No longer a related party*		
Excellence in Business Solutions Ltd	Director and Shareholder	W Harvey	Aurora Energy Ltd	-	49,000	-	-
Farra Engineering Ltd	Director	C Hopkins	DCHL Group	133	43,935	-	2,239
Forest Growers Research Limited	Director until 15 March 2022	G Dodson	City Forests Ltd	-	5,750	-	-
Harrison Grierson Consultants Ltd	Director until 28 July 2022	B Wood	Delta Utility Services Ltd	-	-	-	-
Health Central Limited	Director	C Hopkins	DCHL Group	-	181	-	175
Infrastructure New Zealand Ltd	Director	M Devlin	Aurora Energy Ltd	-	3,990	-	-
Mainpower New Zealand Ltd	Director	B Wood	Delta Utility Services Ltd	59,668	5,262	-	197
Matua Governance Ltd	Director and Shareholder	S Clarke	Aurora Energy Ltd	-	49,000	-	-
Naylor Love Enterprise Group	Chairman and Shareholder	T Kempton	Delta Utility Services Ltd		*No longer a related party*		
New Zealand Post Ltd	Director	S Clarke	Aurora Energy Ltd	-	337	-	4
Oakwood Group Ltd	Director	C Hopkins	DCHL Group	-	79,797	-	-
Office of the Auditor-General	Member of the Audit & Risk Committee	S Johnstone L Robertson	DCHL Group		*Disclosed in note 3 of the financial statements*		
Orokonui Econsanctuary Ltd	Director	S Chalmers	City Forests Ltd	-	34,500	-	-
Otago Polytechnic	Chair Chair up until January 2021	A La Hood T Allison	Dunedin Venues Mant. Ltd Delta Utility Services Ltd	247,000	5,000	12,000	1,000
Primeport Timaru Ltd	Director	P Melhopt	City Forests Ltd	-	18,246	-	-
Shand Thomson Chartered Accountants	Director and shareholder	S Johnstone	DCHL Group	7,648	-	-	-
Stratview Holdings Ltd	Director and Shareholder	B Hall	Aurora Energy Ltd		*No longer a related party*		
Unison Networks Ltd (which owns Unison Contracting Ltd)	Director	B Hall	Aurora Energy Ltd		*No longer a related party*		
Whitestone Contracting Ltd	Director	S Grave	Delta Utility Services Ltd	-	7,019	-	-

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2021 Related Party	Relationship	Director	Entity	Received $'000	Paid $'000	Receivable $'000	Payable $'000
AG Foleys Ltd	Director	J George	Delta Utility Services Ltd		*Was not a related party*		
Alpine Energy Ltd	Director Chair	L Robertson S Thompson	DCHL Group Aurora Energy Ltd	47,269	175,420	5,419	-
AWS Legal	Board member until March 2021	L Robertson	DCHL Group	-	2,540	-	394
Central Otago District Council	Chair of the Audit & Risk Committee	L Robertson	DCHL Group	1,901,608	54,196	299,362	611
Cook Brothers Group Ltd	Chief Financial Officer	A La Hood	Dunedin Venues Mant. Ltd	22,000	-	7,000	-
CORDE Ltd (previously Sicon Ltd)	Chair	S Grave	Delta Utility Services Ltd	100,559	-	20,275	-
Deloitte Limited	Consultant until 31 May 2021	S Thompson	Aurora Energy Ltd	-	99,144	-	8,977
Dunedin Diocese Trust Board	Trustee	S Johnstone	DCHL Group	-	-	-	-
E-Spatial Limited	Director	B Wood	Delta Utility Services Ltd	-	2,500	-	-
ETEL Limited	Director	B Hall	Aurora Energy Ltd	-	196,601	-	12,852
Excellence in Business Solutions Ltd	Director and Shareholder	W Harvey	Aurora Energy Ltd	-	62,971	-	-
Farra Engineering Ltd	Director	C Hopkins	DCHL Group	-	-	-	-
Harrison Grierson Consultants Ltd	Director until 28 July 2022	B Wood	Delta Utility Services Ltd	-	5,000	-	-
Health Central Limited	Director	C Hopkins	DCHL Group	-	435	-	-
Infrastructure New Zealand Ltd	Director	M Devlin	Aurora Energy Ltd	-	3,990	-	-
Mainpower New Zealand Ltd	Director	B Wood	Delta Utility Services Ltd	-	5,543	-	-
Matua Governance Ltd	Director and	S Clarke	Aurora Energy Ltd		*Was not a related party*		
Naylor Love Enterprise Group	Chairman and Shareholder	T Kempton	Delta Utility Services Ltd	24,525	-	6,612	-
New Zealand Post Ltd	Director	S Clarke	Aurora Energy Ltd		*Was not a related party*		
Oakwood Group Ltd	Director	C Hopkins	DCHL Group	-	79,797	-	-
Office of the Auditor-General	Member of the Audit & Risk Committee	S Johnstone L Robertson	DCHL Group		*Disclosed in note 3 of the financial statements*		
Otago Polytechnic	Chair Chair up until January 2021	A La Hood T Allison	Dunedin Venues Mant. Ltd Delta Utility Services Ltd	218,000	8,795	52,000	1,000
Primeport Timaru Ltd	Director	P Melhopt	City Forests Ltd		*Was not a related party*		
Shand Thomson Chartered Accountants	Director and shareholder	S Johnstone	DCHL Group	3,899	-	-	-
Stratview Holdings Ltd	Director and	B Hall	Aurora Energy Ltd	-	62,971	-	-
Unison Networks Ltd (which owns Unison Contracting Ltd)	Director	B Hall	Aurora Energy Ltd	23,904	9,675,683	11,153	1,057,631
Whitestone Contracting Ltd	Director	S Grave	Delta Utility Services Ltd	-	11,875	-	-

Compensation of key management personnel

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

	2022 $'000	2021 $'000
Directors fees	1,201	1,200
Short-term employment benefits	7,091	6,324
Post-employment benefits	230	84
	8,522	7,608

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.

Notes to the financial statements

For the year ended 30 June 2022

31 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2022 $'000	2021 $'000
Operating profit/(loss)	(3,459)	22,404
Share of net (profit)/loss in associated companies	(232)	(1,042)
Items not involving cash flows		
Depreciation	35,301	33,935
Depletion of forest	13,408	12,375
Deferred tax	(2,677)	9,247
Write (up)/down of forestry land	(453)	(741)
Forest revaluation	(9,475)	(38,164)
(Increase)/Decrease in cash flow hedge valuation	-	-
Foreign Exchange Movement	(1,095)	(342)
Other non-cash items	38,000	3,186
Impact of changes in working capital items		
(Increase)/Decrease in trade and other receivables	7,749	(4,773)
(Increase)/Decrease in other current assets	846	(219)
(Increase)/Decrease in inventories	(1,383)	884
(Increase)/Decrease in prepayments	(426)	(1,248)
(Increase) /Decrease in tax refund due	-	497
Increase /(Decrease) in trade and other payables	(1,005)	4,489
Increase /(Decrease) in provision for tax	2,321	657
Increase /(Decrease) in other current liabilities	519	404
Items classified as investing or financing activities		
Gain on sale of property, plant and equipment	(5,035)	(568)
Loss on sale of property, plant and equipment	2,287	1,485
Investment in financial instrument	(31,969)	(4,698)
Net cash inflows from operating activities	43,223	37,769

32 RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Long term borrowings $000's	Short term borrowings $000's	Lease liabilities $000's	Total liabilities $000's
2022				
Opening statement of financial	818,992	1,482	10,392	830,866
Net cash flows	104,155	15	(3,070)	101,100
Non-cash movements	(31,969)	-	5,097	(26,872)
Closing statement of financial	891,178	1,497	12,419	905,094
2021				
Opening statement of financial	790,136	1,194	8,430	799,760
Net cash flows	39,982	288	(3,604)	36,666
Non-cash movements	(11,126)	-	5,566	(5,560)
Closing statement of financial	818,992	1,482	10,392	830,866

33 FINANCIAL STATEMENT RECLASSIFICATIONS

The Group has made some reclassification adjustments to prior year comparative figures in the note disclosures. This is to better reflect the financial position at year end.

34 EVENTS AFTER BALANCE DATE

The value of interest rate swaps designated as cashflow hedges has increased in value by 56.6% since reporting date, based on valuations as at 31 October 2022.

Dunedin City Treasury Limited continued to work towards adding the New Zealand Local Government Funding Agency as a source of funding, which was completed on 3 November 2022.

There are no other significant post balance date events.

Notes to the financial statements

For the year ended 30 June 2022

35 COVID-19 IMPACT

On 11 March 2020 the World Health Organisation declared the outbreak of Covid-19, a pandemic. New Zealand has been subject to varied Covid-19 restrictions since this time.

The pandemic had a varying effect on individual members of the DCHL Group but overall the Group was not significantly effected by the pandemic. As discussed in note 1, some entities within the Group met the criteria to receive the Covid-19 leave support scheme and wage subsidy.

As an "essential service" provider, the Group's largest entity, Aurora Energy Limited, continued to operate during lockdown restrictions and Covid-19 did not have a material impact on the entity. The Group's banker, Dunedin City Treasury Limited, also continued to operate as normal during lockdown restrictions. It has continued to maintain compliance with all Treasury Risk Management Policy requirements, and ensured funding is made available to the Group.

Lockdown restrictions impacted the results of most other Group entities. Key Group entities, City Forests Limited and Delta Utility Services Limited's financial results were reduced due to not being able to operate at full potential during lockdowns. International travel restrictions have significantly affected the performance of the Group's aviation and tourism related businesses. Unfortunately, the effect on Dunedin Railways was so significant that the company was put into hibernation from 1 July 2020 to allow time for alternative operating models to be considered. Dunedin City Council plans to make a decision on the future of the company next year.

Most Group entities are experiencing lower stock supply, labour shortages, and inflationary pressures all of which have been partially brought about by the pandemic. Each Group member has put in place budgets and strategies to manage the ongoing risks of Covid-19.

Statutory information

For the year ended 30 June 2022

DIRECTORS' REMUNERATION AND BENEFITS

	Remuneration $000	Company
Parent Company		
Keith T Cooper	124	Dunedin City Holdings Ltd
Linda M Robertson	62	Dunedin City Holdings Ltd
Christopher C Hopkins	62	Dunedin City Holdings Ltd
Richard J Thomson	62	Dunedin City Holdings Ltd
Susie J Johnstone	62	Dunedin City Holdings Ltd
Parent Company total	372	
Subsidiaries & associated companies		
Keith T Cooper	nil	Dunedin City Treasury Ltd
	nil	Dunedin Stadium Property Ltd
	nil	Dunedin Railways Ltd
Linda M Robertson	nil	Dunedin City Treasury Ltd
	nil	Dunedin Stadium Property Ltd
	nil	Dunedin Railways Ltd
Christopher C Hopkins	nil	Dunedin City Treasury Ltd
	nil	Dunedin Stadium Property Ltd
	nil	Dunedin Railways Ltd
Richard J Thomson	nil	Dunedin City Treasury Ltd
	nil	Dunedin Stadium Property Ltd
	nil	Dunedin Railways Ltd
Susie J Johnstone	nil	Dunedin City Treasury Ltd
	nil	Dunedin Stadium Property Ltd
	nil	Dunedin Railways Ltd
William H Cockerill	22	Dunedin Stadium Property Ltd
Stephen R Thompson	98	Aurora Energy Ltd
Simon J Clarke	49	Aurora Energy Ltd
Margaret P Devlin	49	Aurora Energy Ltd
Wendy N Harvey	49	Aurora Energy Ltd
Stephen P Lewis	49	Aurora Energy Ltd
Brian J Wood	80	Delta Utility Services Ltd
Jane George	30	Delta Utility Services Ltd
Steve W Grave	44	Delta Utility Services Ltd
Tony D Allison	44	Delta Utility Services Ltd
Trevor J Kempton	15	Delta Utility Services Ltd
John F Gallaher	74	City Forests Ltd
Tim J Mepham	37	City Forests Ltd
Phil Melhopt	15	City Forests Ltd
Scott A Mason	37	City Forests Ltd
Kathleen A Posa	37	City Forests Ltd
Raewyn J Lovett	40	Dunedin Venues Management Ltd
Joanne M Conroy	20	Dunedin Venues Management Ltd
Adam La Hood	20	Dunedin Venues Management Ltd
Dylan Rushbrook	20	Dunedin Venues Management Ltd
Jonathan Cameron	47	Dunedin International Airport Ltd
Darin Cusack	23	Dunedin International Airport Ltd
Shane Ellison	22	Dunedin International Airport Ltd
Barbara Robertson	22	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.

EMPLOYEE REMUNERATION

Remuneration range	Subsidiaries	Remuneration range	Subsidiaries
$550,000-559,999	1	$210,000-219,999	1
$450,000-459,999	1	$200,000-209,999	2
$400,000-409,999	1	$190,000-199,999	3
$360,000-369,999	2	$180,000-189,999	4
$320,000-329,999	1	$170,000-179,999	7
$300,000-309,999	2	$160,000-169,999	11
$270,000-279,999	2	$150,000-159,999	10
$260,000-269,999	1	$140,000-149,999	15
$250,000-259,999	1	$130,000-139,999	30
$240,000-249,999	1	$120,000-129,999	30
$230,000-239,999	1	$110,000-119,999	55
$220,000-229,999	1	$100,000-109,999	51

The DCHL parent entity has no employees.

GENDER PAY GAP

This year the DCHL Group has calculated and reported the consolidated group's gender pay gap for the first time.

Gender pay gap compares the average hourly earnings of women and men in full- and part- time work (as opposed to pay equity which would compare the pay between similar roles). In calculating this disclosure we took into account the Organisational Gender Pay Gaps: measurement and analysis guidelines (State Services Commission, Ministry for Women and StatsNZ, 2020).

Most DCHL Group companies fall beneath the minimum organisation size of 100 employees in order to have statistically robust data. For this reason we have elected to report at a consolidated group level. In calculating this disclosure we have included full time and part time employees, as at 30 June 2022. We collated mean hourly pay for male employees and mean hourly pay for female employees from each subsidiary, and calculated a weighted average to reach the following data:

Male employees		**Female employees**		**Pay gap**
Number of employees	Weighted mean hourly pay	Number of employees	Weighted mean hourly pay	
649	$41.00	198	$35.65	15%

Fewer than 20 employees across the group identified as gender diverse or did not state a gender identity. While this group was too small for statistical comparison, companies will make an effort to consider whether they experience pay differences.

DCHL Group companies do not hold data that would enable reporting of ethnicity pay gap/s, but we will look into this for future years.

GENDER DIVERSITY ACROSS THE DCHL GROUP

	Aurora Energy Ltd	City Forests Ltd	Delta Utility Services Ltd	Dunedin City Treasury Ltd	Dunedin Stadium Property Ltd	Dunedin Venues Mant. Ltd	Dunedin Railways Ltd	Dunedin Int. Airport Ltd	Dunedin City Holdings Ltd		
Directors											
Male	3	4	3	-	1	2	-	3	2	18	67%
Female	2	1	1	-	-	2	-	1	2	9	33%
	5	5	4	-	1	4	-	4	4	27	100%
Senior management											
Male	14	4	9	-	-	3	1	3	-	34	74%
Female	7	-	1	-	-	3	-	1	-	12	26%
	21	4	10	-	-	6	1	4	-	46	100%
All staff											
Male	101	11	490	-	-	8	6	28	-	644	77%
Female	58	2	110	-	-	18	-	5	-	193	23%
	159	13	600	-	-	26	6	33	-	837	100%

Statement of service performance

For the year ended 30 June 2022

The performance targets established in the 2021/22 Statement of Intent for Dunedin City Holdings Ltd and the results achieved for the year ended 30 June 2022 are as follows:

PERFORMANCE TARGET	OUTCOME ACHIEVED
DCHL Board perform a monthly review of DCHL Group companies’ operating activities, including financial performance against budget (DIAL quarterly).	Each month the DCHL Board reviewed of each of the DCHL Group companies’ operating activities, including financial performance against budget, with DIAL reviewed on a quarterly basis.
DCHL Board monitor DCHL Group companies’ progress against their SoI targets quarterly.	Each month the DCHL Board monitored each of the DCHL Group companies’ progress against their SoI targets on an exception basis.
Synergies have been made across the DCHL Group.	Throughout the year DCHL has continued to support group-wide projects or initiatives, and initiated them where it made sense. The most notable project this year was developing carbon emissions and waste reductions strategies and targets.
DCHL Board perform a monthly review of the consolidated DCHL Group financial performance against budget.	Each month the DCHL Board reviewed the consolidated DCHL Group financial performance against budget.
DCHL Board to perform a quarterly review of DCHL Group companies’ rates of return.	On a quarterly basis, the DCHL Board reviewed each of the DCHL Group companies’ rates of return.
DCHL Board provide a quarterly update to Council on the DCHL Group’s performance (financial and other).	On a quarterly basis, the DCHL Chair updates the Council on the DCHL Group’s performance. Comprehensive information is provided on the Group's performance for the previous quarter.
DCHL Board annually review the ownership and capital structures of the DCHL Group companies.	The ownership and capital structures of the DCHL Group companies are an ongoing consideration of the DCHL Board, and are specifically considered quarterly.
Consider capital expenditure proposals and business cases in accordance with company constitutions and SoIs.	Capital expenditure proposals and business cases have been considered in accordance with individual company constitutions and SoIs.
DCHL Board engage with each DCHL Group company at least once annually on strategy.	At least once annually each DCHL Group company has presented their strategy to the DCHL Board.
DCHL Board meet with full group of Chairs twice annually.	Twice a year the full group of DCHL Group Chairs meet with the DCHL Board.
Review draft SoIs by 1 March 2022.	The DCHL Board reviewed each of the DCHL Group companies draft SOIs on 14 February 2022.
Approve SoIs by 30 June 2022.	The DCHL Board reviewed and approved each of the DCHL Group companies final SOIs on 13 June 2022.
Send Letters of Expectation to subsidiary and associate companies by 20 December 2021.	The DCHL Board sent each of the DCHL Group companies a Letter of Expectation on 16 December 2021.
Co-ordinate DCHL Group companies (including DCHL) to disclose their carbon footprint in their Annual Report.	Co-ordinated all DCHL Group companies to continue measuring their carbon emissions. All DCHL Group companies have reported their Greenhouse Gas (GHG) emissions for the year ended 30 June 2022 in their Annual Reports.
DCHL Board review subsidiary and associate companies’ carbon emissions reduction strategies and associated targets, and set a strategy and targets for DCHL.	The DCHL Board reviewed and noted each of the DCHL Group companies carbon emissions reduction strategies and associated targets on 30 June 2022.
DCHL Board review subsidiary and associate companies’ waste reduction strategies and associated targets, and set a strategy and targets for DCHL.	The DCHL Board reviewed and noted each of the DCHL Group companies waste reduction strategies and associated targets on 30 June 2022.
Appointments and re-appointments are all completed on time, and in compliance with DCHL and Council policy.	All appointments and re-appointments made during the 2022 financial year were completed on time, and in compliance with DCHL and Council policy.
Ensure DCHL Group companies have appropriate policies and procedures in place.	Confirmed that all group companies have appropriate policies and procedures in place and they are reviewed on a regular basis.

Statement of service performance

For the year ended 30 June 2022

PERFORMANCE TARGET	OUTCOME ACHIEVED
Co-ordinate with companies on additional ESG disclosures in 2022 Annual Reports, including CEO remuneration and board and senior management gender diversity.	Co-ordinated with all DCHL Group companies to report additional ESG disclosures in their 2022 Annual Reports, including CEO remuneration and board and senior management gender diversity.
Report the proportion of the Company's workforce receiving the living wage (as calculated by the New Zealand Family Centre Social Policy Unit).	The Company does not employ any staff directly. Employees of Dunedin City Council involved in the operation of the Company under a Service Level Agreement, are paid the living wage.
Strategic or operational matters which could compromise the Council's community outcomes, are escalated to the shareholder in a timely manner.	All strategic or operational matters which could compromise the Council's community outcomes, were reported to the shareholder in a timely manner.
Any substantive matter, including any matter likely to generate media coverage, are reported to the shareholder within 24 hours.	All substantive matters were reported to the shareholder within 24 hours of the DCHL Board becoming aware of them.

Financial forecasts		**$'000**	**Financial achievement**		**$'000**
Shareholder's funds to total assets		23%	Shareholder's funds to total assets		26%
Interest paid to shareholder		5,902	Interest paid to shareholder		5,902
Dividend distributions		-	Dividend distributions		-
Net profit after tax		10,091	Net profit / (loss) after tax		(3,459)
Cash flow from operations		39,943	Cash flow from operations		43,223
Capital expenditure		94,726	Capital expenditure		97,862
Contributions of equity		2,550	Contributions of equity		2,550
Term loans	parent	22,544	Term loans	parent	20,250
	group	956,180		group	891,178

Directory

DIRECTORS

Keith T Cooper	appointed 2 February 2015
Linda M Robertson	appointed 17 October 2013 (to 16 October 2022)
Richard J Thomson	appointed 1 July 2020
Susie J Johnstone	appointed 1 March 2021
Christopher C Hopkins	appointed 25 June 2019 (to 24 June 2022)
Tim DR Loan	appointed 3 October 2022

REGISTERED OFFICE

50 The Octagon
Dunedin
New Zealand

BANKERS

Westpac

TAXATION ADVISORS

Deloitte

SOLICITORS

Anderson Lloyd

AUDITOR

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

Independent Auditor's Report

To the readers of Dunedin City Holdings Limited Group's financial statements and statement of service performance for the year ended 30 June 2022

The Auditor-General is the auditor of Dunedin City Holdings Limited Group (the Group). The Auditor-General has appointed me, Rudie Tomlinson, 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 35 to 72, that comprise the statement of financial position as at 30 June 2022, the statement of financial performance, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on pages 74 to 75.

Qualified opinion

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

- the financial statements of the Group on pages 35 to 72:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 74 to 75 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 2022.

Our audit was completed on 30 November 2022. This is the date at which our qualified opinion on the financial statements and the statement of service performance are 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 for our qualified opinion

Financial statements

Stadium assets were not tested for impairment under NZ IAS 36

As outlined in the statement of compliance on page 40 , the Group is designated as a for-profit entity for financial purposes. The Group includes Dunedin Stadium Property Limited (the Stadium company), which is designated as a public benefit entity.

As a public benefit entity, the Stadium company has concluded that the value of its stadium assets is not impaired. This is because the Stadium company is primarily there to operate and provide services to the public, rather than to generate a commercial return. However, the Group as a for-profit entity, is required to consider whether the value of the stadium assets has been impaired, based on forecast cashflows. There is an indicator that the value of the stadium assets to the Group is impaired.

The impairment to the stadium assets is expected to be material to the Group's financial position. However, the Group has not assessed the value of the stadium assets on a commercial basis as outlined in note 10 on page 51, which is a departure from the requirements of NZ IAS 36 *Impairment of Assets.* We did not determine this value because it was impracticable for us to do so.

Limited evidence to support the written-down values of Dunedin Railways Limited's property, plant and equipment and inventories

As outlined in note 14 on page 58 and note 35 on page 72, Dunedin Railways Limited (DRL) was put into hibernation from 1 July 2020. There is a high degree of uncertainty associated with the future of DRL and a decision on its future will not be known until next year.

In the year ending 30 June 2020, DRL substantially impaired the carrying amount of its property, plant and equipment and inventory assets to their recoverable amount (based on scrap value or sale value). These impaired values were also the basis for reporting these assets in the 30 June 2021 financial statements, which are presented as comparative information.

Our audit reports on the 30 June 2020 and 30 June 2021 financial statements were qualified because we were unable to obtain adequate evidence to support the written-down values of these assets.

For the current year, the Board of Directors of DRL has assessed that there has been no change in the recoverable amount of the DRL assets from the prior year and no further evidence has been provided to support the amounts recognised as at 30 June 2022 for property, plant and equipment of $271,000 and inventories of $37,000. Further, because of the high degree of uncertainty surrounding the future of DRL, it is difficult to assess the value of the assets' recoverable amount.

As a consequence of the above, the scope of the audit was limited because we are unable to determine whether any adjustments are necessary to the carrying values of DRL's property, plant and equipment and inventories for the current year and comparative year.

Statement of service performance

Limited evidence to support the "Shareholder's funds to total assets" and "Net profit after tax" performance measures

The statement of service performance contains certain financial related performance measures derived from the financial statements. As a consequence of the impact of the matters above on the financial statements, we were also unable to obtain adequate evidence to support the Group's "Shareholder's funds to total assets" and "Net profit after tax" performance measures presented on page 75.

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.

- 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 34, 73 and 76, 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 adequate evidence over the carrying values of stadium assets and DRL’s property, plant and equipment and inventories. Accordingly, we are unable to conclude whether the other information is materially misstated with respect to these matters.

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: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

A Board member of the Group was a member of the Auditor-General’s Audit and Risk Committee until December 2021. Since March 2022, another Board member of the Group became a member of the Auditor-General’s Audit and Risk Committee. The Auditor-General’s Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the members of the Auditor-General’s Audit and Risk Committee have no involvement in, or influence over, the audit of the Group.

In addition to the audit, we have reported on statutory and regulatory engagements for the Group's subsidiaries and associate. 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 subsidiaries and associate.

Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand