DUNEDIN CITY HOLDINGS LIMITED

2023 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.

DCHL is the governing shareholder of 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.

THE PEOPLE	
Directors	Keith Cooper (Chair)
	Greg Anderson (from 03.07.2023)
	Susie Johnstone
	Tim Loan (from 03.10.2022)
	Chris Milne (from 03.07.2023)
	Linda Robertson (until 16.10.2022)
	Richard Thomson
General Manager	Jemma Adams

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 2023 financial year show a mixed result across the Group, similar to 2022 results.

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 profit of $3.3 million.

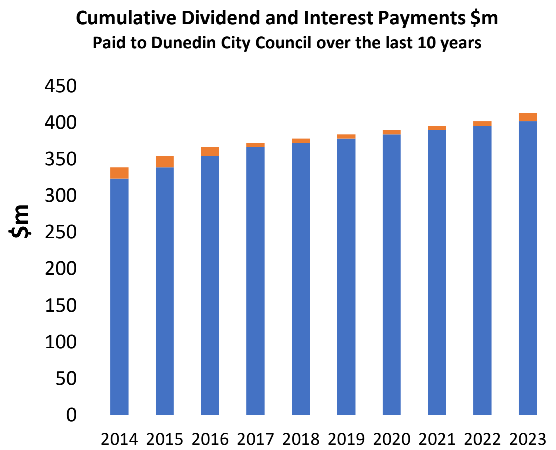
This consolidated result is a product of not only companies' individual profits and losses, but also the accounting eliminations of dividend flows and transactions between companies within the group, as shown below.

The impact of accounting eliminations is one of the most significant contributing factors in the variance between the group actual results and the Statement of Intent forecast (as forecasts do not include inter-company transaction eliminations).

DCHL Group Consolidated Net Profit / (Loss) After Tax

$000's	Actual 2023	Statement of Intent forecast	Variance	Actual 2022
DCHL Parent	(3,198)	(3,089)	(109)	825
Aurora Energy	11,082	9,942	1,140	7,763
City Forests	5,463	7,566	(2,103)	6,160
Delta	2,571	2,523	48	2,919
DCTL	33	4	29	36
Dunedin Railways	(978)	-	(978)	(1,608)
DSPL	(6,439)	(2,708)	(3,731)	(6,997)
DVML	82	184	(102)	(903)
Less dividends	(4,600)	(5,600)	1,000	(9,400)
Add DCHL's 50% share of DIAL profit	2,158	570	1,588	232
DCHL Group	6,174	9,392	(3,218)	(973)
Eliminations	(2,834)	-	(2,834)	(2,486)
Net profit (loss) after tax	**3,340**	**9,392**	**(6,052)**	**(3,459)**

DCHL paid a dividend to Dunedin City Council of $5.5 million during the year. A further payment of $5.9 million was also made to Dunedin City Council from DCHL, representing interest on the shareholder's advance.



The dividend and interest payments were funded by the dividends DCHL receives from subsidiary and associate companies. In the 2023 financial year, DCHL received a $3.6 million dividend from City Forests, as budgeted, as well as a $10 million capital restructure payment. A $1 million dividend was received from Delta and Dunedin International Airport Ltd also paid a dividend of $0.5 million to DCHL.

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 2023 are included in this report.

Overview of companies' performance

Aurora Energy's FY23 statements again reflect substantial levels of capital investment and improved financial performance when compared with recent years.

Capital expenditure of $99.3 million (FY22: $83.0 million) was directed to new network assets in the Dunedin, Central Otago/Wānaka and Queenstown Lakes areas during the year.

Aurora Energy recorded a net profit after tax of $11.1 million (FY22: $7.8 million) compared with a forecast profit of $9.9 million. The positive result against forecast was driven by higher line revenues due to strong residential demand and the removal of historical pricing structures from April 2023.

City Forests reported a modest financial performance for the financial year, recording a profit after tax of $5.5 million. The company paid a $3.6 million dividend to DCHL as well as a capital restructure payment of $10.0 million.

The impact of a slowing Chinese economy has been a significant factor contributing to increased volatility in the key Asian export markets.

Delta recorded a net profit after tax of $2.6 million in FY23, slightly above the budgeted net profit after tax of $2.5 million and slightly below the FY22 result of $2.9 million.

Delta paid a dividend of $1 million for FY23, although this was below the $2 million target in Delta's FY23 Statement of Intent. Market conditions including inflationary pressures, the impact of sick/COVID leave on service delivery and staff recruitment/retention impacted Delta's ability to meet its FY23 dividend target. The behind-budget operational performance was offset by Delta receiving a share of surplus funds from Infinity Yaldhurst during the year.

DCTL has continued to perform well over the 2023 financial year, in what has been a challenging interest rate environment.

The cost of funds for the Dunedin City Council Group increased over the 2023 financial year by 1.02% to 4.19% as at 30 June 2023.

The higher cost of funds in the 2023 financial year follows the continued aggressive tightening of monetary policy by the Reserve Bank of New Zealand (RBNZ), with seven increases to the Official Cash Rate (OCR) during the year.

DSPL experienced an operating loss, as budgeted. The loss of $6.4 million (FY22: $7.0 million) is larger than the previous year, resulting mainly from an increase in 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.

In a year that continued to be impacted by the tail end effects of Covid-19, and the challenges being felt operating in a high inflationary environment, DVML continued to focus on its core strategic purpose of 'Building Southern Pride and Prosperity'.

The Stadium hosted an All-Blacks v Ireland Test Match, a full home season of Highlanders and Otago Rugby matches as well as Red Hot Chili Peppers with Post Malone, Rod Stewart and Six60 concerts. These major events contributed $32.5m of direct additional spend to Dunedin with 47,500 visitors travelling to Dunedin from all around New Zealand and overseas to attend.

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 was pleased to offer a schedule of services to cruise ship passengers over the summer season, as well as services for local residents and domestic tourists throughout the year.

Dunedin International Airport (DIAL) has been delighted to experience a strong recovery in the 2023 financial year, with over 920,000 passengers welcomed throughout the year: 86% of the company's pre-Covid peak.

This recovery has had a positive impact on DIAL's financial performance. DIAL recorded a surplus of $4.3 million, $4.0 million ahead of projected year-end position. This has provided DIAL with a solid foundation to invest in further growth and development.

As the parent company, DCHL has pursued several initiatives to provide support, leadership and oversight across the Group this year. We have overseen further work on the group's approach to reducing carbon emissions and waste, and co-ordinated cross-group work on wellbeing and cyber security.

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 group. We look forward to continuing this work in 2024.

Outlook

Although inflation continues to impact companies, the underlying outlook for our major trading companies and the Group as a whole is broadly positive.

The FY23 reporting period was characterised by general inflationary pressures and resulting increases in the costs of labour and materials for both Aurora Energy and its field-based contracting partners. Despite these pressures, Aurora Energy remains committed to delivering its investment priorities and service commitments, through the prudent financial management of investment plans.

Aurora Energy continues to make good progress on its five-year customised price-quality path (CPP) investment programme. Decarbonisation, resilience and population growth are all key drivers of long-term investments 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 for FY24, providing a solid platform for Delta to focus on business improvement and growth.

Towards the end of the financial year there has been some softening in domestic travel demand. While this presents DIAL with new challenges, it also provides an exciting opportunity to adapt as an airport that connects people to the lower south of New Zealand.

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

Group directors

Linda Robertson retired as a director of DCHL, DCTL, DSPL and Dunedin Railways having served on the DCHL board for nine years. We thank Linda for her contribution to the group over this time and wish her well.

Tim Loan joined the DCHL, DCTL, DSPL and Dunedin Railways boards in October 2022, and serves as the Audit Committee Chair. Tim's financial expertise and strong governance experience are valued by the board.

Subsequent to balance date, in July 2023 we welcomed Greg Anderson and Chris Milne to the boards of DCHL, DCTL, DSPL and Dunedin Railways. The DCHL Group will benefit from Greg's and Chris's wealth of experience in corporate finance, investment banking and governance, and we look forward to working with them.

There were several changes in directorships within the group of companies throughout the year. We acknowledge the service of directors we have farewelled: John Gallaher and Tim Mepham (City Forests), Brian Wood (Delta) and Darin Cusack (DIAL).

We have welcomed to the Group new directors Janice Fredric (Aurora Energy), Kate Bromfield (City Forests), Peter Carnahan (Delta), and Tim Hunter (DIAL).

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 2023 financial year.

Keith Cooper, Chairman

Across the group

2023 in numbers

$1.83 billion	**total assets**
$320.0 million	**total operating revenue**
$46.7 million	**operating cash flow**
$104.4 million	**capital invested**
$5.9 million	**paid to DCC in interest on shareholders' advance**
94,723	**customer connections at Aurora Energy**
1,090,700	**new trees planted by City Forests**
43	**trainees enrolled in greenspace and electrical trainee programmes at Delta**
16,493	**passengers on Dunedin Railways services**
235,800	**Attendees at 384 events hosted by Dunedin Venues Management Ltd**
920,000	**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.

The number one priority for Aurora Energy is safety. In FY23 the company continued to maintain a critical focus on improving the safety management of the network, the people working on it and members of the public.

In July 2022, an external audit found that Aurora Energy's Public Safety Management System was being effectively implemented in accordance with NZS 7901 and certification continued for a further twelve months.

An internal Health, Safety and Wellbeing committee, with representatives from across the business, continues to provide valuable input into organisational wellbeing and safety.

As an essential service provider, it is vital Aurora Energy is well prepared to respond to emergency situations that can disrupt electricity supply, such as major storms or earthquakes. In light of the natural disaster events in the North Island, work has been expedited to ensure the company is ready to respond should events of a similar nature unfold across Aurora Energy's network.

The board and management of City Forests are committed to achieving best practice health and safety performance. Resources allocated to governance and oversight of this key operational area have been significant during the year. City Forests recorded a Lost Time Injury Frequency (LTIF) of 11.6 lost time injuries per 1 million hours worked (LTIF 12.2 previous year).

City Forests continues to improve its health and safety systems in accordance with its annual plan. The areas of critical risk assessment, performance measurement and safety audit systems were a focus for the 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's commitment to health and safety is anchored in its vision of 'Everyone Home Safe. Every Day.' This vision is upheld across all business operations.

During FY23, Delta formally expanded its Health and Safety focus to include Environment and Quality within the company's HSEQ framework.

Delta introduced the WorkWell programme and Kaitiaki o Te Mahi Pai (Guardians of Good Work). Kaitiaki o Te Mahi Pai is an enhancement of Delta's previous Safety and Wellness Action Teams. Kaitiaki (Guardians) have been empowered to proactively seek out and report opportunities of improvement. During FY23, the Kaitiaki teams have closed out 71 actions focussed on improvement and championed Delta's manual handling injury reduction project.

The WorkWell programme benefits all employees and is a robust framework focusing on mental health and workplace wellness. The framework provides guidance, resources and tools to help promote and support wellbeing and prevent mental health issues. It aims to foster positive outcomes and provide employees with a proactive approach.

Dunedin Railways continues to place high priority on health and safety. This financial year, health and safety work included the management of cruise ship passengers to and from Port Chalmers. With cruise ships returning to Dunedin, and operating different to the way they had pre-Covid 19, Dunedin Railways developed passenger management plans which identified risks and set controls that put passenger safety at the forefront of the Company's services. An external audit was conducted and returned no major findings.

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 fourth consecutive financial year.

Safety remains at the very core of Dunedin International Airport Ltd's business. DIAL has developed and strengthened its proactive safety culture, identifying areas for improvement, including the development of a Critical Risk Programme.

DIAL has also invested in a modern, fit-for-purpose airport management software tool to integrate asset management, safety management, airport operations, permitting and work order management. This forward-thinking approach ensures DIAL's people, visitors and users of Dunedin Airport are provided with a safe and secure environment.

Community initiatives

Our community involvement continues to cover a wide range of civic, charitable, sporting and recreational activities. In 2023, 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 continues to be a proud major sponsor of the Otago Science and Technology Fair and encourages students to study STEM (science, technology, engineering and maths).

Aurora Energy also supports the communities where they are carrying out work. As a result of the significant investment in reinforcing and upgrading the Aurora Energy network, some communities are experiencing a higher-than-usual number of planned outages while the necessary work is undertaken.

Aurora Energy supports impacted communities by proactively informing them why the work needs to be done and providing additional support where relevant, such as local/community hall generation in more isolated areas so people can access facilities while power is out.

In the last year, Aurora Energy has been able to re-establish community event attendance and hosting. A&P shows and Business After Five events are beneficial opportunities to speak directly with consumers and seek public feedback.

As part of delivering a reliable power supply, Aurora Energy is proactively focusing on some localised areas of the network where the level of unplanned supply interruptions remains too high. The company is engaging with consumers and targeting operational improvements in these reliability 'hotspots'.

City Forests makes its forest estate available for community recreation which incorporates open areas (outside work hours), permitted access and permitted events. Walking and mountain biking is highly popular and City Forests works with Mountain Bike Otago to establish and operate numerous cycle tracks and works to manage these trails around forest operational constraints. Hunting remains the most popular permitted activity with significant demand for hunting blocks. Organised events such as the Otago Rally, and running races such as Three Peaks occur throughout the year.

Firewood donations have been made to a number of community service organisations, clubs and charities during the year to support fundraising activities.

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Delta is proud of its people and connections to the communities they live and work in.

During FY23, Delta remained the only corporate sponsor for Rākau o te tau / Tree of the Year Aotearoa. This year marks the second time the competition has run in New Zealand, and after a tight battle, Rākau Momori from the Chatham Island was announced the 2023 winner.

In FY23 Delta supported a number of charity organisations that help aid communities and create better outcomes. Delta contributed over $9,000 through its Charity Challenge and wellness initiatives throughout the year. The Breast Cancer Foundation, Pink Shirt Day, Bowel Cancer Awareness, and the Dunedin Night Shelter were all recipients of the company's donations.

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 Christmas Inlander train services. Families enjoyed a fun afternoon full of games, Christmas songs, dancing and of course a visit from Santa.

On 6th February 2023 Dunedin International Airport Ltd staff volunteered at the Waitangi Day celebrations at Ōtākou Marae.

DIAL continues to work closely with eight Regional Tourism Organisations to support the growth of the Southern Way initiative in the market. The Southern Way celebrates the best of New Zealand scenery and experiences in the lower South Island.

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.

Climate change is driving unpredictable and changing weather patterns. This, together with the growing dependence on electricity as New Zealand's low carbon fuel of choice, means the subject of 'energy' resilience is now at the forefront of people's minds. Resilience forms a core part of Aurora Energy's network investment planning.

As a member of NZ Electricity Networks Aotearoa, Aurora Energy is actively leading work on what a network of the future will look like and how it will better deliver for consumers. More directly, Aurora Energy is collaborating with other electricity distribution businesses (EDBs) on several innovation initiatives, to plan for how they can better support the widespread roll-out of electric vehicles and increased household solar production.

During the year, Aurora Energy established a programme of work to better understand the capability of the low voltage networks to support the uptake of electric vehicles and household solar generation.

A collaboration with Energy Efficiency and Conservation Authority (EECA) has helped Aurora Energy better understand the process heat electrification pathways on its network. A draft report was completed in FY23.

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-three 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.

The forest, both exotic and indigenous, and the underlying land including water quality is managed on a long term sustainable basis in accordance with the principals of kaitiakitanga.

Particular attention is given to supporting rare threatened and endangered species such as kārearea (New Zealand Falcon) within the forest estate as well as Hoiho (Yellow Eyed Penguin) through support of the

Yellow Eyed Penguin Trust and Dunedin Wildlife Hospital as well as substantial ongoing support of Orokonui Ecosanctuary.

Sustainable work practices have been a major focus for Delta during FY23. Following the establishment of its Carbon Emission and Waste Reduction Strategy (2022-2030), Delta worked hard to achieve its targets. New technology is rapidly emerging in this space and Delta is devoted to staying up to date with advancements, to ensure it integrates products and strategies that enhance the environmental impact of its operations.

Dunedin Railways is committed to playing its part in minimising its environmental footprint. In 2023 the company made progress by reducing the amount of Greenhouse Gases associated with the company's passenger train services, on a per trip basis, compared with its baseline.

During the financial year Dunedin Venues embarked on a Green Star Certification process for Forsyth Barr Stadium in which a 3 Star Rating (good practice) was achieved.

For the third year running Dunedin Airport measured the Greenhouse Gas (GHG) emissions of airport operations.

A total of 2,635 tonnes of Carbon Dioxide Equivalent (tCO2-e) was measured for all operations

DIAL is currently targeting emissions reductions for Scope 1 & 2. These emissions have been reduced by 53 tCO2-e (19%) from the 2022 financial year. This was driven by a reduction in emissions from electricity (due to the increased share of renewables in NZ grid supplied electricity) and stationary fuel use (diesel generator).

Now that DIAL has completed its third GHG inventory, our next steps are to:

- 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 DIAL's emissions reduction strategy.

Greenhouse Gas Emissions summary

For the year ended 30 June 2023

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.

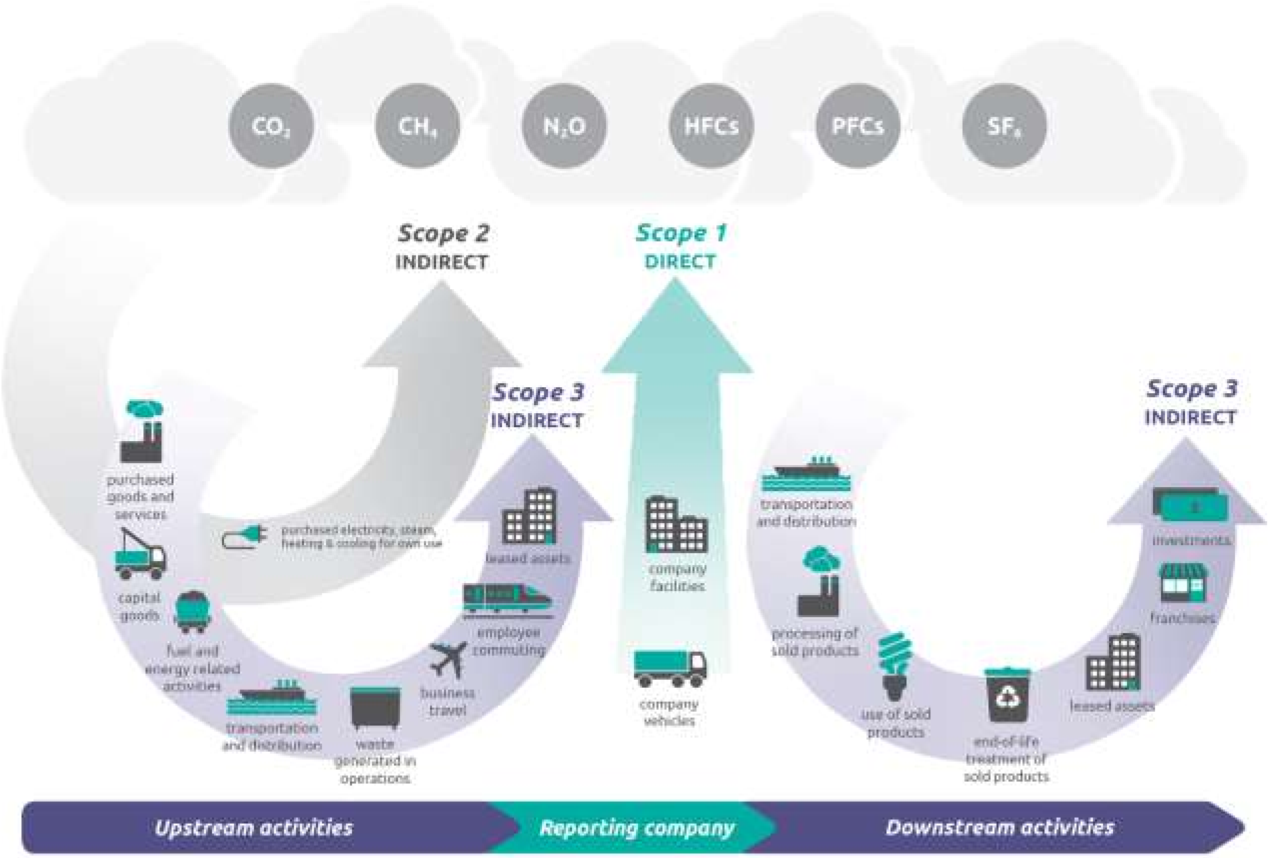
Scope 1 emissions are direct emissions that are operationally controlled by DCHL Group companies, including:

- 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
- 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.
- Dunedin Airport's farm emissions related to dairy cattle, fertiliser, and farm vehicle fuel consumption.
- The emissions from Aurora's main contractors (supply chain), which have been measured for the first time this year.

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 41,076 tCO2-e, across Scope 1, 2 and 3 in the year ended 30 June 2023. 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.

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 2,449 hectares of native, non-commercial forest held by City Forests, which is the equivalent offset of 3,838 tCO2e. This then provides a net emissions total across the group of 37,238 tCO2e.

Table 1: Emissions by scope

Scope	tCO2-e	% of Total
Scope 1	4,666	11%
Scope 2	5,412	13%
Scope 3	30,998	75%
Total Scope 1, 2, 3	41,076	100%
Forestry net total	(3,838)	-9%
Total	37,238	

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 20 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	110	5	25,301	25,416	- 3,838	21,579
Aurora Energy	362	5,078	2,587	8,027		8,027
Delta Utility Services	3,706	-	627	4,333		4,333
Dunedin Airport	80	138	2,413	2,631		2,631
DunedinVenues	248	180	57	485		485
Dunedin Railways	160	10	12	181		181
Dunedin City Treasury	1	0	1	2		2
Dunedin City Holdings	1	0	1	1		1
Total	4,666	5,412	30,998	41,076	- 3,838	37,238

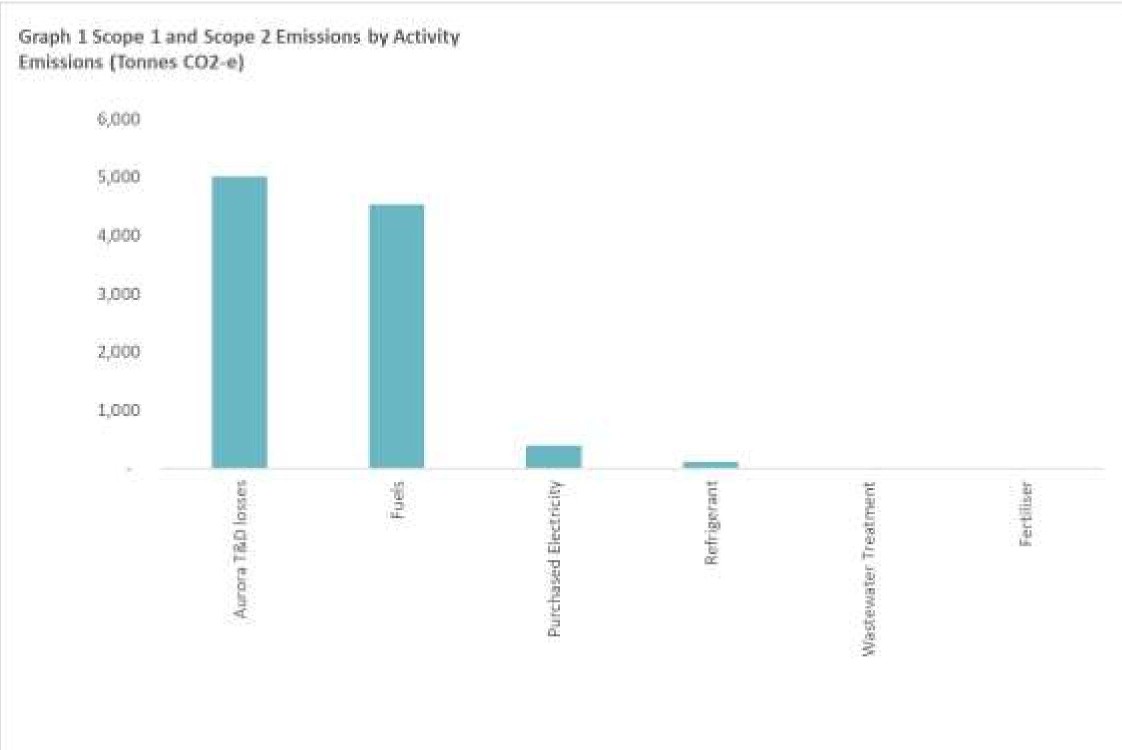


Table 3 Emissions by Source Category

Scope	Emission source category	Tonnes CO2-e	Tonnes CO2	Tonnes CH4	Tonnes N2O	Tonnes Other (SF6, HFCs)
1.	Fuels	4,527	4,444	11	72	
1.	Refrigerant	114	42	-	-	72
1.	Animals and livestock	-	-	-	-	
1.	Fertiliser	12	3	-	9	
1.	Wastewater Treatment	14	-	5	9	
2.	Purchased Electricity	396	385	10	1	
2.	Aurora T&D losses	5,015	4,873	131	11	
3.	Flights (Domestic)	200	197	1	3	
3.	Flights (International)	53	53	0	0	
3.	Freight	21,604	21,294	11	299	
3.	Waste to landfill	142	-	142	-	
3.	T&D losses	26	25	1	0	
3.	Car-based Transport	232	224	2	6	
3.	Aurora Contractors	2,279	2,207	60	11	
3.	Accommodation	46	46	-	-	
3.	Forestry Contractor Fuels	4,189	4,124	6	58	
3.	Downstream Leased Assets - Dairy Farm	2,173	45	1,600	528	
3.	Downstream Leased Assets - Tenant Electricity	54	52	1	0	
	Forestry (owned)	- 3,838	- 3,838	-	-	
	Forestry (harvest and deforestation)	-	-	-	-	
1.	Scope 1 total	4,666	4,489	16	90	72
2.	Scope 2 total	5,412	5,259	142	12	
3.	Scope 3 total	30,998	28,267	1,824	906	
	Scope 1, 2 and 3 total	**41,076**	**38,015**	**1,982**	**1,007**	**72**
	Forestry net total	**(3,838)**	**(3,838)**	**-**	**-**	**-**
	Inventory total	**37,238**	**34,178**	**1,982**	**1,007**	**72**

- 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 2022 financial year each DCHL Group company, including DCHL as a parent entity, developed strategies and activity-based 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.

Companies will report their first year of progress against these strategies in their 2023 Annual Reports.

Next steps

In August 2023, DCHL published a group carbon road map, which brings together the DCHL Group's progress to date and future plans with regard to reducing the Group's Greenhouse Gas (GHG) emissions and contributing to DCC's goals for Ōtepoti Dunedin to become a Zero Carbon city.

In the 2024 financial year, companies will be working with Dunedin City Council following consideration of DCC's Zero Carbon Plan. The Zero Carbon Plan's analysis will help companies understand areas where they may be able to contribute to city-wide goals, and will form a strong basis for the next stage of discussion with DCHL and DCC.

Companies will also continue to revisit their emission reduction strategies on an annual basis, setting goals for the year ahead and giving consideration to the path to achieving net zero carbon.

DCHL as the parent entity will continue to play a co-ordinating role, facilitating the sharing of experiences and resources across the group, and co-ordinating companies' discussions with shareholders.

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 completed their 18-month terms and their feedback on the programme has been positive. Intern Directors gained valuable insight into the roles of company directors, particularly with their terms including the ongoing challenge of Covid-19 and an inflationary environment.

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

We look forward to welcoming a fourth intake of intern directors during the 2024 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 is one of the largest electricity networks in Aotearoa New Zealand. The company owns and manages the network that delivers electricity to some of the fastest growing areas and over the most diverse terrain in Te Waipounamu South Island.

Aurora Energy takes the electricity from Transpower's national grid to power homes, businesses and the wider community. Aurora Energy delivers a safe, reliable and sustainable electricity supply to a population of more than 200,000 residents in Ōtepoti Dunedin, Central Otago, Wānaka and Tāhuna Queenstown.

WHAT WE DID THIS YEAR

Aurora Energy is now two years into its five-year customised price-quality path (CPP) and is making good progress on upgrading the network. Planned and unplanned reliability performance tracked favourably against Commerce Commission approved reliability limits for the year from 1 April 2022 to 31 March 2023.

Aurora Energy is investing in network upgrades across the region while also positioning communities for the future. Major projects that were completed during FY23 include:

- Investing $8.4 million to upgrade the Andersons Bay zone substation by replacing the current transformers and ageing equipment and building a new switch room. Work is progressing well, with the project due to be completed later in 2023.
- Replacement of 20 poles, 38 cross arms, two transformers, 3.2km of power lines and one air break switch was coordinated with the Otago Regional Council in late 2022, to align with their works on the Taieri River flood banks. This resulted in a positive outcome for both parties.
- Good progress was made on the new Omakau zone substation. This project will increase the reliability of electricity supply for Omakau and double the capacity of the substation, ensuring it is adequate to meet the demand growth of the community.
- A large project was completed in Alexandra, where the company replaced 46 poles, 113 cross arms, 117 surge arrestors, 24 transformers and two air break switches. Aurora Energy's approach to bundling work and utilising multiple crews meant the work was condensed, with resources maximised and consumer disruption minimised.
- Replacement of a large number of assets on the line that supplies Arrowtown and surrounding areas throughout September and October 2022. The assets replaced included 45 power poles, 75 cross arms, two distribution transformers, approximately 2km of power lines and the voltage regulator.
- A year-long planning process was completed over the summer months in Gibbston to replace 15 poles, 1.8km of power lines and 500m of underground cable. Given the environmental significance of the area, Aurora Energy worked closely with Te Papa Atawhai/the Department of Conservation and Wildland Consultants to ensure the welfare of the local lizard population while the work was carried out.

Improving customer experiences and engagement with consumers and stakeholders remains a high priority for Aurora Energy. Consumers are at the centre of decision making to ensure the company meets their needs, listens and responds to their concerns, and provides the level of service they expect – from both the network in terms of reliability and the business in terms of customer service levels.

The electricity industry is changing and so are the needs of consumers. Aurora Energy understands its network must be able to support a rapidly growing region, the diversification of its industry and the continued strong growth of electrification as a key driver of decarbonisation in Aotearoa New Zealand.

THE PEOPLE

Directors	Steve Thompson (Chair)
	Simon Clarke
	Janice Fredric
	Wendie Harvey
	Stephen Lewis
Chief Executive	Richard Fletcher

AT A GLANCE

	2023	2022
	$'000	$'000
Revenue	142,787	126,680
Net Surplus/(Loss) after Tax	11,082	7,763
Shareholders' Funds	197,522	186,440
Total Assets	805,341	730,576

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

Directors report a modest financial performance for City Forests Limited during the year recording a profit after tax of $5.5m. Dividends were paid of $3.6m and a capital restructure payment of $10m.

Key features of the financial year's activity were:

- Volatile log prices throughout the year in the Chinese market, and a flat South Korean market, resulting from slowing economic activity and subdued log demand.
- The cost per cubic metre of international shipping to Asian markets reduced during the year.
- The value of the NZD compared to the USD was likewise volatile during the year, although more stability was noted in the second half of the financial year.

City Forests continues to supply domestic mills in Otago and Southland. Overall, 21% of log production from the company's forests was supplied to domestic customers. Prices for logs supplied to domestic customers were stable during the year and were significantly less volatile than export log prices due to longer term supply agreements.

City Forests had a modest production year, intentionally harvesting below sustainable cut levels for sawlogs but recovering more low-grade residual wood. The overall harvest production from the forest estate was 360,562m3 compared to 360,708m3 planned.

During the year City Forests purchased 312.5 ha of new land. The land is situated adjacent to the Company's existing forests and will be progressively planted during the 2023 and 2024 planting season providing an increase in the company's sustainable harvest level and carbon sequestration.

City Forests continues to be a participant in the Emissions Trading Scheme and the Company's forests store a significant volume of carbon expressed as New Zealand Units (NZU's). NZU prices dropped significantly during the year, reducing the balance sheet value of such, but is trending back up post-balance date.

The Board's focus is to ensure City Forests is run on a long-term sustainable basis following the principles of kaitiakitanga, ensuring financial, environmental and social prosperity and that operational performance improvement and business growth occurs so long-term wealth and environmental prosperity continues to accumulate for the shareholder.

Looking to the medium-term, City Forests is optimistic that the New Zealand forest industry will continue to generate favourable returns in international and domestic log markets. As experienced in the past it is expected that economic volatility will cause these returns to remain cyclical in nature throughout each financial year.

The Company is well placed with a mature, harvest ready forest and proven export capability to make the most of market opportunities.

THE PEOPLE	
Directors	Scott Mason (Chair from 01.09.2022)
	John Gallaher (until 31.10.2022; Chair until 31.08.2023)
	Tim Mepham (until 31.10.2022)
	Phil Melhopt
	Alison Posa
	Kate Bromfield (from 01.09.2022)
Chief Executive	Grant Dodson

AT A GLANCE	2023	2022
	$'000	$'000
Revenue	63,435	66,181
Net Surplus/(Loss) after Tax	5,463	6,160
Shareholders' Funds	244,967	282,203
Total Assets	352,931	389,058

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 community 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

Delta remained committed to delivering safe and quality outcomes, despite challenges posed by the economic decline, skill shortages and the sustained global pandemic.

Delta delivered an extensive work programme during the year, notably working 108,000 more hours than in FY22. The company successfully executed long-term contracts with prominent customers in the electrical distribution industry, local body authorities, and metering equipment providers. Moreover, the company maintained its commitment to delivering activity safely, and performance against key indicators was maintained.

Delta is proud of its people and connection to the communities they live and work in. As a first-response service, Delta is accustomed to working in disaster and emergency situations. During FY23, Delta responded to heavy flooding in Dunedin and extreme weather events across the company's operations. The team worked hard to restore power safely and efficiently clear debris in order to get our communities back on their feet. A proud moment for Delta was witnessing its team come together to raise over $8,700 from their own pocket to support those impacted by Cyclone Gabrielle.

Sustainable work practices have been a major focus for Delta. Following the establishment of its Carbon Emission and Waste Reduction Strategy (2022 – 2030) last year, Delta worked hard to achieve its targets. New technology is rapidly emerging in this space and Delta is devoted to staying up-to-date with advancements, to ensure it integrates products and strategies that enhance the environmental impact of its operations.

Delta recorded a net profit after tax of $2.6 million in FY23, slightly above the budgeted net profit after tax of $2.5 million and slightly below the FY22 result of $2.9 million. This amounted to a return on Shareholders' funds of 9.3% - slightly above the target of 9.1%.

Operating revenue was $118.4 million for FY23, an increase of 9 per cent on the previous year (FY22: $108.9 million), underpinned by growth in services provided to existing and new energy and greenspace customers. Delta continued to see COVID-19 disruptions, however this year these were related to higher levels of sick and COVID leave, rather than the lockdowns from the previous 3 years.

As reported last year, the debt owing from Infinity Yaldhurst Limited that arose from the supply of infrastructure services on a Christchurch subdivision was fully repaid in September 2021. During the year Delta received $3.1 million being a share of surplus sale proceeds from the development. This receipt offset a disappointing financial performance from the company's operations, which was impacted by inflationary pressures, the impact of sick/COVID leave on service delivery, and staff recruitment/retention.

Although pleased to pay a dividend of $1 million for FY23, this was below the $2 million target in Delta's FY23 Statement of Intent, for the reasons outlined above.

Equity increased by 6% to $27.7 million with the Company's equity ratio increasing to 42% from 40% in FY22. In approving the dividend payment, Delta's Board carefully considered the prudent balance between shareholder returns and retained earnings. As one of the Dunedin City Council's group of companies, the Company's financial returns and dividends ultimately benefit its community owners.

THE PEOPLE

Directors	Peter Carnahan (Chair, from 01.08.2022)
	Tony Allison
	Jane George
	Steven Grave
	Brian Wood (until 31.10.2022)
Chief Executive	Mike Costelloe

AT A GLANCE

	2023 $'000	2022 $'000
Revenue	122,596	115,122
Net Surplus/(Loss) after Tax	2,571	2,919
Shareholders' Funds	27,724	26,153
Total Assets	65,987	65,646

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

The Company has continued to perform well over the 2022/23 financial year, in what has been another challenging interest rate environment.

The cost of funds for the Dunedin City Council (DCC) Group increased over the 2022/23 financial year, by 1.02% to 4.19% as at 30 June 2023.

The Company's higher cost of funds in the 2022/23 financial year follows the continued aggressive tightening of monetary policy by the RBNZ. The RBNZ increased the Official Cash Rate (OCR) seven times over the financial year, taking the OCR from 2.00% in May 2022 to 5.50% by May 2023. The RBNZ adopted a very hawkish approach in November 2022 when the OCR was increased by 0.75%.

The Company issued five new tranches of term debt over the 2022/23 financial year. In October 2022, the Company issued a new Floating Rate Note (FRN) of $75 million for a term of 3 years priced at a margin of +0.47% to the floating benchmark interest rate. In November 2022, the Company issued a new Medium Term Note (MTN) of $60 million for a term of 6 years priced at a margin of +0.70% relative to the underlying interest rate swap yield.

In November 2022, the Company successfully added the LGFA to its borrowing programme. Three new tranches of term funding were borrowed from LGFA between February and May 2023 totalling $125 million. The new term funding arranged from LGFA was for periods of between 7-8 years.

The Company successfully applied to become part of the LGFA's Climate Action Loan borrowing programme and all three new tranches of LGFA debt have been classified as Climate Action Loans. The new LGFA Climate Action Loans enabled a reduced borrowing margin, reflecting progress Dunedin City Council has made toward reducing greenhouse gas emissions.

The Company had $203 million of Promissory Notes on issue as at 30 June 2023, compared to $175 million as at the same time in the prior year. The average rate achieved was +0.0171% above the 3-month benchmark interest rate. The average bid coverage ratio was 2.1 times the Promissory Notes tendered, illustrating continued strong investor appetite for DCTL paper.

The Company's activity is governed by the DCC Treasury Risk Management Policy, which is designed to manage risk across a range of areas. The Company maintained compliance with the Policy during the 2023 financial year and continues to manage funds in the best interests of its borrowers.

The Company continues to ensure that funding facilities are spread over time, to help manage funding risk. As at 30 June 2023, the Company had less than $350 million of outstanding funding due to mature in any forward one-year period.

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

THE PEOPLE

Directors	Keith Cooper (Chair)
	Susie Johnstone
	Tim Loan (from 03.10.2022)
	Linda Robertson (until 17.10.2022)
	Richard Thomson
Treasurer	Richard Davey

AT A GLANCE

	2023	2022
	$'000	$'000
Revenue	39,578	24,016
Net Surplus/(Loss) after Tax	33	36
Shareholders' Funds	26,884	19,175
Total Assets	1,163,873	954,978

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 2023 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 was pleased to be able to welcome back international visitors and cruise ship passengers this summer. The company's schedule was expanded compared with the company's 2021 and 2022, although still significantly reduced compared with pre-Covid operations.

Alongside cruise ship services, Dunedin Railways also operated a number of services aimed at local residents and domestic travellers. Over the 2023 financial year 16,493 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 ahead of forecasts because of cruise ship revenue, which was not certain at the time the company's budgets were prepared.

Dunedin Railways Ltd looks forward to being able to operate a further programme of cruise ship and local passenger services in the 2024 financial year, as we await further decisions from Dunedin City Council about the company's future operating model.

THE PEOPLE

Directors	Keith Cooper (Chair)
	Susie Johnstone
	Tim Loan (from 03.10.2022)
	Linda Robertson (until 17.10.2022)
	Richard Thomson

AT A GLANCE

	2023 $'000	2022 $'000
Revenue	1,696	258
Net Surplus/(Loss) after Tax	(978)	(1,608)
Shareholders' Funds	560	338
Total Assets	774	501

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 stadium hosted a number of successful events operated by Dunedin Venues Management Ltd (DVML).

Hosting FIFA Women's World Cup matches was a highlight for Forsyth Barr Stadium. During the year the stadium's changing rooms were upgraded, and the stadium prepared in top condition in readiness for the tournament.

During the year the Asset Management Plan was reviewed. It includes a budget for assets to be maintained at an operational level over the next ten years. In some cases, the timing of the maintenance spend may be altered or the budget increased over that in the Asset Management Plan, due to increased costs or so as to provide for a longer life.

DSPL recorded a net deficit before subventions and income tax of $7.4 million for the year. This deficit is $0.4m higher than the previous year, resulting from an increase in borrowing costs.

This year a $981,000 subvention payment was received from companies within the DCHL Group in relation to the 2022 financial year. Subvention payments are dependent on the ongoing profitability of the underlying group of companies owned by Dunedin City Holdings Limited. DSPL has a deferred tax asset in relation to tax losses of $22.0 million to carry forward for the current year, which the company intends to transfer to the DCHL Group in future years by means of subvention payments and tax loss offsets. DSPL continues to work with DCHL 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
	Susie Johnstone
	Tim Loan (from 03.10.2022)
	Linda Robertson (until 17.10.2022)
	Richard Thomson

AT A GLANCE

	2023 $'000	2022 $'000
Revenue	2,688	2,445
Net Surplus/(Loss) after Tax	(6,439)	(6,997)
Shareholders' Funds	56,153	60,342
Total Assets	140,512	145,765

Dunedin Venues Management

WHAT WE DO

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

WHAT WE DID THIS YEAR

In a year that continued to be impacted by the tail end effects of Covid-19 and the challenges of operating in a high inflationary environment, DVML focussed on its core strategic purpose of 'Building Southern Pride and Prosperity'.

The Stadium hosted an All-Blacks v Ireland Test Match, a full home season of Highlanders and Otago Rugby matches as well as Red Hot Chili Peppers with Post Malone, Rod Stewart and Six60 concerts.

These major events contributed $32.5m of direct additional spend to Dunedin with 47,500 visitors travelling to Dunedin from all around New Zealand and overseas to attend.

Sporting teams playing at the Stadium enjoyed utilising the significantly upgraded changing rooms and the fans attending witnessed what the newly installed, larger, and interactive replay screens offered.

Alongside major events being delivered at Forsyth Barr Stadium, two international cricket matches were delivered at the University of Otago Oval with the WHITE FERNS in December 2022 and the BLACKCAPS in April 2023, both coming away with great wins.

It was also a strong 12 months of concerts and entertainment events at the Dunedin Centre/Town Hall. DVML welcomed international acts such as George Thorogood and The Proclaimers, Jimmy Barnes and The Wiggles. It was great to see audiences enjoying sellout shows from Jimmy Carr and Sarah Millican. The Dunedin Centre also saw the return of much-loved regulars, Mitch James, Royal Family Dance Crew and NZSO.

It was encouraging to see growth in activity for DVML's Conference and Incentive team. Delivering over 190 events including 12 multiday conferences over the period at the Dunedin Centre. This segment of DVML's business is an important contributor to the economic health of the city.

It was also rewarding to see many community events at the Stadium and Dunedin Centre, in particular the increased focus on Women in Sport. The Stadium hosted Farah Palmer Cup matches which allows the top Women's Rugby players in the Otago Region to play at the Stadium. Football South continued their support for women in football by hosting a women's and girls' social sevens tournament at the Stadium. The Dunedin Centre once again delivered great cultural experiences under the community access program such as the Mirror Services Hui 2023 and the Ukraine Benefit concert to name a few.

While continuing to operate in a highly competitive and challenging business environment, DVML is committed to delivering on its core purpose of "Building Southern Pride and Prosperity".

THE PEOPLE

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

AT A GLANCE

	2023 $'000	2022 $'000
Revenue	13,979	8,520
Net Surplus/(Loss) after Tax	82	(903)
Shareholders' Funds	1,770	1,308
Total Assets	19,419	20,743

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

This year has been a defining one, for the airport. Despite the challenges posed by the global pandemic and a recovering aviation system, DIAL has emerged in a reasonably strong position.

The impact of the COVID-19 pandemic on the aviation industry was unprecedented. However, DIAL is delighted to report that the company has experienced a strong recovery, with over 920,000 passengers welcomed throughout the year – 86% of the pre-COVID peak.

This recovery has had a positive impact on DIAL's financial performance. DIAL recorded a surplus of $5.9 million, which is $4 million ahead of the projected year-end position. This financial success has provided a solid foundation to invest in further growth and development.

Towards the end of the financial year, there has been some softening in domestic travel demand. While this presents DIAL with new challenges, it also provides an exciting opportunity to adapt. DIAL is shifting focus away from being a Dunedin-centric airport, to one that connects people to the lower south of New Zealand.

Following the resignation of DIAL's long serving CEO, Daniel De Bono was promoted to the role. Dan has had an illustrious career in and around airports and will lead the team well.

The airport financial performance rises and falls with passenger numbers. So, on the back of a 49.6% increase in passengers, it is not surprising that Dunedin Airport's total revenue increased by 56% to $20.4 million.

DIAL incurred operating expenditure for the 30 June 2023 financial year of $14.7 million, an 18% 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 implement strategic initiatives.

Further, depreciation expense increased over the prior year following the infrastructure asset revaluation as at 30 June 2022 and the associated impact on underlying asset values. Additionally, project-related consultancy fees were above the prior year as the airport incurred research and option assessment costs associated with key infrastructure projects.

The culmination of the revenue and expenditure movements is an operating surplus before taxation of $5.9 million which is $5.2 million above the prior year.

With the deferral of growth-related development expenditure for a significant portion of the 2022 financial year, capital expenditure increased significantly in the 2023 financial year to $4.7 million. Of this, approximately $2 million related to the acquisition of two replacement fire appliances, and $1.2 million was spent on the extension of the Airport Emergency Services station.

THE PEOPLE

Directors	Chris Hopkins (Chair)
	Shane Ellison
	Tim Hunter (from 1.11.2022)
	Catherine Taylor (from 5.04.2023)
	Barbara Robertson (until 30.09.2022)
	Darin Cusack (until 1.11.2022)
Chief Executive	Daniel De Bono

AT A GLANCE

	2023	2022
	$'000	$'000
Revenue	20,648	13,222
Net Surplus/(Loss) after Tax	4,316	464
Shareholders' Funds	85,431	82,097
Total Assets	114,469	114,053

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, 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 2023.

Director	Director

Directors' declarations of interest

For the year ended 30 June 2023

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 Director, Dunedin Stadium Property Limited Director, Miller Creative Group Limited - Ceased 23 June 2023 Owner/Director, Littlebrook Farm Limited
Linda M Robertson 17.10.13 - 16.10.22 (Interests listed as at 16.10..2022)	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 Director, NZ Local Government Funding Agency Director, Alpine Energy Limited 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 Member, Audit and Risk Committee, Office of the Auditor-General and Audit New Zealand
Susie J Johnstone 1.03.21 - present	Non-Executive Director	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director & Shareholder, Shand Thomson Chartered Accountants Director & Shareholder, Johnstone Afforestation Trustee, Dunedin Diocese Trust Board Trustee, Clutha Community Foundation Trustee of various client trusts through Shand Thomson & Abacus Nominee Companies

Directors' declarations of interest

For the year ended 30 June 2023

DIRECTOR	RESPONSIBILITIES	DECLARATIONS OF INTEREST
Timothy D R Loan 03.10.22 - Present	Non-Executive Director	Director, Dunedin City Holdings Limited - Appointed 3 October 2022 Director, Dunedin City Treasury Limited - Appointed 3 October 2022 Director, Dunedin Stadium Property Limited - Appointed 3 October 2022 Director, Dunedin Railways Limited - Appointed 3 October 2022 Director & Shareholder, Abbot Insurance Brokers Southern Ltd Director, Finance Now Ltd (including subsidiary companies TW Financial Services Operations Ltd, The Warehouse Financial Services Ltd and SBS Money Ltd Director & Shareholder, LWB Holdings Ltd Trustee, Presbyterian Support Southland - Ceased 7 December 2022 Director, Presbyterian Support Southland Holding Company Ltd Director, Presbyterian Support Southland Retirement Villages Ltd Chair, Audit & Risk Committee, Southsure Assurance (T/A SBS Insurance) Director, H&J Smith Holdings Ltd (including subsidiary companies: H&J Smith Ltd, H&J Smith Parking Building Ltd, Outdoor World Ltd, Outdoor Adventures Ltd (dormant), H&J's Hardware Ltd (dormant), Southern Department Stores Ltd (dormant), Shotover Hardware Ltd, Symphony Retailing Ltd, Cross Roads Properties Ltd, H&J.'s Electrical Ltd, H&J's Properties Ltd, H&J Smith Corporate Ltd, H&J Smith Finance Ltd)
Richard J Thomson 1.07.20 - present	Non-Executive Director	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited 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

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
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Group financial statistics

	2023 $'000	2022 $'000	2021 $'000 Restated	2020 $'000 Restated	2019 $'000 Restated
Revenue	**319,980**	**281,784**	291,131	257,964	269,651
Profit/(loss) before tax, impairment and subvention payment from continuing activities	**7,266**	**(2,771)**	33,245	(10,295)	4,369
Profit/(loss) after tax from continuing operations	**3,340**	**(3,459)**	22,404	(8,021)	(141)
Tax expenses/(income)	**3,925**	**688**	10,840	(2,273)	4,510
Profit/(loss) after tax	**3,340**	**(3,459)**	22,404	(8,021)	(141)
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	**9,242**	**2,443**	28,306	(2,119)	5,761
Cash flows from operating activities	**46,687**	**43,223**	37,769	14,343	24,036
Shareholder's funds	**414,702**	**435,635**	353,360	288,226	297,039
Shareholder's advance	**112,000**	**112,000**	112,000	112,000	112,000
Total shareholder's interest	**526,702**	**547,635**	465,360	400,226	409,039
Rate of return (on shareholder funds)	**0.8%**	**-0.8%**	6.3%	-2.8%	0.0%
Dividend paid	**5,500**	**-**	-	-	-
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	**11,402**	**5,902**	5,902	5,902	5,902
Total assets	**1,830,480**	**1,658,003**	1,481,647	1,382,970	1,281,378
Shareholder's funds to total assets	**22.7%**	**26.3%**	23.8%	20.8%	23.2%

Statement of financial performance

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Revenue			
Operating revenue	1	290,320	262,207
Financial income	2	16,474	10,102
Gain in fair value of forestry	12	13,185	9,475
Total operating revenue		319,980	281,784
Expenditure			
Employee expenses		70,454	65,205
Audit fees	3	845	555
Financial expenses	3	45,810	29,243
Other expenses	3	160,275	154,483
Depreciation - right of use leased assets	13	3,896	3,421
Depreciation and amortisation	11 & 14	33,591	31,880
Total operating expenditure		314,872	284,787
Operating profit/(loss)		**5,108**	**(3,003)**
Share of associate surplus		2,158	232
Profit/(loss) before taxation		**7,266**	**(2,771)**
Less taxation expense	4	3,925	688
Profit/(loss) after taxation		**3,340**	**(3,459)**

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 2023

	Note	2023 $'000	2022 $'000
Other comprehensive income			
Items that may be reclassified subsquently to profit or loss:			
Gain (loss) on cash flow hedges		11,612	53,740
Other comprehensive income associates		21	154
Items that will not be reclassified subsquently to profit or loss:			
Gain (loss) on forestry land revaluations		(1,949)	10,156
Gain (loss) on carbon credit revaluation		(38,530)	40,167
Other comprehensive income associates		-	5,247
Income tax on other comprehensive income		7,523	(26,280)
Net income recognised directly as other comprehensive income		(21,324)	83,183
Profit/(loss) after taxation		3,340	(3,459)
Total comprehensive income/(loss) for the year		**(17,984)**	**79,724**

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 2023

	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***
2022								
Balance as at 30 June 2021		128,689	153,397	18,904	(22,428)	39,683	35,116	**353,361**
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/(loss) 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**	**435,635**
2023								
Balance as at 30 June 2022		131,239	157,953	24,304	16,264	49,840	56,035	**435,635**
Profit after tax		-	3,340	-	-	-	-	**3,340**
Other comprehensive income		-	-	21	8,361	(1,950)	(27,754)	**(21,322)**
Total comprehensive Income for the period		**-**	**3,340**	**21**	**8,361**	**(1,950)**	**(27,754)**	**(17,982)**
Transactions with owners in their capacity as owners:								
Dividends Paid		-	(5,500)	-	-	-	-	**(5,500)**
Contributions of equity		2,550	-	-	-	-	-	**2,550**
Balance as at 30 June 2023		**133,789**	**155,793**	**24,324**	**24,625**	**47,890**	**28,281**	**414,702**

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

Statement of financial position

As at 30 June 2023

	Note	2023	2022
		$'000	**$'000**
Current assets			
Cash and cash equivalents	5	11,354	14,346
Other financial assets	6	113	275
Derivative financial instruments	17	695	646
Trade and other receivables	7	37,045	32,592
Inventories	8	7,493	6,819
Prepayments		2,563	2,612
Total current assets		59,263	57,290
Non-current assets			
Term receivables	7	-	-
Other financial assets	6	462,949	333,822
Derivative financial instruments	17	36,596	25,999
Investments in associate companies	9	42,693	41,026
Intangible assets - carbon credits	11	40,279	78,809
Intangible assets - other	11	6,790	6,696
Forestry assets	12	205,543	201,362
Right of use assets	13	13,594	12,188
Property, plant and equipment	14	962,773	900,812
Total non current assets		1,771,216	1,600,713
Total assets		**1,830,480**	**1,658,003**

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

Statement of financial position

As at 30 June 2023

Current liabilities			
Trade and other payables	15	38,943	34,957
Employee entitlements / provisions	16	7,437	7,507
Derivative financial instruments	17	2,869	2,342
Provision for tax		861	2,978
Lease liabilities	18	3,707	3,272
Short term borrowings	19	1,502	1,497
Term borrowings	20	-	-
Total current liabilities		55,319	52,554
Non-current liabilities			
Term borrowings	20	1,083,813	891,178
Shareholder's advance - DCC	21	112,000	112,000
Employee entitlements	16	783	725
Other liabilities		417	359
Lease liabilities	18	10,164	9,147
Derivative financial instruments	17	29,203	29,618
Deferred taxation	4	124,079	126,787
Total non-current liabilities		1,360,460	1,169,814
Equity			
Share capital	25	133,788	131,239
Accumulated funds	26	155,793	157,953
Associate company asset revaluation reserve	27	24,324	24,304
Hedging reserve	27	24,625	16,264
Land revaluation reserves	27	47,890	49,840
Carbon credit reserve	27	28,281	56,035
Total equity		414,702	435,635
Total liabilities and equity		**1,830,480**	**1,658,003**

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

Statement of cash flows

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		285,023	260,558
Interest received		14,939	7,819
Dividend received		2	8
		299,964	268,385
Cash was applied to:			
Suppliers and employees		211,798	195,940
Finance costs paid		39,124	29,082
Taxation paid		1,228	1,042
Net GST paid/ (received)		1,127	(902)
		253,277	225,162
Net cash flow from operating activities	31	46,687	43,223
Cash flow from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		3,660	5,389
Carbon credits sold/(purchased)		-	11,131
Receipts from investments		1,784	3,456
		5,444	19,976
Cash was applied to:			
Purchase of property, plant and equipment		104,363	97,862
Increase in investments		135,230	77,715
		239,593	175,577
Net cash flow from investing activities		(234,149)	(155,601)
Cash flow from financing activities			
Cash was provided from:			
Call on Capital		2,550	2,550
Loans raised	32	198,550	174,170
		201,100	176,720
Cash was applied to:			
Loans repaid	32	5,000	70,000
Lease liability repaid	32	6,130	3,070
Dividends		5,500	-
		16,630	73,070
Net cash flow from financing activities		184,470	103,650
Net increase/(decrease) in cash		(2,992)	(8,728)
Effect of exchange rate changes		-	1,095
Opening cash and cash equivalents		14,346	21,979
Closing cash and cash equivalents		**11,354**	**14,346**

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 2023

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 2023.

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 29 September 2023.

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.

Notes to the financial statements

For the year ended 30 June 2023

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.

CHANGES IN ACCOUNTING POLICY

There have been no changes in accounting policy. All other policies for the current year and comparative year have been applied on a consistent basis.

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 and impairment of intangible assets (note 11);
- valuation of forestry assets (note 12);
- valuation of right of use assets and liabilities (note 12);
- valuation and impairment of property, plant and equipment including profit elimination on intra-group transactions (note 14);
- valuation of employee entitlements (note 17).
- 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

Amendments to NZ IAS 1 – Disclosure of Accounting Policies are effective for annual reporting periods beginning on or after 1 January 2023. This amendment requires entities to disclose their material accounting policy information rather than their significant accounting policies. The companies did not early adopt these amendments.

Further amendments to NZ IAS 1 - clarify how covenants with which an entity must comply within twelve months after the reporting period affect the classification of a liability, addressing concerns from stakeholders. The amendments also improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

Notes to the financial statements

For the year ended 30 June 2023

What do the amendments require:

• Only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current.

• Entities must disclose information to enable users to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The application date of the amendments introduced by Classification of Liabilities as Current or Non-current has been deferred to 1 January 2024.

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

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 2023 is $39.315 million (2022: $13.417 million). This deferred revenue will be recovered from consumers in future financial years.

Notes to the financial statements

For the year ended 30 June 2023

Maintenance Services revenue is derived from contracts that involve various different processes, activities and services. Where these processes and activities tend to be highly inter-related, these are taken to be one performance obligation, otherwise separate performance obligations are identified. The transaction price is allocated across each service or performance obligation based on contracted prices/schedules of rates. Revenue from maintenance services rendered is recognised in the Statement of comprehensive income in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the proportion of costs incurred to date compared to the estimated total costs of the contract. 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 becomes entitled to invoice customers on a periodic basis, at particular stages of completion or upon completion of works. The Group recognises a contract asset (Work in Progress) for any work performed and not invoiced, derived on the basis of costs incurred to date plus an estimated margin. 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 stage of completion method, then the Company recognises a contract liability (Income in Advance) for the difference.

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.

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.

Notes to the financial statements

For the year ended 30 June 2023

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.

	2023 $'000	**2022 $'000**
Line charges	100,468	82,113
Pass-through and recoverable cost revenue	32,202	31,345
Customer contributions	8,717	11,301
Electrical services	16,920	19,009
Meters and related services	15,377	11,027
Greenspace services	33,246	22,612
Tree services	-	3,001
Forestry sales revenue	62,922	64,095
Venues management income	13,651	8,258
Railway income	1,665	241
Covid-19 wage subsidy	163	844
Other operating revenue	1,741	3,327
Gain on sale of assets	3,248	5,035
	290,320	262,207

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.

Notes to the financial statements

For the year ended 30 June 2023

	2023 $'000	2022 $'000
Interest on advances to related parties	15,730	8,802
Interest on other investments	742	197
Dividends	2	8
Net gain on foreign currency transactions	-	1,095
	16,474	10,102

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.

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

Notes to the financial statements

For the year ended 30 June 2023

	2023 $'000	2022 $'000
Other expenses		
Bad debts written off	232	85
Bad debts written back	(5)	(4)
Impairment loss on valuation of land	2,956	-
Increase/(decrease) in expected credit losses for receivables	(105)	(109)
Donations	34	25
Rental expense on leases	510	551
Research expenditure	31	4
Transmission costs on the energy network	31,972	31,068
Maintenance costs on the energy network	2,189	1,588
Cost of bush applied	12,712	13,408
Contractor costs	17,639	16,414
Subcontractor costs	16,293	20,912
Shipping costs	22,794	28,138
Loss on sale of assets	953	2,287
Other expenditure	52,071	40,116
Expenditure on continuing activities	160,275	154,483

Audit fees		
Audit New Zealand:		
Financial statements	649	441
Regulatory (information disclosure) reporting	56	46
Price and quality thresholds and other regulatory reporting	35	30
Cost Recovery from audit of last year's financial statements	40	-
Annual delivery report	65	38
Other Providers:		
Other audit fees	-	-
Total audit fees	845	555

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. The interest rate used to calculate borrowing costs in the year to 30 June 2023 was 3.79% (2022: 2.5%). This was the interest rate applicable to new project financing in the reporting period.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

	2023 $'000	2022 $'000
Financial expenses		
Interest - related parties	5,804	5,963
Interest - term loans	38,512	22,960
Interest - capitalised	(450)	-
Interest - leased assets	338	320
Net loss on foreign currency transactions	1,606	-
Total financial expenses	45,810	29,243

Notes to the financial statements

For the year ended 30 June 2023

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

	2023 $'000	2022 $'000
Operating profit/(loss)	7,266	(2,771)
Tax thereon at 28%	2,034	(776)
Plus/(Less) the tax effect of differences		
Revenue not liable for taxation	(734)	(3,902)
Expenditure not deductible for taxation	2,798	4,607
Tax losses to be utilised	-	-
Under/(over) tax provision in prior years	(253)	146
Group recognition of deferred tax in current year	(52)	-
Other	134	613
Taxation charge	3,927	688
Effective tax rate	54.0%	-24.8%
The taxation charge is represented by:		
Current tax provision	1,426	2,975
Deferred tax provision	3,733	(2,434)
Under/(over) tax provision in prior years	(2,316)	390
Under/(over) deferred tax in prior years	1,083	(243)
	3,926	688
Tax expense continuing activity	3,926	688
Tax expense discontinued activity	-	-
	3,926	688

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.

Notes to the financial statements

For the year ended 30 June 2023

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 2023 and earlier years which will be available for use in subsequent reporting periods totalling $17,926,214 (2022: $17,727,257).

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 2023

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*
2023						
Property, plant and equipment & Intangibles	49,933	-	3,296	(869)	54,098	53,229
Provisions	6,056	-	1,238	(2,845)	10,139	7,294
Tax losses	(7,912)	-	(923)	(8,835)	-	(8,835)
Forest	39,870	-	517	-	40,387	40,387
Forest costs capitalised	11,060	-	602	-	11,662	11,662
Carbon credits and other Investments	21,456	(10,775)	130	(118)	10,929	10,811
Hedge reserve – foreign exchange contracts	(1,002)	236	-	(766)	-	(766)
Hedge reserve – interest rate swaps	7,327	3,016	(46)	20	10,276	10,296
Balance at the end of the year	126,787	(7,523)	4,814	(13,413)	137,492	124,079
2022						
Property, plant and equipment & Intangibles	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 and other Investments	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

Notes to the financial statements

For the year ended 30 June 2023

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.

	2023 $'000	2022 $'000
Cash and cash equivalents	11,354	14,346

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

Related Party Advances & LGFA Borrower Notes are recognised and derecognised on trade date and are measured at cost.

	2023 $'000	2022 $'000
Current loan repayments due from Dunedin City Council	-	-
Other current financial assets	113	275
Total other current financial assets	113	275
Loan repayments due from Dunedin City Council:		
Maturity one to five years	-	-
Maturity over five years	459,800	333,800
	459,800	333,800
Shares and units in other companies and funds	24	22
LGFA Borrower Notes	3,125	-
Total other non current financial assets	462,949	333,822

Notes to the financial statements

For the year ended 30 June 2023

Advances

The advances (above) due from the Dunedin City Council had a weighted average interest rate of 3.87**%** (2022: 2.65%).

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.

Work in progress is stated at estimated realisable value, after providing for non-recoverable amounts. Work inprogress represents work from contracts which has been performed, but which is unable to be billed as the right toconsideration remains conditional.
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured bythe proportion of contract costs incurred for work performed to date compared to the estimated total contract costs,except where this would not be representative of the stage of completion. Variations in contract work, claims andincentive payments are included to the extent that they have been agreed with the customer and the performanceobligations have been satisfied.
Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to theextent of contract costs incurred that it is probable will be recoverable and where the company believes the identified performance obligations have been satisfied. Contract costs are recognised as expenses in the period in which they are incurred.
When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Notes to the financial statements

For the year ended 30 June 2023

	2023 $'000	2022 $'000
Trade receivables	27,850	19,209
Expected credit loss	(462)	(566)
Work in progress	3,451	3,348
	30,839	21,991
Due from related parties:		
Other related parties	4,339	10,129
Other current receivables	1,866	472
	37,045	32,592

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

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.

	2023 $'000	2022 $'000
Opening doubtful debts provision	(566)	(692)
Additional provisions made during the year	(140)	(51)
Receivables written off during the year	232	85
Provisions reversed during the year	12	92
Doubtful debts on acquisition	-	-
Closing doubtful debts provision	(462)	(566)

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.

	2023 $'000	2022 $'000
Raw materials and stores	7,493	6,819
Finished goods	-	-
	7,493	6,819

Notes to the financial statements

For the year ended 30 June 2023

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.

	2023	**2022**
Name of entity (principal activities, place of business)	**Interest held**	**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.

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

Notes to the financial statements

For the year ended 30 June 2023

	Dunedin International Airport Limited As at 30 June 2023 $'000	2022 $'000
Summarised statement of financial position		
Current assets		
Cash and cash equivalents	1,723	1,685
Other current assets	1,723	1,594
Total current assets	3,446	3,279
Non-current assets	111,023	110,774
Total assets	114,469	114,053
Current liabilities	4,149	2,103
Non-current liabilities		
Financial Liabilities	9,000	13,250
Other financial liabilities	15,889	16,603
Total-non current liabilities	24,889	29,853
Total liabilities	29,038	31,956
Net assets	85,431	82,097
Less Impairment	-	-
Other adjustments	(46)	(46)
Net assets after impairment and other adjustments	85,385	82,051
Carrying value of associates 50%	42,693	41,026
Summarised statement of comprehensive income		
Revenue (excl interest received)	20,405	13,369
(Loss)/Gain on investment and sale of PPE	87	(206)
Interest and Dividends received	156	59
Total Revenue	20,648	13,222
Less expenses		
Depreciation and amortisation	4,214	3,891
Interest expense	570	482
Other expenses	9,937	8,101
Total expenses	14,721	12,474
Operating profit/(loss) before tax	5,927	748
Income tax	1,611	284
Operating profit/(loss) after tax	4,316	464
Other comprehensive income	41	10,800
Total comprehensive income/(deficit)	4,357	11,264
Dividends received from associate	512	312

Notes to the financial statements

For the year ended 30 June 2023

10 INVESTMENTS IN SUBSIDIARY COMPANIES

	2023	2022
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.

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.

Notes to the financial statements

For the year ended 30 June 2023

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.

The carbon credit valuation is based on market data and falls within Level 1 of the fair value hierarchy.

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 2,865,718 Post-89 derived NZU's, being the carbon sequestered by these forests during the 2008 to 2020 calendar years. There were carbon credit sales for the financial year of nil units. (2022 150,000).

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 2023**,** 964,766 units were unsold (2022: 1,045,944). 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 2023 $'000	**Year ending 30 June 2022 $'000**
New Zealand carbon credits - non current	40,279	78,809

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.

Notes to the financial statements

For the year ended 30 June 2023

The Company carries out 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 2023**	**Year ending 30 June 2022**
Held At Fair value	964,766	1,037,641
Held at Nil value	269,148	8,303
Total Units at end of year	1,233,914	1,045,944
Units – Post 1990		
Opening	1,044,564	1,185,662
Credits Issued	187,970	-
Per Emissions Trading Register	1,232,534	1,185,662
Units acquired	-	8,902
Units sold	-	(150,000)
Fair Value NZUs	1,232,534	1,044,564
Units – Pre 1990		
Opening balance	1,380	1,380
Acquired	-	-
Closing balance at end of year	1,380	1,380
Closing balance all units at end of year	1,233,914	1,045,944
Less Units at Nil value	(269,148)	(8,303)
	964,766	1,037,641

	$'000
Value applied to risk free units @ $41.75	40,279

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

Notes to the financial statements

For the year ended 30 June 2023

The price is sensitive to economic factors that can lead to sudden significant price swings. The Company has a full policy on NZU management and manages the risk around price swings by maintaining a NZU holding as a percentage of Net Assets, constantly monitoring & reporting on current price/trends of NZUs and ensuring action if any quantitative trigger points occur in terms of upper/lower value thresholds.

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.

	2023	**2022**
	$'000	**$'000**
Cost		
Opening balance	11,917	11,771
Purchases	1,528	2,709
Transfers	-	-
Disposals	-	(2,563)
Total cost	13,445	11,917
Accumulated amortisation		
Opening balance	5,221	6,731
Amortisation	1,434	1,052
Transfers	-	-
Disposals	-	(2,562)
Total amortisation	6,655	5,221
Closing balance	6,790	6,696

Software assets of $1.718 million (2022: $1.058 million) are the subject of a debenture held as security for the DCTL borrowings on behalf of the DCC consolidated group.

Notes to the financial statements

For the year ended 30 June 2023

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 forestry assets valuation is based on unobservable inputs and falls withing Level 3 of the fair value hierarchy.

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.

	2023	**2022**
	$'000	**$'000**
Balance at the beginning of the year	201,362	200,246
Add costs capitalised in establishing forests during the year	3,708	3,649
Increase in forest from acquisition	-	1,400
Revaluation	13,185	9,475
Less Value of logs harvested	(12,712)	(13,408)
Balance at the end of the year	205,543	201,362
Gains/(losses) arising from changes in fair value less point of sale costs:		
Attributable to physical changes	3,374	6,617
Attributable to price changes	9,811	2,858
	13,185	9,475

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% (2022: 5.5%).

Notes to the financial statements

For the year ended 30 June 2023

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% (2022 5.5%); a +/- 50 basis point movement in the discount rate would change the valuation by +$17.9 mil / -$8.2 mil (2022 +$12.8 mil / -$11.7 mil). A 10% increase or decrease in assumed log prices would change the valuation by +$17.0 mil / -$16.9 mil (2022 +$16.8 mil / -$16.8 mil) (note that these sensitivities as shown are independent and different outcome would result from combined changes in discount and log prices).

At 30 June 2023 the Company owned stands of trees on 20,084 hectares of a total productive land within a total area of land holdings (including freehold, lease, Joint Venture & Forestry Right) of 25,187 hectares. During the year the Company harvested approx. 360,562 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 2023

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.

The lease between DVML and Dunedin City Council for the Dunedin Centre remains unsigned due to a dispute over the ownership of certain assets. The lease is cancellable by DVML, having given 20 working day notice. In the event of cancellation, DVML will be liable for certain make good costs. These costs have not been quantified.

	Land & Buildings	**Plant & Equipment**	**Motor Vehicles**	**Total**
2023	**$'000**	**$'000**	**$'000**	**$'000**
Cost or valuation				
Balance at the beginning of the year	6,345	2,389	11,820	20,554
Purchases	1,325	953	3,105	5,383
Sales	-	(63)	(1,073)	(1,136)
Balance at the end of the year	7,670	3,279	13,852	24,801
Accumulated depreciation				
Balance at the beginning of the year	1,665	1,253	5,448	8,366
Depreciation	1,203	334	2,359	3,896
Sales	-	-	(1,055)	(1,055)
	2,868	1,587	6,752	11,208
Balance at the end of the year	4,802	1,692	7,100	13,594
2022				
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

Notes to the financial statements

For the year ended 30 June 2023

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.

Assets held under finance leases are depreciated.

The Group has had its land assets independently valued at 30 June 2023 by Morice Limited using the Fair Value approach. This is the valuation company used by various other forestry owners. 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 2023 was $4,905k (2022 $10,156k).

Notes to the financial statements

For the year ended 30 June 2023

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 10%	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	

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Property, plant and equipment asset of $737.792 million (2022: $667.633 million) are the subject of a debenture held as security for the DCTL borrowings on behalf of the DCC consolidated group.

Notes to the financial statements

For the year ended 30 June 2023

Property, plant and equipment

2023	Land	Forest Land	Buildings	Roads Bridges	Network	Plant Equipment	Sub-Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation							
Balance at the beginning of the year	38,728	94,811	153,753	9,886	786,504	91,368	1,175,051
Purchases	-	3,739	497	705	367	3,431	8,739
Revaluation	-	(1,949)	-	-	-	-	(1,949)
Sales	-	-	-	-	(3,455)	(2,193)	(5,648)
Impairment	-	-	-	-	-	(33)	(33)
Transfers	157	-	678	-	84,174	1,437	86,445
Balance at the end of the year	38,885	96,601	154,928	10,591	867,589	94,010	1,262,605
Accumulated depreciation							
Balance at the beginning of the year	-	1,122	33,159	5,101	221,453	64,465	325,299
Depreciation	-	-	3,145	257	20,460	5,758	29,620
Impairment	-	2,956	-	-	-	(16)	2,940
Sales	-	-	-	-	(2,257)	(2,168)	(4,425)
Transfers	-	-	-	-	-	-	-
	-	4,078	36,304	5,358	239,656	68,039	353,434
Balance at the end of the year	38,885	92,523	118,624	5,233	627,933	25,972	909,170
Comprising:							
Cost	38,885	-	118,624	5,233	627,933	25,972	816,647
Valuation	-	92,523	-	-	-	-	92,523

2023	Sub-Total	Motor Vehicles	Office Equipment	Locomotives	Railway Track	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation							
Balance at the beginning of the year	1,175,051	30,920	2,061	181	12	39,535	1,247,760
Purchases	8,739	1,903	46	-	-	102,817	113,505
Revaluation	(1,949)	-	-	-	-	-	(1,949)
Sales	(5,648)	(1,154)	(1)	-	-	-	(6,803)
Impairment	(33)	-	(1)	-	-	-	(34)
Transfers	86,445	758	55	-	-	(100,358)	(13,100)
Balance at end of year	1,262,605	32,427	2,160	181	12	41,994	1,339,379
Accumulated depreciation							
Balance at the beginning of the year	325,299	20,677	942	29	-	-	346,947
Depreciation	29,620	2,345	179	13	-	-	32,157
Impairment	2,940	-	(1)	-	-	-	2,939
Sales	(4,425)	(1,133)	-	-	-	121	(5,437)
Transfers	-	-	-	-	-	-	-
	353,434	21,889	1,120	42	-	121	376,606
Balance at the end of the year	909,170	10,538	1,040	139	12	41,873	962,773
Comprising:							
Cost	816,647	10,538	1,040	139	12	41,873	870,250
Valuation	92,523	-	-	-	-	-	92,523

Notes to the financial statements

For the year ended 30 June 2023

Property, plant and equipment

2022	**Land**	**Forest Land**	**Buildings**	**Roads Bridges**	**Network**	**Plant Equipment**	**Sub-Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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**	**Motor Vehicles**	**Office Equipment**	**Locomotives**	**Railway Track**	**Work in Progress**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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 the end of the 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

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

Notes to the financial statements

For the year ended 30 June 2023

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 2023. 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 2023. The key assumptions utilised in the impairment testing were that:

- For the 10 years from 1 July 2023, 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 10-year expenditure forecasts included in the Company's 2023 Asset Management Plan.

- Operating expenditure will mirror the 10-year expenditure forecasts included in the Company's 2023 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 6% to 7%. 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 $18 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 2023.

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.

Notes to the financial statements

For the year ended 30 June 2023

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.

Notes to the financial statements

For the year ended 30 June 2023

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.

	2023 $'000	2022 $'000
Trade payables	20,971	21,417
Due to related parties:		
Dunedin City Council and subsidiaries	187	432
	187	432
Other payables:		
Contract liabilities	3,345	3,252
GST payable	-	-
Other current liabilities	14,439	9,856
	17,784	13,108
	38,943	34,957

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

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.

	2023 $'000	2022 $'000
Current liabilities		
Long service leave	400	444
Annual leave	6,338	6,364
Gratuities	304	329
Sick leave	131	128
Other provisions	264	242
	7,437	7,507
Non-current liabilities		
Long service leave	662	595
Gratuities	121	130
	783	725

Notes to the financial statements

For the year ended 30 June 2023

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 interest rates. The Company uses interest rate swap contracts to hedge these exposures. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

The Group does not use derivative financial instruments for speculative purposes. However, any derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, would be accounted for as trading instruments with fair value gains/losses being taken directly to the statement of comprehensive income.

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. Subsequent fair values are based on independent prices quoted in active markets as provided to us from Thomson Reuters data.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The fair value of interest rate swaps is calculated based on pricing using Thomson Reuters data. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The gain or loss from re-measuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or loss. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or loss over the period to maturity.

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 with any ineffective portion recognised immediately in the statement of comprehensive income. 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 comprehensive income in the same period in which the hedged item affects net surplus 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 comprehensive income via other comprehensive income. 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 comprehensive income via other comprehensive income.

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

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of comprehensive income as they arise. Derivatives not designated into an effective hedge relationship are classified as current assets or liabilities.

Notes to the financial statements

For the year ended 30 June 2023

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

	2023 Asset $'000	2023 Liability $'000	2022 Asset $'000	2022 Liability $'000
Fair value				
Interest rate swaps	37,181	29,333	26,645	28,380
Analysed as:				
Current	585	830	646	663
Non-current	36,596	28,503	25,999	27,717
	37,181	29,333	26,645	28,380

	2023 Asset $'000	2023 Liability $'000	2022 Asset $'000	2022 Liability $'000
Fair value				
Foreign exchange contracts	110	2,739	-	3,580
Analysed as:				
Current	110	2,039	-	1,679
Non-current	-	700	-	1,901
	110	2,739	-	3,580

The ineffective portion recognised in the statement of comprehensive income that arises from fair value hedges amounts to a loss of $166 thousand (2022: gain of $326 thousand). This represents the current year net movement in the value of the fair value hedge swaps of $1.077 million (loss) and fair value hedge adjustment to debt of $911 thousand (gain).

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.

	2023 $'000	2022 $'000
Current	3,707	3,272
Non current	10,164	9,147
Balance at the end of the year	13,871	12,419
Maturity analysis		
Payable within one year	3,707	3,272
Payable between one to five years	8,148	7,727
Payable later than five years	2,016	1,419
	13,871	12,419

Notes to the financial statements

For the year ended 30 June 2023

19 SHORT TERM BORROWINGS

	2023 $'000	2022 $'000
Short term borrowing	1,502	1,497
	1,502	1,497

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.

	2023 $'000	2022 $'000
Current		
	-	-
Non-current		
Multi-option debt facility	1,083,813	891,178
	1,083,813	891,178

As at 30 June 2023, the Group had a $1,200 million multi option instrument issuance facility (subsequently increased to $1,600 million effective 8 September 2023) which is secured against certain assets and undertakings of the Dunedin City Council Group. Group debt is raised Dunedin City Treasury Limited, by issuing long dated bonds, floating rate notes or by the issue of promissory notes. In addition, Dunedin City Treasury also borrows funds from the New Zealand Local Government Funding Agency.

Three independent banks have provided committed facilities to the amount of $220 million (2022: $200 million).

The amount of unamortised premium or (discount) on bonds on issue at 30 June 2023 is nil (2022: 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.

Borrower notes are subordinated convertible debt instruments that the Company subscribes for an amount equal to 2.5% of the total long-term borrowings from LGFA. LGFA will redeem borrower notes when the Company's related borrowings are repaid or no longer owed to LGFA. At 30 June 2023 the Company had subscribed to $3.125m of borrower notes.

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.

Notes to the financial statements

For the year ended 30 June 2023

Multi-option debt facility	Interest Rate	2023 $'000	2022 $'000
Promissory notes		202,558	174,013
Floating rate notes 15/10/22	56bp over BKBM	-	50,000
Medium term notes 15/11/22	Coupon rate 1.51%	-	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	50,000
Medium term notes 17/7/25	Coupon rate 3.61%	50,000	50,000
Floating rate notes 15/10/25	47bp over BKBM	75,000	-
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 15/11/28	Coupon rate 5.55%	60,000	
Medium term notes 27/11/28	Coupon rate 3.22%	100,000	100,000
Floating rate notes 09/02/30	67bp over BKBM	75,000	-
Floating rate notes 09/02/30	78.1bp over BKBM	25,000	-
Floating rate notes 15/05/31	75.8bp over BKBM	25,000	-
Fair value impact on medium term notes		(28,745)	(27,835)
Total term borrowings		1,083,813	891,178

The repayment period on the term borrowings is as follows:

	2023 $'000	2022 $'000
Repayable less than one year	276,728	268,667
Effective interest rate	4.75%	2.18%
Repayable between one to five years	530,444	434,433
Effective interest rate	3.33%	2.46%
Repayable later than five years	276,641	188,078
Effective interest rate	5.13%	3.11%
	1,083,813	891,178

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

Fair value of borrowings. Debt instruments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

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:

	2023 $'000	2022 $'000
Multi-option note facility	1,064,422	874,498

21 SHAREHOLDER'S ADVANCE

	2023 $'000	2022 $'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 (2022: $5.9 million) on the advance. In 2023, the gross interest on the debt was set at 5.27% (2022: 5.27%).

Notes to the financial statements

For the year ended 30 June 2023

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.
- Having no more than $350,000,000 to mature in any single year.
- At least 20% of debt with maturity dates greater than five years

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 22.10.

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 approach to manage exposure arising from interest rate risk is to use interest rate derivatives to achieve the desired fixed rate maturity profile.

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:

	2023	**2022**
	$'000	**$'000**
Maturing in less than one year	117,500	315,000
Maturing between one and five years	610,000	412,500
Maturing in more than five years	610,000	640,000
	1,337,500	1,367,500

Note the above table only includes 3rd party interest rate swaps. This year, there is a no interest rate swaps held with their parent, Dunedin City Council (2022: $10 million).

Notes to the financial statements

For the year ended 30 June 2023

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:

	2023 $'000	2022 $'000
Forward foreign exchange contracts		
- fair value	2,739	3,580
- nominal value (sale of USD and purchase of NZD)	39,815	41,211

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.

	2023 %	2022 %
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:

	2023 $'000	2022 $'000
Past due receivables		
Age analysis: 30-60 days	148	2,642
60-90 days	485	186
90 days plus	485	587

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

Notes to the financial statements

For the year ended 30 June 2023

Financial assets analysis

2023	**AA+**	**AA**	**AA-**	**No Rating**	**Group**
Cash and cash equivalents	-	-	11,354	-	11,354
Trade and other receivables	-	5,020	1,888	30,137	37,045
LGFA Borrower Notes	3,125	-	-	-	3,125
Advances due from related parties	-	459,800	-	137	459,937
Derivatives	-	-	37,291	-	37,291
NZ carbon credits	-	-	-	40,279	40,279
	3,125	464,820	50,533	70,553	589,031
2022					
Cash and cash equivalents	-	-	14,346	-	14,346
Trade and other receivables	-	3,568	-	29,024	32,592
LGFA Borrower Notes	-	-	-	-	-
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

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 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 Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

Notes to the financial statements

For the year ended 30 June 2023

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

	2023 $'000	2022 $'000
Financial assets measured at amortised cost:		
Cash and cash equivalents (note 5)	11,354	14,346
Trade and other receivables (note 7)	33,594	29,244
Other financial assets (note 6)	463,062	334,097
Term receivables (note 7)	-	-
Financial assets measured at amortised cost	508,010	377,687
Financial assets at fair value through the statement of financial performance:		
Derivative financial instruments assets (note 17)	37,291	10,303
Financial liabilities measured at amortised cost:		
Trade and other payables (note 15)	35,598	31,705
Short term borrowings (note 19)	1,502	1,497
Term loans (note 20)	1,083,813	891,178
Shareholder's advance - DCC (note 21)	112,000	112,000
Total financial liabilities measure at amortised cost	1,232,913	1,036,380
Financial liabilities at fair value through the statement of financial performance:		
Derivative financial instrument liabilities (note 17)	32,072	31,960

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% of the NZD yield curve from market closing values as at 30 June 2023.

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%
2023		Profit	Equity	Profit	Equity	Equity	Equity
Financial assets							
Derivatives – designated as cash flow hedges (interest rate swaps)	37,181	-	(31,423)	-	29,381	-	-
Derivatives – designated as cash flow hedges (forward currency deals)	110	-	-	-	-	-	-
Other financial assets	508,010	53		(59)		-	-
	545,301	53	(31,423)	(59)	29,381	-	-
Financial liabilities							
Derivatives – designated as cash flow hedges (interest rate swaps)	-	-	-	-	-	-	-
Derivatives – designated as cash flow hedges (forward currency deals)	2,739	-	-	-	-	4,724	(3,865)
Other financial liabilities	1,218,286	(6,404)		6,200			
	1,221,025	(6,404)	-	6,200	-	4,724	(3,865)
Total increase/(decrease)		(6,351)	(31,423)	6,141	29,381	4,724	(3,865)

Notes to the financial statements

For the year ended 30 June 2023

	Carrying Amount $'000	Interest Rate				FX	
		-100bp		+100bp		-10%	10%
2022							
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	367,086	97		(97)		-	-
	393,731	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)

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.

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).

Notes to the financial statements

For the year ended 30 June 2023

2023	Level 1 NZ $'000	Level 2 NZ $'000	Level 3 NZ $'000	Total NZ $'000
Financial assets				
Derivative financial assets	-	37,291	-	37,291
New Zealand carbon credits	40,279	-	-	40,279
	40,279	37,291	-	77,570
Financial liabilities				
Derivative financial liabilities	-	32,072	-	32,072
2022				
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

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
2023							
Cash and cash equivalents	11,354	11,354	11,354	-	-	-	-
Trade and other receivables	33,594	33,594	33,594	-	-	-	-
Term receivables	-	-	-	-	-	-	-
Derivative financial instruments	37,291	(41,162)	(13,928)	(9,143)	(9,812)	(8,279)	-
Investments	463,062	459,800	-	-	-	-	459,800
Total	545,300	463,586	31,020	(9,143)	(9,812)	(8,279)	459,800
2022							
Cash and cash equivalents	14,346	14,346	14,346	-	-	-	-
Trade and other receivables	29,244	29,244	29,244	-	-	-	-
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	404,332	343,478	50,302	(5,097)	(12,344)	(14,369)	324,986
Financial liabilities							
2023							
Trade and other payables	35,598	35,598	35,598	-	-	-	-
Derivative financial instruments	32,072	27,795	10,959	6,901	9,538	397	-
Borrowings	1,085,315	984,069	290,547	66,228	448,285	179,009	-
Total	1,152,985	1,047,462	337,104	73,129	457,823	179,406	-
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	-

Notes to the financial statements

For the year ended 30 June 2023

23 CONTINGENT LIABILITIES

	2023 $'000	2022 $'000
Performance Bonds	402	377

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. Delta Utility Services Limited received and accepted a final report from the Labour Inspectorate which identified errors in the Company's calculation of holiday pay.

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 sufficient 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 (2022: $nil).

24 CAPITAL EXPENDITURE COMMITMENTS

	2023 $'000	2022 $'000
Plant and equipment	32,562	29,305
Land	452	2,475

Other commitments

Undrawn Facilities: Level of committed facilities undrawn was $220,000,000 (2022: $200,000,000)

Field Service Agreement Contracts: The Group is party to field service agreement contracts. The value of total committed expenditure under these contracts is $13 million for the 31 March 2024 regulatory year.

25 EQUITY - SHARE CAPITAL

Issued capital	2023 $'000	2022 $'000
1,333,789,000 ordinary shares	133,788	131,239

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 1,200,000,000 are uncalled. During the year ended 30 June 2023 a further 2,550,000 ordinary shares were issued and called and a further 225,000,000 ordinary shares were issued but remain uncalled. 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
- August 2022 — 225,000,000 ordinary shares
- June 2023 — 2,550,000 ordinary shares

Notes to the financial statements

For the year ended 30 June 2023

26 ACCUMULATED FUNDS

	2023 $'000	2022 $'000
Balance at the beginning of the year		
Group companies	139,029	134,704
Associate companies	18,925	18,693
	157,953	153,397
Net profit for the year	3,340	(3,459)
Dividend distributions	(5,500)	-
Transfer to reserves – carbon credit	0.00	8,015
Balance at the end of the year	155,793	157,953

	2023 $'000	2022 $'000
Represented by		
Group companies	134,711	139,029
Associate companies	21,083	18,925
Balance at the end of the year	155,793	157,953

Accumulated funds includes the forestry reserve. The forestry reserve arises with the revaluation of the forestry assets which is put to the statement of comprehensive income. There is a transfer between retained earnings and the forestry reserve of the revaluation net of deferred taxation.

27 RESERVES

	2023 $'000	2022 $'000
Balance at beginning of the year	24,304	18,904
Gain/(loss) recognised on cash flow hedges/assets	21	5,400
Balance at the end of the year	24,324	24,304

The reserve relates to assets of Dunedin International Airport Limited.

Hedging reserve		
Balance at beginning of the year	16,264	(22,428)
Gain/(loss) recognised on cash flow hedges:	11,613	53,739
Deferred tax arising on hedges (note 4)	(3,252)	(15,047)
Balance at the end of the year	24,625	16,264

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.

Land revaluation reserve		
Balance at beginning of the year	49,840	39,683
Net revaluation of forest land	(1,950)	10,157
Balance at the end of the year	47,890	49,840

Carbon credit reserve		
Balance at beginning of the year	56,035	35,116
Transfer from accumulated funds	0	(8,015)
Net gain in carbon credits above initial recognition value	(27,754)	28,934
Balance at the end of the year	28,281	56,035

The carbon credit reserve records movements in the fair value of carbon. The amount held in the reserve is net of deferred tax where relevant. Any value above initial recognition is held in the Carbon Credit revaluation reserve.

Notes to the financial statements

For the year ended 30 June 2023

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.

	2023	2022
Number of shares		
Shares at year end	1,108,789,000	1,106,239,000
Weighted average number of ordinary shares	1,106,399,685	1,103,849,685
Basic earnings per share	$ 0.0030	-$ 0.0031
Earnings per paid up share	$ 0.02	-$ 0.03

Diluted earnings per share

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

29 DIVIDENDS

	2023 $'000	2022 $'000
Final Dividend - June		
0.50 cents /share (2022: 0.00 cents /share)	5,500	-
	5,500	-

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.

Notes to the financial statements

For the year ended 30 June 2023

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:

	2023 $'000	2022 $'000
Sales of services to Dunedin City Council and its subsidiaries outside the Dunedin City Holdings Limited Group:		
Contracting services	11,445	9,993
Interest income	15,759	8,756
Grants	2,049	1,933
Transport services	-	-
	29,253	20,682
Purchases of goods and services from Dunedin City Council and its subsidiaries outside the Dunedin City Holdings		
Interest	5,902	5,902
Materials/network assets	115	141
Rates and property rentals	1,815	1,721
Administration and office services	846	724
	8,678	8,488
As at balance date:		
Receivable from the Dunedin City Council and subsidiaries	464,180	337,389
Payable to the Dunedin City Council and subsidiaries (inclusive of shareholders advance)	112,187	112,432

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.

2023				**Received**	**Paid**	**Receivable**	**Payable**
Related Party	**Relationship**	**Director**	**Entity**				
AG Foleys Ltd	Director	J George	Delta Utility Services Ltd	9,879	5,266	260	-
Alpine Energy Ltd	Director Chair	L Robertson S Thompson	DCHL Group Aurora Energy Ltd	32,409	163,819	4,266	40,102
Central Otago District Council	Chair of the Audit & Risk Committee	L Robertson	DCHL Group	1,775,298	68,299	342,292	229
Cook Brothers Group Ltd	Chief Financial Officer	A La Hood	Dunedin Venues Mant. Ltd	20,000	-	-	-
CORDE Ltd (previously Sicon Ltd)	Chair	S Grave	Delta Utility Services Ltd	-	-	-	-
Duncan Cotterill	Partner	R Lovett	Dunedin Venues Mant. Ltd	5,000		2,000	
Dunedin Diocese Trust Board	Trustee	S Johnstone	DCHL Group	3,985	-	-	-
Excellence in Business Solutions Ltd	Director and Shareholder	W Harvey	Aurora Energy Ltd	-	49,575	-	-
Farra Engineering Ltd	Director	C Hopkins	DCHL Group		*No longer a related party*		
Fern Energy Limited	Director	P Carnahan	Delta Utility Services Ltd	-	108,521	-	7,600
Forest Growers Research Limited	Director until 15 March 2022	G Dodson	City Forests Ltd		*No longer a related party*		
Gin Factory Limited	Shareholder	S Thompson	Aurora Energy Ltd	140,539	-	-	-
Harrison Grierson Consultants Ltd	Director until 28 July 2022	B Wood	Delta Utility Services Ltd		No longer a related party		
Health Central Limited	Director	C Hopkins	DCHL Group		*No longer a related party*		
High Performance Sport New Zealand	Director	R Lovett	Dunedin Venues Mant. Ltd	3,000	-	-	-
Infrastructure New Zealand Ltd	Director	M Devlin	Aurora Energy Ltd		*No longer a related party*		
Invercargill City Holdings Limited	Director	B Wood P Carnahan	Delta Utility Services Ltd	15,000	-	-	-
Mainpower New Zealand Ltd	Director	B Wood	Delta Utility Services Ltd	-	7,540	-	250
Matua Governance Ltd	Director and Shareholder	S Clarke	Aurora Energy Ltd	-	49,575	-	-
New Zealand Post Ltd	Director	S Clarke	Aurora Energy Ltd	-	385	-	343
Oakwood Group Ltd	Director	C Hopkins	DCHL Group		*No longer a related party*		
Orokonui Econsanctuary Ltd	Director	S Chalmers	City Forests Ltd	-	34,500	-	-

Notes to the financial statements

For the year ended 30 June 2023

2023 continued				Received	Paid	Receivable	Payable
Te Pukenga (Otago Polytechnic)	Chair	A La Hood	Dunedin Venues Mant. Ltd	269,000	9,000	15,000	-
Primeport Timaru Ltd	Director	P Melhopt	City Forests Ltd	-	32,412	-	-
Shand Thomson Chartered Accountants	Director and shareholder	S Johnstone	DCHL Group	8,402	-	1,278	-
Trojan Holdings Limited	Director and employee	P Caranhan	Delta Utility Services Ltd	787	27,774	-	-
Whitestone Contracting Ltd	Director	S Grave	Delta Utility Services Ltd	-	2,931	-	-

2022

Related Party	Relationship	Director	Entity	Received	Paid	Receivable	Payable
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	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	-	-
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	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	-	-

Notes to the financial statements

For the year ended 30 June 2023

Compensation of key management personnel

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

	2023 $'000	2022 $'000
Directors fees	1,166	1,201
Short-term employment benefits	7,195	7,091
Post-employment benefits	87	230
	8,448	8,522

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.

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

	2023 $'000	2022 $'000
Operating profit/(loss)	3,340	(3,459)
Share of net (profit)/loss in associated companies	(2,158)	(232)
Items not involving cash flows		
Depreciation	37,487	35,301
Depletion of forest	12,712	13,408
Deferred tax	4,814	(2,677)
Write (up)/down of forestry land	2,956	(453)
Forest revaluation	(13,185)	(9,475)
Foreign Exchange Movement	1,606	(1,095)
Other non-cash items	5,436	38,000
Impact of changes in working capital items		
(Increase)/Decrease in trade and other receivables	(4,453)	7,749
(Increase)/Decrease in other current assets	162	846
(Increase)/Decrease in inventories	(675)	(1,383)
(Increase)/Decrease in prepayments	49	(426)
(Increase) /Decrease in tax refund due	-	-
Increase /(Decrease) in trade and other payables	3,986	(1,005)
Increase /(Decrease) in provision for tax	(2,117)	2,321
Increase /(Decrease) in other current liabilities	(70)	519
Items classified as investing or financing activities		
Gain on sale of property, plant and equipment	(3,248)	(5,035)
Loss on sale of property, plant and equipment	954	2,287
Investment in financial instrument	(910)	(31,969)
Net cash inflows from operating activities	46,687	43,223

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
2023				
Opening statement of financial	891,178	1,497	12,419	905,094
Net cash flows	193,545	5	(6,130)	187,420
Non-cash movements	(910)	-	7,582	6,672
Closing statement of financial	1,083,813	1,502	13,871	1,099,186
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

Notes to the financial statements

For the year ended 30 June 2023

33 FINANCIAL STATEMENT RECLASSIFICATIONS

The Group has made some prior period revenue and expenditure reclassification between functional categories for consistency with the current period.

34 EVENTS AFTER BALANCE DATE

On 8 September 2023, Dunedin City Treasury Ltd increased the amount which it can borrow under its Multi-Option Instrument Issuance Agreement from $1.2 billion to $1.6 billion.
On 8 September 2023, Dunedin City Holdings Ltd increased its Uncalled Capital with Dunedin City Council from $1.2 billion to $1.6 billion.

There are no other significant post balance date events.

35 COVID-19 IMPACT

In early March 2020 the World Health Organisation declared the outbreak of COVID-19 a pandemic. Since then, New Zealand has been heavily impacted by the pandemic with a number of regional and nationwide lockdowns occurring during the period from March 2020 until September 2021. With New Zealand transitioning from the pandemic to the endemic stage of COVID-19, large scale lockdowns have ceased, however an isolation period is still required for anyone who tests positive.

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 disclosed 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 pandemic has not had a significant direct effect on the Dunedin City Treasury Limited . As lender to the Dunedin City Council Group, Dunedin City Treasury Limited remains in constant communication with the Group entities regarding their borrowing needs and ensuring appropriate levels of cash reserves are maintained. Throughout the period the Dunedin City Treasury maintained compliance with all Treasury Risk Management Policy requirements and there was no change in the Company's credit rating.

The ongoing impact of Covid-19 has remained a significant factor for City Forests Limited, contributing to increased volatility in the key Asian export markets. Delta Utility Services Limited's financial operations were impacted by Covid-19 leave and illness, which lead to the cancellation or deferral of work as well as a higher than normal level of subcontractor use to ensure customer demand and maintenance of market share.
Prior to COVID-19 affecting New Zealand, Dunedin Railway Limited had been forecasting ongoing deficits and required additional equity to maintain its financial viability. When COVID-19 closed borders in NZ it significantly impacted the operations of Dunedin Railway Limited, increasing the operating deficits. Subsequent to this period the Dunedin City Council resolved that Dunedin City Holdings Limited will meet the ongoing costs of hibernation until 30 June 2024. A decision on the future of Dunedin Railways Limited, after 30 June 2024, is still unknown.

Statutory information

For the year ended 30 June 2023

DIRECTORS' REMUNERATION AND BENEFITS

	Company	Remuneration $000
Parent Company		
Keith T Cooper	Dunedin City Holdings Ltd	124
Richard J Thomson	Dunedin City Holdings Ltd	62
Susie J Johnstone	Dunedin City Holdings Ltd	62
Tim DR Loan	Dunedin City Holdings Ltd	47
Linda M Robertson	Dunedin City Holdings Ltd	18
Parent Company total		313
Subsidiaries & associated companies		
Keith T Cooper	Dunedin City Treasury Ltd	nil
	Dunedin Stadium Property Ltd	nil
	Dunedin Railways Ltd	nil
Linda M Robertson	Dunedin City Treasury Ltd	nil
	Dunedin Stadium Property Ltd	nil
	Dunedin Railways Ltd	nil
Christopher C Hopkins	Dunedin City Treasury Ltd	nil
	Dunedin Stadium Property Ltd	nil
	Dunedin Railways Ltd	nil
Richard J Thomson	Dunedin City Treasury Ltd	nil
	Dunedin Stadium Property Ltd	nil
	Dunedin Railways Ltd	nil
Susie J Johnstone	Dunedin City Treasury Ltd	nil
	Dunedin Stadium Property Ltd	nil
	Dunedin Railways Ltd	nil
William H Cockerill	Dunedin Stadium Property Ltd	22
Stephen R Thompson	Aurora Energy Ltd	99
Simon J Clarke	Aurora Energy Ltd	50
Janice E Fredric	Aurora Energy Ltd	50
Wendie N Harvey	Aurora Energy Ltd	50
Stephen P Lewis	Aurora Energy Ltd	50
Peter J Carnahan	Delta Utility Services Ltd	66
Jane George	Delta Utility Services Ltd	44
Steve W Grave	Delta Utility Services Ltd	44
Tony D Allison	Delta Utility Services Ltd	44
Brian J Wood	Delta Utility Services Ltd	27
Scott A Mason	City Forests Ltd	69
Phil Melhopt	City Forests Ltd	37
Kathleen A Posa	City Forests Ltd	37
Kate E Bromfield	City Forests Ltd	31
John F Gallaher	City Forests Ltd	19
Tim J Mepham	City Forests Ltd	12
Raewyn J Lovett	Dunedin Venues Management Ltd	40
Joanne M Conroy	Dunedin Venues Management Ltd	20
Adam La Hood	Dunedin Venues Management Ltd	20
Dylan Rushbrook	Dunedin Venues Management Ltd	20
Chris Hopkins	Dunedin International Airport Ltd	42
Shane Ellison	Dunedin International Airport Ltd	38
Timothy Hunter	Dunedin International Airport Ltd	17
Darin Cusack	Dunedin International Airport Ltd	8
Catherine Taylor	Dunedin International Airport Ltd	6
Barbara Robertson	Dunedin International Airport Ltd	6

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
$570,000-579,999	-	$210,000-219,999	1
$560,000-569,999	1	$200,000-209,999	1
$450,000-459,999	1	$190,000-199,999	5
$440,000-449,999	1	$180,000-189,999	12
$380,000-389,999	1	$170,000-179,999	12
$350,000-359,999	2	$160,000-169,999	8
$310,000-319,999	1	$150,000-159,999	16
$300,000-309,999	1	$140,000-149,999	26
$280,000-289,999	1	$130,000-139,999	36
$260,000-269,999	3	$120,000-129,999	43
$230,000-239,999	1	$110,000-119,999	52
$220,000-229,999	2	$100,000-109,999	66

The DCHL parent entity has no employees. During the 2024 financial year DCHL parent entity become an employer.

GENDER PAY GAP

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

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 2023. 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	
671	$ 41.77	203	$ 38.11	10%

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	Sub total
Directors						
Male	3	2	3	-	1	9
Female	2	2	1	-	-	5
	5	4	4	-	1	14
Senior management						-
Male	14	4	7	-	-	25
Female	7	1	3	-	-	11
	21	5	10	-	-	36
All staff						-
Male	100	11	500	-	-	611
Female	57	2	119	-	-	178
	157	13	619	-	-	789

	Sub total	Dunedin Venues Management Ltd	Dunedin Railways Ltd	Dunedin Int. Airport Ltd	Dunedin City Holdings Ltd		
Directors							
Male	9	2	-	3	2	16	62%
Female	5	2	-	1	2	10	38%
	14	4	-	4	4	26	100%
Senior management							
Male	25	3	2	3	-	33	69%
Female	11	3	-	1	-	15	31%
	36	6	2	4	-	48	100%
All staff							
Male	611	15	13	30	-	669	77%
Female	178	16	3	5	-	202	23%
	789	31	16	35	-	871	100%

Statement of service performance - DCHL

For the year ended 30 June 2023

The performance targets established in the 2022/23 Statement of Intent for Dunedin City Holdings Ltd and the results achieved for the year ended 30 June 2023 are as follows:

PERFORMANCE TARGET	OUTCOME
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. In 2023 cross-group work included projects on staff wellbeing and cyber security.
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.	DCHL Group companies' rates of return was reviewed in three of four quarters; with one quarter omitted due to unavailability of data.
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 2023.	The DCHL Board reviewed each of the DCHL Group companies draft SOIs in February 2023.
Approve SoIs by 30 June 2023.	The DCHL Board reviewed and approved each of the DCHL Group companies final SOIs in June 2023.
Send Letters of Expectation to subsidiary and associate companies by 20 December 2022.	The DCHL Board sent each of the DCHL Group companies a Letter of Expectation by 20 December 2022.
Co-ordinate across the group in developing a roadmap to net zero carbon, and provide reporting to Council on progress and challenges	Co-ordinated all DCHL Group companies to continue measuring and reporting their carbon emissions. Carbon roadmap, including progress and challenges published 31 August 2023.
Implement DCHL’s carbon emissions strategy developed in the 2022 financial year and achieve our FY2023 targets	Achieved, see sustainability section for details.
Implement DCHL’s waste reduction strategy developed in the 2022 financial year and achieve our FY2023 targets	Achieved, see sustainability section for details.
Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report	Achieved, see sustainability section for details.
Ensure that all direct employees are paid at living wage or above.	DCHL does not directly employ any staff.
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 2023 financial year were completed on time, and in compliance with DCHL and Council policy.

Statement of service performance - DCHL

For the year ended 30 June 2023

PERFORMANCE TARGET	OUTCOME
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.
DCHL Board review DCHL Group companies' (including DCHL) ESG disclosures in their Annual Reports.	Board review these sections when Annual Reports published.
DCHL board provide briefings to Councillors on matters of significance as required.	Briefing provided on all matters of significance required.
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		26%	Shareholder's funds to total assets		23%
Interest paid to shareholder		5,902	Interest paid to shareholder		5,902
Dividend distributions		5,500	Dividend distributions		5,500
Net profit after tax		9,392	Net profit after tax		3,340
Cash flow from operations		53,981	Cash flow from operations		46,687
Capital expenditure		96,855	Capital expenditure		113,505
Contributions of equity		2,550	Contributions of equity		2,550
Term loans	parent	19,400	Term loans	parent	19,195
	group	1,013,310		group	1,083,813

Statement of service performance - Aurora Energy

For the year ended 30 June 2023

Aurora Energy Limited

The performance targets established in the 2022/23 Statement of Intent for Aurora Energy Limited and the results achieved for the year ended 30 June 2023 are as follows:

PERFORMANCE TARGET	OUTCOME
Our People, Our Place	
Zero serious harm events involving members of the public	Achieved - There were no serious harm events involving members of the public
Reduce levels of recordable harm	Not achieved - Aurora Energy and its network approved contractors recorded a TRIFR of 4.2 per 200,000 hours worked
Develop opportunities across the business that support the overall wellness of our team	Achieved - The health, safety and wellbeing strategy was reissued in April 2023. Regular updates were reported to the health, safety and wellbeing sub-committee
To create a motivated and satisfied team and to understand and action opportunities for improvement within our team environment	Achieved - Over the three staff surveys conducted in August 2022, December 2022, and March 2023 the average satisfaction result was 89.4%
Ensure that all direct employees are paid the living wage or above	Achieved- As at 30 June 2023, 100% of the Company's employees were paid at or above the Living Wage (as calculated by the Living Wage Aotearoa New Zealand)
Enabling Decarbonisation - Reliability Performance Targets (Statement of Intent Targets – Period Ended 31 March 2023)	
Saidi - Class B Interruptions (Planned) ≤ 195.96 minutes	Achieved - 110.34 minutes
Saidi - Class C Interruptions (Unplanned) ≤ 124.94 minutes	Achieved 106.49* minutes.
SAIFI - Class B Interruptions (Planned) ≤ 1.11	Achieved - 0.60 interruptions
SAIFI - Class C Interruptions (Unplanned) ≤ 2.07	Achieved - 1.75* minutes
	*Class C SAIDI and SAIFI are expressed as normalised figures. The Commerce Commission's price-quality framework allows for the effect of extreme events to be removed, resulting in normalised figures that are compared against target. The raw results for Class C SAIDI and SAIFI were 156.3 minutes and 2.48 interruptions respectively.
Asset Management Maturity	
Implement process and capability improvements identified in CPP Asset Management Practices Development Plan (AMPDP)	Achieved - Significant progress has been made on the process and capability improvements outlined in the AMPDP. Further details are available in the Company's Annual Delivery Report dated 31 August 2023
Effective long-term planning for Aurora Energy's asset portfolio is in place	Achieved - A full 10 year Asset Management Plan (AMP) was published on 31st March 2023
Future Energy	
Lead investigations into future South Island system operation models to ensure fit-for-future solutions for customers	Achieved - Aurora Energy played a lead role in the South Island electricity distribution group charged with the development of future system operation models. The outputs from this initiative are expected to feed into new workstreams within the ENA Future Network Forum (FNF)
Work collaboratively with the sector on green energy initiatives	Achieved - This collaboration initiative has adapted to respond to stakeholder priorities. The initial work helped the distribution sector to engage on decarbonisation initiatives. Further collaboration with EECA has led to the emergence of regional decarbonisation reports to better understand the network implications of process heat electrification

Statement of service performance - Aurora Energy

For the year ended 30 June 2023

Efficient Delivery	
Deliver work programme outcomes to scope, time and budget	Achieved - Annual work and project plans are being delivered in accordance with Field Service contract terms Variations to budget are reported and addressed via delegated authorities
Implement new Aurora Energy data strategy and establish a structured approach to the utilisation of business intelligence	The data strategy has been approved and the business intelligence framework has been implemented
Aurora Energy Risk Register is regularly reviewed & updated, and the risk profile is managed in accordance with Board approved risk tolerance levels	Achieved - Risks on our risk register are regularly reviewed and kept up to date. Risk treatment plans are in place and reviewed regularly by risk owners. Risk update reports are provided to the Board and Audit and Risk Committee on a regular basis
Our Communities	
Maintain community support through approved sponsorships and community initiatives	Achieved - In excess of $10,000 was provided to support community initiatives during the year. Aurora Energy's primary community sponsorship was the Otago Science & Technology Fair
To provide regular updates and consult with the community on the delivery of our CPP programme	Achieved - Published the 31 March 2022 Annual Delivery Report on 31 August 2022 Public engagement forums were held in each pricing region before 31 October 2022
Streamline customer service processes through enhanced outage information via the outage management system (OMS)	Achieved - The OMS upgrade was completed in May 2023
Licence To Operate	
Develop corporate sustainability initiatives	Achieved - An environmental, social, and governance (ESG) framework was developed by the Aurora Energy executive team during the reporting period
Contribute to Council's Carbon Neutrality initiatives	Partially achieved - Work to implement Aurora Energy's carbon emissions strategy progressed during the year however some milestone dates were not achieved. There were no quantified emission targets for the reporting period
Minimise waste and the associated negative environmental impacts	Partially achieved - Work to implement Aurora Energy's waste reduction strategy progressed during the year however some milestone dates were not achieved. There were no quantified waste reduction targets for the reporting period
Implement opportunities to transition light motor fleet to electric vehicles where appropriate	Achieved - We have implemented a fleet transition plan to replace ICE vehicles with electric vehicles where fit for purpose electric options are available
Increase sustainability reporting and climate related disclosures in our Annual Report	Achieved - Sustainability reporting is again included in this year's 2023 Annual Report
Shareholder	
Consult with the Shareholder at the earliest possible time on matters where conflict may or could result	Achieved - There were no issues of potential strategic or operational conflict to be notified to the Shareholder
On a "no surprises" basis, advise the Shareholder promptly of any substantive matter that has the potential to impact negatively on the Shareholder and the Company with a particular focus on the media	Achieved - All substantive matters were reported to the Shareholder within 24 hours

Statement of service performance - Aurora Energy

For the year ended 30 June 2023

Financial forecasts	$'000	Financial achievement	$'000
EBITDA*	>57,383	EBITDA*	60,092
Net profit after tax	>9,942	Net profit after tax	11,082
Shareholder's funds	>195,195	Shareholder's funds	197,522
Shareholder's funds to total assets	>25%	Shareholder's funds to total assets	25%
Cash flow from operations	>41,410	Cash flow from operations	44,455
Capital expenditure**	>79,418	Capital expenditure**	99,294
Capital expenditure per Board approved budget**	>89,369	Capital expenditure per Board approved budget**	99,294
Term debts	≤486,200	Term debts	494,635

*** EBITDA target outcome calculations exclude asset disposals**
**** Transposition error in the 2023 Statement of Intent resulted in an incorrect FY23 capex number being disclosed.**

Statement of service performance - Delta

For the year ended 30 June 2023

Delta Utility Services Limited

The performance targets established in the 2022/23 Statement of Intent for Delta Utility Services Limited and the results achieved for the year ended 30 June 2023 are as follows:

PERFORMANCE TARGET	OUTCOME
The Shareholder	
Consult with the Shareholder on matters to be included in the Company's Statement of Intent: Shareholder approval of the Company's Statement of Intent	The Shareholder (DCHL) was consulted on the content of the Statement of Intent for the 2024 financial year. The final Statement of Intent was submitted to and approved by the Shareholder prior to 30 June 2023
Consult with the Shareholder at the earliest possible time on matters where conflict may or could result: All potential conflicts notified	Regular communication with the Shareholder (DCHL) is maintained throughout the year. Monthly KPI reports and financial information were provided in line with the agreed timetable
On a "no surprises" basis, advise the Shareholder promptly of any substantive matter that has the potential to impact negatively on the Shareholder and the Company with a particular focus on the media: All substantive matters reported to the Shareholder within 24 hours	There were not any substantive matters to report to the Shareholder in the year ending 30 June 2023
Community	
Maintain community support through local sponsorship/donations $25,000 of sponsorship/ donations per annum	$29,000 in sponsorship / donations was provided to local community groups during the year. The target was exceeded due to proceeds of $4,410 from the staff charity challenge initiative donated to the Dunedin Night Shelter.
Maintain parks, reserves, sports fields, walking tracks, and amenities in the northern part of Dunedin city. Achieve KPIs on service contracts	Target KPIs were maintained or exceeded on average throughout the year.
Maintain essential infrastructure to support Dunedin City Council's strategy to be one of the world's great small cities: Deliver maintenance services per contractual arrangements	Delta generally met or exceeded its KPI's on maintenance contracts held with Aurora Energy and the Dunedin City Council throughout the year.
People	
Reduce harm to employees and contractors: ≤ 3.50 total recordable injury frequency rate (TRIFR) per 200,000 hours worked, ≤ 1.00 total lost time injury frequency rate (LTIFR) per 200,000 hours worked.	TRIFR for the year was 3.77 per 200,000 hours worked. This was just slightly over the target of ≤ 3.50, partially due to the impacts of an unsettled workforce while we work through the long tail effects of the COVID-19 pandemic and partially due to a change in the mix of work completed, with an increase in work types with higher risk profiles. LTIFR for the year was 1.00 per 200,000 hours worked.
Maintain all existing Health and Safety accreditations: Maintain ISO 45001 Occupational Health and Safety Management System accreditation throughout the period	The Company maintained ISO45001 Occupational Health and Safety Management System accreditation throughout the period
Monitor absences due to illness: ≤ 2.5% sick leave based on total hours worked	Staff sick leave was 3.53% of total hours worked during the year. Staff who tested positive for COVID-19 were given additional sick leave over and above contractual requirements and this was an additional 1.07% of total hours worked during the year. Sick leave and covid leave combined came to 4.59% of total hours worked during the year. These numbers are reflective of the change in culture to encourage staff to stay home if they are unwell
Maintain an employee wellbeing programme: Employee wellbeing programme maintained throughout the year	Over the year ending 30 June 2023 we have not just maintained but upgraded our wellbeing approach giving it further priority and structure. We have signed up to WorkWell, a government designed and funded product which we have launched across the regions. We have also continued with our health monitoring program and offer to fund flu vaccinations for all staff. This year we plan to work through the WorkWell accreditation process and expand on current efforts.

Statement of service performance - Delta

For the year ended 30 June 2023

Ensure that all direct employees are paid at living wage or above: No employee is paid at less than the living wage	All employees were paid equal to or higher than the living wage
Develop skill sets and succession planning through Delta's apprenticeship/trainee scheme: Average number of apprentices/trainees of 20 or more per annum	The average number of apprentices in the scheme was 38.8 during the year ending 30 June 2023.
Monitor voluntary leavers relative to permanent staff: ≤ 11.0% staff turnover	Voluntary staff turnover was 13.56% for the year ending 30 June 2023. A tight labour market and shortage of qualified and experienced staff in the sector has contributed to below target performance in this area
Enviroment	
Maintain all existing Environmental accreditations. Maintain International Organisation for Standardisation (ISO)14001 Environmental Management Systems accreditation throughout the period	The Company maintained ISO 14001 Environmental Management accreditation throughout the period.
Maintain full compliance with the Resource Management Act (RMA); Zero breaches	There were no breaches of the RMA during the 2022/23 year.
Achieve FY2023 carbon emission and waste reduction targets: Carbon emission and waste reduction strategy is implemented	The carbon emission and waste reduction strategy (2022 - 2030) has been established. While the strategy does not contain any quantification targets for FY2023, progress is being made towards achieving the overall objectives contained within the strategy.

Financial forecasts	**$'000**	**Financial achievement**	**$'000**
EBITDA	≥ 11,526	EBITDA	10,916
Net profit after income tax	≥ 2,523	Net profit after income tax	2,571
Shareholder's funds	≥ 27,861	Shareholder's funds	27,724
Return on Shareholder's funds	≥ 9%	Return on Shareholder's funds	9%
Cash flow from operations	≥ 9,571	Cash flow from operations	5,944
Capital expenditure	≥ 5470	Capital expenditure	3,963
Term Borrowings	≥ 9,900	Term Borrowings	11,770
Dividend Distributions	≥ 2,000	Dividend Distributions	1,000
Shareholder funds to total assets	≥ 43%	Shareholder funds to total assets	42%

Statement of service performance - City Forests

For the year ended 30 June 2023

City Forests Limited

The performance targets established in the 2022/23 Statement of Intent for City Forests Limited and the results achieved for the year ended 30 June 2023 are as follows:

PERFORMANCE TARGET	OUTCOME
The Company will achieve a 6% return (or greater) on shareholders' funds measured on a post-tax 3 year rolling average basis	Three year rolling average return on shareholders' funds is 6.4%.
A review of the Company's long term strategic plan will be completed each year, which targets a 6% return (or greater) on shareholders' funds measured on a post-tax 3 year rolling average basis.	Strategy day held on 28 March 2023. The Company's long term strategic plan was reviewed and adopted by the shareholder during the annual budget and statement of intent process. Due to market conditions with challenges in the export real estate and construction sector, the plan incorporates a below target return on shareholders' funds of; 2.6% for the first 3 years measured on a forecast 3 year rolling average basis.
No single customer will have received more than 30% of the Company's annual harvest by volume.	Our largest customer Daiken Southland received 8% of the Company's annual harvest volume.
The percentage of annual supply to the domestic market by volume will be tracked.	Domestic log production was 21.0% by volume. (28.5% last year).
The Company will participate in the New Zealand ETS and may realise returns from the sales of carbon stored in the Company forests in compliance with its Carbon Policy.	The Company continues to participate in the ETS. No Carbon sales were made during the year. The Company was compliant with its Carbon Policy.
The Company's annual harvest volumes as detailed in the strategic plan will be within 30% of projected long term sustainable yield.	The annual harvest from the Company Forest estate during the year was 360,562m3 including billet wood. This is 99.9% of the sustainable yield of 360,708m3. Forecast harvest levels in the long-term strategic plan for the next 3 years are; 350k m3, 349k m3 and 358k m3. All are within +/- 30% of the sustainable yield.
The Company will carry out annual forest inventory to measure and verify forest yield. The number of sample plots measured will be reported.	The Company completed 355 sample plots during the period.
A forest surveillance program will be in place as part of the National Surveillance program to assess the forest estate for pests and diseases.	The City Forests, forest health surveillance program was conducted during the 2022 – 2023 year.
The annual fire plan will be updated and operational by 1 October each fire season.	Fire plan update was completed in September 2022 prior to the start of the fire season.
The Company will actively participate in regional land use and environmental planning processes.	The Company submits on regional planning processes and the National Environmental Standard – Plantation Forestry.
The Company will participate in industry research consortia (via the Forest Levy) to ensure research objectives are in line with Company Strategy and to gain financial leverage to achieve research objectives.	The Company has paid the Forest Growers Levy. Two staff are members of committees (through the Forest Owners Association) which are part of the process of allocating levy research funds. The Company Forest Levy contribution is pooled with industry and Government funds achieving considerable financial leverage enabling significant research to be undertaken.
The implementation of research outcomes into operational management plans will be tracked.	Management plans are updated to reflect current management practices which are informed by research outcomes, i.e. target tree stocking rates per hectare to optimise site carrying capacity.

Statement of service performance - City Forests

For the year ended 30 June 2023

The Company will maintain supply arrangements with Otago and Southland wood processors provided customers match (or better) alternative supply options.	Otago and Southland wood processors receive supply volumes in accordance with the annual plan. Pricing is negotiated each quarter. Customers have been given the option to decline or reduce supply if they are unable to match returns from alternative supply options (log export).
Annual supply volumes to the three largest wood processors customers will be tracked and reported.	Major wood processors were suppled the following volumes during the period: Pan Pac: 15,661m3 Daiken: 31,212m3
The annual volume of wood supplied for bioenergy uses will be tracked and reported.	Bio-energy supply: 11,571m3
Lost time accident rates for staff and forest contractors will be minimised and not more than 15 lost time accidents per 1,000,000 hours worked.	12 month rolling lost time accident rate for staff and forest contractors was 11.6 lost time injuries per 1,000,000 hours.
The Company will undertake drug and alcohol testing of staff and the contract workforce. The number of random tests and percentage of positive tests will be reported.	91 random tests were conducted during the period. 3.3% of tests were recorded as positive.
Forest Stewardship Council Certification of the Forest Estate will be maintained.	Forest Stewardship Council Certification was maintained following audit in 2022.
The Company will have in place an environmental management system which will include procedures for sustainability monitoring. Results of water sampling and reserve area environmental assessments will be publicly available on the Company's website	An environmental management system is in place with on-going monitoring of environmental values. This is available on the Company's website and includes water, soil disturbance and reserve biodiversity monitoring.
The Company will work with partners Doc, University of Otago & contractors to maintain and enhance RT&E species on and around the Company estate. Sponsorship amounts for these activities will be reported annually	Sponsorship of $60,250 was awarded to Predator Free Dunedin, $30,000 to Orokonui Eco-Sanctury, $6,522 to Tokomairiro High School, $10,000 to the Yellow Eyed Penguin Trust and $10,000 to Dunedin Wildlife Hospital, to contribute towards conservation of rare threatened and endangered (RT&E) species on and around the Company estate
The company will report on the number of National Certificates achieved by its workforce each year.	Company Staff, Contractors and their employees achieved 10 National Certificates during the year.
The Company will engage with its contractors to participate in Modern Apprenticeship programs. The number of apprentices working in Company operations will be reported each year.	At 30 June 2023 one modern apprentice was employed in Company operations.
The Company will maintain a forest access permit system, track and report on recreational use statistics.	Recreation use is monitored through forest access permit issuance. 285 forest access permits were issued during the year.
A continued and measured expansion of the forest estate will be part of Company Strategy. The area of acquired land will be reported annually.	Company has purchased 312.5ha of land during the period.
Consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes. Any such matters were escalated to the shareholder in a timely manner.	No significant issues arose that would compromise Council community outcomes, however communication channels were maintained with the shareholder such that the shareholder is well informed of Company activities.
Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage	A number of media interactions occurred throughout the period and the shareholder and board were communicated to within 24 hours informing them of the matter.

Statement of service performance - City Forests

For the year ended 30 June 2023

The Company will report on the proportion of its workforce (staff) receiving the living wage.	All staff renumeration is greater than the living wage.
Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our annual report.	The carbon emission and waste reduction strategy (2022/2030) has been established. While the strategy does not contain any quantification targets for FY2023, progress is being made towards achieving the strategy
The company will develop a waste reduction strategy and associated targets for the 2022/2023 financial year.	A waste reduction strategy has been developed in draft and incorporated into the 2022/2023 Statement of Intent.

Financial forecasts	**$'000**	**Financial achievement**	**$'000**
EBITDA	11,700	EBITDA	10,366
profit after income tax	7,613	profit after income tax	5,463
Shareholders' funds to total assets	70.5%	Shareholders' funds to total assets	69.4%
Dividend	3,600	Dividend	3,600
Capital Distribution	10,000	Capital Distribution	10,000
Operating Csahflow	6,000	Operating Csahflow	6,258
CAPEX	7,400	CAPEX	5,378
Term Debt	32,900	Term Debt	36,000

Statement of service performance - DRL

For the year ended 30 June 2023

Dunedin Railways Limited

The performance targets established in the 2022/23 Statement of Intent for Dunedin Railways Limited and the results achieved for the year ended 30 June 2023 are as follows:

PERFORMANCE TARGET	OUTCOME
Hibernation plan is prepared and reported on to the Board on a quarterly basis.	Achieved. Compliance to the hibernation plan was reported on at each Dunedin Railways Ltd Board meeting.
Target zero lost time injuries (LTI).	Not Achieved. There was 1 LTI during the reporting period.
A draft 2023/24 Statement of Intent will be submitted to the Shareholder by 1 March 2023.	Achieved. The draft Statement of Intent was submitted to the Shareholder by 1 March 2023.
Implement DRL's carbon emissions strategy developed in the 2022 financial year and achieve our FY2023 targets	DRL's strategy was implemented and our activity targets for FY2023 were achieved.
Implement DRL's waste reduction strategy developed in the 2022 financial year and achieve our FY2023 targets	DRL's strategy was implemented and our activity targets for FY2023 were completed.
Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report	Achieved.
Ensure that all direct employees are paid at living wage or above.	All direct employees were paid at living wage or above.
Consult with the shareholders in a timely manner on DRL strategic or operational matters which could compromise Council's community outcomes	Achieved. There were no matters which could compromise community outcomes that required escalation to the Shareholder
Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage	Achieved. There were no matters, which had the potential to negatively impact on the Shareholder and the Company, that were required to be reported to Dunedin City Holdings Limited.

Financial forecasts	**$'000**	**Financial achievement**	**$'000**
Shareholder Funds to Total Assets	100%	Shareholder Funds to Total Assets	68%
Dividend/Subvention Distributions	-	Dividend/Subvention Distributions	-
EBITDA	(2,140)	EBITDA	(986)
Net Surplus/ (Deficit) after Tax	(2,150)	Net Surplus/ (Deficit) after Tax	(978)
Cash Flow from Operations	(2,140)	Cash Flow from Operations	(920)
Capital Expenditure	-	Capital Expenditure	21
Term Loans	-	Term Loans	-
Shareholder Funds	316	Shareholder Funds	560

Statement of service performance - DCTL

For the year ended 30 June 2023

Dunedin City Treasury Limited

The performance targets established in the 2022/23 Statement of Intent for Dunedin City Treasury Limited and the results achieved for the year ended 30 June 2023 are as follows:

PERFORMANCE TARGET	OUTCOME
Zero breaches of DCC Treasury Risk Management Policy’s borrowing maturity profile.	Achieved. There were no breaches of DCC Treasury Risk Management Policy's borrowing maturity profile.
Zero breaches of DCC Treasury Risk Management Policy's interest rate risk policy.	Achieved. There were no breaches of DCC Treasury Risk Management Policy's interest rate risk policy.
Zero breaches of DCC Treasury Risk Management Policy's investment management policy.	Achieved. There were no breaches of DCC Treasury Risk Management Policy's investment management policy.
Successfully fill any issues brought to the market during the year.	Achieved. Filled all issues brought to the market during the year.
Maintain funding lines with ANZ, BNZ and Westpac.	Achieved. Funding lines with ANZ, BNZ and Westpac have been maintained during the year.
Regular reporting of the Company's achievement against defined benchmarks	Achieved. Reporting achievements against defined benchmarks are provided to the Board monthly and quarterly.
Management of the fund and meeting the investment objectives set by Council in the Statement of Investment Policy and Objectives.	Not achieved. The fund did not meet the investment objective to grow the fund’s base value, due to current market conditions. The fund recorded a return for the year of 5.9%.
Quarterly review by the Board, of the DCHL Risk Register Dashboard.	Achieved. The DCTL Risk Register Dashboard was reviewed by the Board quarterly.
Regular reporting to the shareholder of DCTL’s top 5 current risks.	Achieved. DCTL's top 5 current risks were reported to the shareholder quarterly.
No breaches of policy.Where breaches have occurred, there are no breaches that have not been reported to the Chief Financial Officer within 1	Achieved. There were no breaches of policy that were required to be reported to the shareholder.
No such matters that were not escalated to the shareholder in a timely manner.	Achieved. There were no matters requiring escalation to the shareholder.
No such matters that were not reported to the shareholder within 24 hours.	Achieved. There were no matters of substance to report to the shareholder.
Implement DCTL’s carbon emissions strategy developed in the 2022 financial year and achieve our FY2023 targets.	The 2022 strategy was implemented. DCTL is tracking carbon emissions and will continue to refine this strategy to reduce carbon emissions in line with their target to be net zero carbon by 2030.
Implement DCTL’s waste reduction strategy developed in the 2022 financial year and achieve our FY2023 targets.	The 2022 strategy was implemented. DCTL is tracking waste emissions and will continue to refine this strategy in its efforts to reduce waste in line with the target to be net zero carbon by 2030
Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report.	As reported in DCTL annual report.
Ensure that all direct employees are paid at living wage or above.	Achieved. DCTL does not employ any staff directly.
Credit rating equal to that of Dunedin City Council.	Achieved. Obtained a credit rating of AA/Stable/A-1+; equal to that of Dunedin City Council.

Financial forecasts	$’000	Financial achievement	$’000
Net profit after tax	4	Net profit after tax	33
Cash flow from operations	(391)	Cash flow from operations	2,781
Capital expenditure	-	Capital expenditure	-
Term loans	1,032,710	Term loans	1,083,813
Shareholder's funds to total assets	2.1%	Shareholder's funds to total assets	2.3%

Statement of service performance - DVML

For the year ended 30 June 2023

Dunedin Venues Management Limited

The performance targets established in the 2022/23 Statement of Intent for Dunedin Venues Management Limited and the results achieved for the year ended 30 June 2023 are as follows:

PERFORMANCE TARGET	OUTCOME
Safety and Compliance	
Manage and implement Government and Ministry of Health guidelines as set out in New Zealand's COVID-19 traffic light system. Ensure all staff have access to required systems in the event they are not able to work in the office. Safety and Wellness management	The Company has met requirements set out by the Ministry of Health through all levels of the Covid pandemic. Staff are able to access systems remotely.
Safety and Wellness management system and improvement plan is reviewed. Opportunities for improvement and corrective actions are prioritised and actioned.	The Safety and Wellness System and Improvement Plan was reviewed by the Health and Safety Committee during the year. Changes to the improvement plan are minuted and implemented.
An Incident Frequency Rate Events (IFRE) of less than 0.05% of the total number of event attendees across all venues.	The Incident Frequency Rate was 0.05% of the total number of people attending events and the venues.
Total Incident Rate (TIR) of less than six incidents per 200,000 hours worked.	Total Incident Rate was zero incidents per 200,000 hours worked.
Total Recordable Incidents (TRI) rate of less than three.	Total Recordable Incidents was zero for the reporting period.
Lost Time Incidents (LTI) of less than two.	The Lost Time Incident rate was zero for the reporting period.
Lost Time Incident Frequency Rate of less than 17 per 1,000,000 hours worked.	The Lost Time Incident Frequency Rate was zero for the reporting period.
Staff training is relevant, current and meets current legislative requirements.	Training requirements have been met throughout the year.
Safety and Wellness audits completed as per programme and show no critical noncompliances. Opportunities for improvement and corrective actions are prioritised and completed.	Internal audits were completed as per schedule. No critical noncompliance noted.
Meet and maintain all statutory, regulatory and resource consent requirements. No material breaches of legislation.	There were no identified breaches of statutory obligations during the year.
No material breaches of KPI's as set out in the approved current Asset Management Plan section 4.4.3.	This performance measure is unable to be reported on. The Stadium Facilities and Infrastructure are maintained as fit for purpose, as can be verified by a current Building Warrant of Fitness and the ability to hold events throughout the entirety of the stadium facility. However, the Company have been unable to provide sufficient audit evidence to prove the performance measure set in the Statement of Intent has been met.
Report on facilities indicators and provide statistical data in the monthly board reports. Reports are provided within deadlines and data is acted upon.	Agreed KPI's reported against at each Dunedin Stadium Property Limited Board meeting.
Safety and Compliance (Social and Wellbeing)	
Achieve 85% ratepayer satisfaction with Forsyth Barr Stadium in the Dunedin City Council's Residents' Opinion Survey. Positive community feedback and increased satisfaction levels through the Residents Opinion Survey.	The latest Dunedin City Council's Residents Opinion Survey (2022) had a satisfaction rating of 90% for residents who attended Forsyth Barr Stadium. In the latest Dunedin City Council's Residents Opinion Survey (2022) there was an increased satisfaction level for residents who attended Forsyth Barr Stadium from 87% in 2021 to 90% in 2022
Report to the Dunedin City Council on the application of the Service Level Agreement for Community Event Funding to ensure it is applied efficiently and caters to a variety of events and community groups. Senior management conduct a minimum of five speaking engagements.	Two reports were provided to the Dunedin City Council on the application of the Service Level Agreement for Community Event Funding covering the 2022/23 financial year. Senior management conducted five speaking engagements for the year.

Statement of service performance - DVML

For the year ended 30 June 2023

Marketing and Business Objectives

Achieve a 80% retention rate of Commercial Partner renewals by contract value.	Achieved.
Survey Members for satisfaction level - minimum 80% satisfaction to be achieved.	A member survey was not completed during the year.
Achieve a 75% retention rate of member renewals by contract value.	Achieved.

Marketing and Business Objectives (Economic Development Strategy)

A minimum of $5m visitor marginal direct spend per each major event (>10,000 pax) for Dunedin City. Visitor Marginal Direct Spend target is achieved, determined through a post event patron survey assessed by an independent economist.	The Visitor Marginal Direct Spend for major events in the year to 30 June 2023 as determined by an independent economist were as follows: Event /Visitor Marginal Direct Spend ($,000) All Blacks v Ireland 12,940 Red Hot Chili Peppers 10,520 Six60 4,180 Rod Stewart 4,890 Total $32,530
Achieve minimum 80% satisfaction rating through surveys of all major events (>10,000 pax). 60% of attendees of all major events (>10,000 pax) to come from outside of Dunedin City.	Satisfaction and attendance numbers for major events in the year to 30 June 2023 were: Event / Satisfaction / % Attendance outside of Dunedin All Blacks v Ireland 77% 70% Red Hot Chili Peppers 87% 58% Six60 88% 50% Rod Stewart 82% 72%
In conjunction with the DCC, submit bids of a high quality that will secure events and drive economic benefit and civic pride for the city.	Two submissions made to New Zealand Rugby to host an All Blacks v Australia Test match, and a round of the WXV1 tournament. Both bids were successful.

Environment & Sustainability

Implement DVML's carbon emissions strategy developed in the 2022 financial year and achieve our FY2023 targets.	Implementation of the Company's carbon emission initiatives were deferred until August-October 2023.
Implement DVML's waste reduction strategy developed in the 2022 financial year and achieve our FY2023 targets, which include specific measures relating to the use of single use cups.	The waste reduction strategy has been implemented. Actions taken during the year included improving the colour coding of recycling bins and substituting single use cups for aluminium cans during events.
Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strateigies and targets, in our Annual Report.	Carbon emission reporting is included in the Company's annual report.
Asset refurbishments and replacement to consider the carbon impact of the lifecycle of the asset.	The carbon impact of the lifecycle of an asset is considered as part of the RFP documentation and business case process.

Human Resources

Performance Reviews are conducted with all staff at least every six months, implement and training, improvements and recommendations as appropriate.	Staff Performance Reviews were completed in December 2022 and June 2023.
Conduct a confidential staff annual engagement survey acting on outcomes as appropriate.	An independent staff survey was completed in May 2023 and an action plan has been developed to act on the outcomes.
Provide quarterly 'pop up' staff and wellness sessions on various topics of interest.	Staff wellness sessions occurred in each quarter.
Ensure that all direct employees are paid at living wage or more.	All employees are paid the living wage, or more.

Statement of service performance - DVML

For the year ended 30 June 2023

Financial	
Achieve a 15:1 return on investment (ROI) of the Event Attraction Fund (EAF). ROI is achieved and calculated by Visitor Marginal Direct Spend against the level of EAF investment for the major event.	The return on investment of the Event Attraction Fund for 2022/23 was: Event/ Return All Blacks v Ireland 28 : 1 Red Hot Chili Peppers 30 : 1 Six60 36 : 1 Rod Stewart 33 : 1
Shareholder	
Matters which may or could conflict have been escalated to the Shareholder.	There were no matters, where there may be conflict between the Dunedin City Holdings Limited outcomes, that required escalation to the Shareholder.
Report to Dunedin City Holdings Limited within 24 hours of the Board becoming aware of substantive matters which have the potential to negatively impact on the Shareholder and DVML with a particular focus on matters of interest to the media.	There were no matters, which had the potential to negatively impact on the Shareholder and the Company, that were required to be reported to Dunedin City Holdings Limited.

Financial forecasts	**$'000**	**Financial achievement**	**$'000**
EBITDA	2,773	EBITDA	2,426
Net profit after tax	184	Net profit after tax	82
Operating Cashflow	2,149	Operating Cashflow	1,489
Capital expenditure	1,617	Capital expenditure	1,725
Term loans	-	Term loans	-
Shareholder Funds	1,603	Shareholder Funds	1,770
Shareholder's funds to total assets	0.08:1	Shareholder's funds to total assets	0.09:1
Dividend	-		-

Statement of service performance - DSPL

For the year ended 30 June 2023

Dunedin Stadium Property Limited

The performance targets established in the 2022/23 Statement of Intent for Dunedin Stadium Property Limited and the results achieved for the year ended 30 June 2023 are as follows:

PERFORMANCE TARGET	OUTCOME
An Asset Management Plan is in place.	Achieved. An Asset Management Plan is in place.
The Asset Management Plan is internally reviewed annually, and externally reviewed every three years (next in FY24).	Achieved. The Asset Management Plan has been internally reviewed during the 2023 financial year. An external review is scheduled for FY2024.
Asset maintenance is compliant with the Asset Management Plan schedules and principles, including condition based assessments.	Planned capital and maintenance works completed during that year, carried from the AMP schedules. More detail is supplied below.*
Incorporate potential impacts of climate change on Forsyth Barr Stadium into Asset Management Plan and/or risk management.	Not Achieved. This will be addressed in the external review of the AMP, which is due to take place in the first quarter of FY24.
A debt repayment program is in place and is reviewed by the board annually	Achieved. A debt repayment program is in place and was reviewed during the 2022 financial year. Debt decreased by $1,610k this year. It is expected that subvention receipts will resume during the next financial year which will enable further reduction of debt.
A draft 2023/2024 Statement of Intent will be submitted to the shareholder by 1 March 2023.	Achieved. The draft 2023/2024 Statement of Intent was submitted to DCHL and DCC by 1 March 2023.
Implement DSPL's carbon emissions strategy developed in the 2022 financial year and achieve our FY2023 targets.	The 2022 strategy was implemented. Carbon emission impacts are now considered as part of all capital expenditure proposals and opportunities to reduce carbon emmissions have been identified.
Implement DSPL's waste reduction strategy developed in the 2022 financial year and achieve our FY2023 targets.	The 2022 waste reduction strategy was implemented. Waste impacts are now considered as part of all capital expenditure proposals.
Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report.	DSPL does not report a GHG emissions footprint because all emissions associated with Forsyth Barr Stadium are measured and reported by sister company Dunedin Venues Management Ltd.
Ensure that all direct employees are paid at living wage or above.	Achieved. DSPL does not directly employ any staff.
Escalate DSPL strategic or operational matters which could compromise the Council's community outcomes, to the shareholder in a timely manner.	Achieved. There were no matters requiring escalation to the shareholder.
To report matters of substance to the shareholder within 24 hours of the board becoming aware.	Achieved. There were no matters of substance to report to the shareholder.

Statement of service performance - DSPL

For the year ended 30 June 2023

Performance target 3 explained

The Asset Management Plan schedules anticipated 3x maintenance works with a combined budget of $26,139, and 10x capital renewal works with a combined budget of $2,950,445 in FY2023. The classification of 5x of the capital renewal works with a combined budget of $355,967 was reveiwed during the year. These works were subsequently re-classified as maintenance to more appropriately reflect the nature of the works.

Of the 8x planned maintenance works scheduled for FY2023:

- 6x works with a combined budget of $359,104 were deferred to a future year. 3x deferrals were due to updated condition assessments, 1x due to revised project plan timing for the work, and 2x due to staff resource constraints (as a result of resource required to support the FIFA tournament).

2x works were delivered, totalling $15,028 (compared with budget of $23,002).

DSPL spent a further $163,986 on unscheduled maintenance at the stadium during the financial year, to respond to unanticipated repairs and maintenance needs.

Of the 5x capital renewal works scheduled for FY2023:

4x works with a combined budget of $2,544,478 were deferred to a future year. The majority of this (2x works) relates to a lighting project which will now be delivered in FY2024 due to delays in the assessment and tender process, as well as appointment of supplier and equipment lead times (6 months). 1x works relates to exit sign illuminations which was delayed due to internal resource constraints, this project was completed at the end of August 2023. 1x works related to asphalt/sealed areas which was deferred due to cost and funding requirements, the completion date is still to be determined.

The remaining capital renewal project was delivered for $50,700 (compared with budget of $50,000).

DSPL spent a further $691,892 in unplanned capital renewals over the year, associated with the upgraded changing rooms in preparation for the FIFA Women's World Cup 2023.

We do not anticipate the deferrals made in FY2023 to significantly impact the operations or effectiveness of the stadium. Most works have been deferred into FY2024 and are planned to be completed alongside the existing FY2024 work programme. An external review of the AMP and schedules is planned for FY2024 and this may result in changes to the forward work programme and associated budgets.

Financial forecasts	**$'000**	**Financial achievement**	**$'000**
EBITDA	6,202	EBITDA	2,755
Net surplus/(deficit) after tax	(2,708)	Net surplus/(deficit) after tax	(6,439)
Operating Cashflow	3,204	Operating Cashflow	(300)
Capital expenditure	2,950	Capital expenditure	603
Term loans	81,000	Term loans	83,370
Shareholder's funds to total assets	44%	Shareholder's funds to total assets	40%
Dividend	-		-

The financial forecasts in the Statement of Intents were impacted by reduced subventions receipts. The Company continues to work with Dunedin City Holdings Limited and its subsidiary companies on maintaining the cash funding model that has been in place through subvention receipts. The operating deficit before tax and subventions for the year of $7,420,000 is largely consistent with the budgeted operating deficit before tax and subventions of $7,511,000.

Statement of service performance - DIAL

For the year ended 30 June 2023

Dunedin International Airport Limited

The performance targets established in the 2022/23 Statement of Intent for Dunedin International Airport Limited, and the results achieved for the year ended 30 June 2023 are as follows.:

PERFORMANCE TARGET	OUTCOME
Our Safety, Security and Environment	
To make safety & security our first priority » *To work with our staff and stakeholders to maximise safety on site for all staff, passengers, and visitors.*	
No Serious Harm incidents at Dunedin Airport for any passenger or airport user	There have been no Serious Harm incidents for any passenger or airport user.
No major airside security breach.	There have been no major airside security breach events.
Review the Health and Safety Plan and objectives with the Health and Safety Committee each year.	The Health and Safety Committee reviewed the Health and Safety Plan and objectives in April 2023.
Strike rate of <5 strikes per 10,000 aircraft movements on a 12-month moving average.	The 12-month rolling average strike rate as at 30 June 2023 is 6.0 strikes per 10,000 aircraft movements
Lost Time Injury Frequency Rate (LTIFR) to remain below WorkSafe benchmark level of 4.66.	As of 30 June 2023, our LTIFR is nil.
To be sustainable » *Act as a socially and environmentally responsible corporate citizen that contributes economically to Dunedin and the Lower South.*	
Implement DIAL's carbon emissions strategy developed in the 2022 financial year and achieve our FY2023 targets.	The Carbon Emission Strategy was implemented in the 2023 financial year however no specific emissions reduction targets were set for the 30 June 2023 financial year.
Implement DIALL's waste reduction strategy developed in the 2022 financial year and achieve our FY2023 targets.	The Waste Reduction Strategy was implemented in the 2023 financial year however no specific diversion from landfill targets were set for the 2023 financial year.
Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report.	Our GHG inventory was measured in the 2023 financial year and has been publicly reported in the 2023 Financial Year Annual Report.
Implement our sustainability strategy developed in 2021/22.	In the 2023 financial year significant progress was made implementing the airport Sustainability Strategy, however no specific targets were set in this strategy for 2023. In the 2024 financial year we will be consolidating this strategy with the Emissions and Waste Reduction Strategy.
DIAL has adopted a target to be net zero carbon 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 The Crown, DCHL, and Dunedin City Council regarding non-controllable emissions and the potential cost of offsetting residual emissions.	A pathway to net zero carbon is to be developed. ACA (Airport Carbon Accreditation) Level 3 certification process underway.
Develop an Electrification Master Plan to understand future infrastructure needs to support electricity demand for electric vehicles (EVs) and electric aircraft.	The Electrification Master Plan project commenced in the 2022 financial year, and procurement is underway for charging infrastructure to support the rental car fleet.
Undertake a study of our economic contribution to the region.	A study of our economic contribution to the region was completed.
Maintain high quality dairy farming practices.	
Remain compliant with Fonterra dairy farm inspections.	Farms remain compliant following Fonterra inspections.
Implement applicable recommendations from the Fonterra Sustainable Farm Environment Plan and any specific initiatives for the dairy farm from our Sustainability Strategy.	Sharemilker and our Farm Consultant continue working through Fonterra recommendations. As at 30 June 2023, actions have been undertaken to achieve 21 of 23 the GPs (Good Farming Practices). One of the GPs has target date 1 Jun 25 (Olsen P levels), and the other relates to stock holding areas. This action is being worked through as part of the development of a Farm Strategy.

Statement of service performance - DIAL

For the year ended 30 June 2023

Commercial
To provide Kaitiakitanga and to make the best use of the assets available to us » *Comply with financial covenants and policy and ongoing risk monitoring.*

Fulfil lender borrowing facility financial covenants: Earnings Ratio (EBITDA / interest expense) > 1.75 Equity Ratio (total shareholders' funds / total assets) > 40%	As at 30 June 2023: The Earnings Ratio is 17.0. The Equity Ratio is 74.6%
Comply with the company's Dividend Policy.	The Dividend relating to the 2022 financial year and distributed during the 2023 financial year was calculated in accordance with Policy.
Comply with the company's Treasury Policy.	In compliance with Treasury Policy as at 30 June 2023. No noted breaches during the 2023 financial year.
Six monthly risk analysis undertaken and reported to the Board.	Six months ended 31 December 2022 presented in February 2023 Board Meeting. Six months ended 30 June 2023 presented in July 2023 Board Meeting.
Audit, Risk and Strategic Opportunities Committee to meet three times during the year.	Three committee meetings were held during the 2023 financial year.
Generate commercial returns across our asset base.	
Generate a 3.4% Return on Shareholders' Funds adjusted for IFRS fair value movements and asset revaluations.	As a result of higher than budgeted passenger numbers, and the associated impact on airport revenue, and ultimately Net Profit After Tax: • as at 30 June 2023 the Return on Shareholders' Funds is 11.9%.
Generate a 13.% Return on Shareholders' Capital invested.	As at 30 June 2023 the Return on Shareholders' Capital is 49.0%.
Ensure the future of the airport is protected	
Implement a comprehensive Asset Management Plan.	As at 30 June 2023 the implementation of an Asset Management Plan remains outstanding.
Undertake a comprehensive review our Airport Campus Master Plan.	A third-party consultant has been engaged to scope and assist with Airport Campus Master Plan procurement. Requests for Proposals will go to market in August 2023.
Ensure an new development is considered in conjunction with the District Plan and Airport Master Plan.	All current year developments were considered in conjunction with District Plan and Airport Master Plan.
Remain involved in protecting the airport from any adverse effects of any future external factors.	Dunedin Airport worked proactively with the DCC regarding the Smooth Hill landfill proposal. No other external factors noted.

Business Development
To grow our aero and non aero businesses » *Partner with our airline, airport, region and tourism industry.*

International Regular Scheduled Services reinstated to the airport.	International Regular Scheduled Services were not reinstated to the airport during the 2023 financial year.
Achieve 810,700 passengers on Regular Scheduled Services for the 2022-2023 financial year.	As a result of a faster than anticipated recovery from the COVID-19 pandemic, the airport achieved 920,349 domestic passengers on Regular Scheduled Services during the 2023 financial year.
Achieve increased non-aeronautical revenues from activities compared to the previous year.	
Generate an operating surplus from the Momona Garage profit centre.	The Morona Garage generated operating surplus for the 30 June 2023 financial year.
Increase the year-to-date operating surplus from the Residential Housing profit centre against the prior year.	Due to a significant increase in carrying value of our residential property portfolio following the 30 June 2022 infrastructure asset valuation, and the associated impact on depreciation, coupled with increased investment in the quality of the housing, the operating surplus is below the prior year for the 2023 financial year.

Statement of service performance - DIAL

For the year ended 30 June 2023

Maintain total milk solids production in line with previous year	Milk production is 2.6% ahead of the prior year for the 30 June 2023 financial year.
Increase total Passenger Spend Rate (PSR) of our (individual retail partners against the prior year's total PSR.	Total passenger spend rate (PSR) for our retain partners was up against the prior years.
Commence development of a Cargo Strategy and Farm Strategy.	The airport completed the development of a Gargo Strategy. The development of Farm/Land Use Strategy has commenced.
Our Customers, Shareholders and Community	
Developing and Strengthening our customers, partner and stakeholder relationships »	*Provide a high standard of service to our customers*
Conduct a minimum of one customer insight surveys to better understand our customer.	Four customer insight surveys were completed this financial year.
Achieve a majority of “very good” or better across all surveyed areas of customer service.	A majority of "very good" or better was achieved across all four surveys.
Ensure all airside infrastructure maintenance causes no delays to airline operations.	
No delays to regular scheduled passenger operations are incurred as a result of airside infrastructure.	No delays were incurred as a result of airside infrastructure.
Implement initiatives to improve the performance of our relationships	
Conduct stakeholder engagement surveys once a year with our strategic partners to review the strength of the relationships.	A stakeholder engagement survey was completed with 26 respondents.
Provide sponsorship to community events and organisations	
Invest 0.25% of prior year operating revenue to sponsorship in line with our sponsorship application criteria.	Achieved - $34,900 (inclusive of GST) of sponsorship funds were given to events and organisations in the region during the 2023 financial year.
Not accept sponsorship or give naming rights to companies involved in activities deemed to be inconsistent with Dunedin City Council's and Dunedin Airport's ethical positions, ie. tobacco, armaments, fossil fuel extraction, gambling and pornography	No sponsorship was allocated to entities involved in activities deemed to be inconsistent with Dunedin City Council's and Dunedin Airport's ethical positions.
Implement community initiatives identified in our Sustainability Strategy.	The airport continues to engage with tenants, stakeholders and our community regarding sustainability initiatives. Investigatory considerations concerning progressing electric vehicle charging, and partnership with the Sinclair Wetlands have commenced.
Engage with out community and share information	
Engage with our wider community to share information abut our airport and sustainability Initiatives.	Monthly meetings with the airport community are diarised and facilitated by Airport team. Further, the airport has commenced stakeholder engagement with our airport tenants and suppliers to collaborate on emissions and waste reduction Initiatives.
Arrange for Dunedin Airport staff to work within the community each year	A Christmas event was organised for Momona Playcentre children and caregivers at the airport. Additionally, Dunedin Airport staff volunteered at the Waitangi Day Celebrations at Otakou Marae.
Operate on a "no surprises" basis with shareholders.	
Report to shareholders within 24 hours substantive matters which have the potential to significantly impact negatively on shareholders and the company with a particular focus on matters of interest to the media.	No substantive matters were noted in the 2023 financial year.

Statement of service performance - DIAL

For the year ended 30 June 2023

Consult with shareholders on matters where the company's and shareholders requirements are in conflict.	No such conflicts were noted in the 2023 financial year.

Our People
To be a great place to work » *To recognise and review staff performance and development.*

Each staff member to have a formal Annual Performance Review.	Each staff member had a formal Annual Performance Review.
Each staff member of the Senior Leadership Team has a Personal Development Plan completed.	Senior Leadership Team Personal Development plans developed as part of annual performance review process.
Executive Team undertake a 360 review.	A 360-peer review was completed for all members of the Executive Team.
People and Remuneration Committee to meet at least three times annually.	Three committee meetings were held during the 2023 financial year.

Ensure that our staff are engaged with the company's Vision, Purpose and Values.

Continuously improve our annual staff engagement survey score. Act on any matters that require attention as appropriate.	Detailed face to face survey undertaken in November 2022 with matters acted on as recommended.
Continuously improve and maintain the Staff Wellbeing Programme.	An airport Staff Wellbeing Programme has been developed and implemented, comprising multiple wellbeing initiatives. The programme is subject to continual review.

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
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's group financial statements and statement of service performance for the year ended 30 June 2023

The Auditor-General is the auditor of Dunedin City Holdings Limited and its controlled entities (collectively referred to as "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 86, that comprise the statement of financial position as at 30 June 2023, the statement of financial performance, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on pages 90 to 110.

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:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; 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 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 2023.

Our audit was completed on 29 September 2023. This is the date at which our qualified opinion is expressed.

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

Basis 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 41, 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 cash flows. 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 56, 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.

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 matter 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 91.

We issued a qualified opinion on the Group's 30 June 2022 financial statements and statement of service performance for the same reasons outlined above.

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.

For the performance targets reported in the statement of service performance, our procedures were limited to checking that these agreed to the company's statement of intent.

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, 87 to 89 and 111, 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. Accordingly, we are unable to conclude whether the other information is materially misstated with respect to this matter.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) 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 October 2022. 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 carried out engagements in the areas of statutory and regulatory engagements for the Group's subsidiaries and associate, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the Group.

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