



DUNEDIN CITY HOLDINGS LIMITED

INTERIM REPORT

For the six months ended 31 December 2018

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Dunedin City Holdings Limited

Directors' report

The Directors of Dunedin City Holdings Limited are pleased to present their report on the activities of the Group for the six months ended 31 December 2018.

Overview of results

	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Total revenue	138,461	137,418	290,757
Net profit before tax	2,882	8,138	24,253
Income tax	1,059	4,318	8,760
Net profit after tax	1,823	3,820	15,493
Other comprehensive income	(4,666)	(1,044)	(1,233)
Total comprehensive income for the period	(2,843)	2,776	14,260
Net cash flow from operating activities	28,103	29,968	31,892
Total assets	1,281,761	1,208,817	1,241,463

Dividends

No interim dividend has been paid to the Dunedin City Council. This is consistent with the current year Statement of Intent.

Reserves and accumulated funds

The hedging reserve has moved by \$(7.988) million reflecting a change in the market value of interest and foreign exchange hedge valuations.

The carbon credit reserve has increased in value by \$2.042 million which is reflected by \$4.187 million movements in the valuation of carbon credits held, less \$2.145 million carbon credits sold.

The change in accumulated funds comprises the after tax profit.

Review of operations

Group Overview

This review of operations and the accompanying financial reports cover the first six months of the 2018/2019 financial year.

The financial results for this reporting period are broadly in line with budget projections. Overall, the Group recorded a pre tax profit of \$2.882 million, \$2.384 million ahead of budget for this period.

Total revenue is in line with budget and higher than the same period last year. Across the Group operating costs are higher than the same period last year, however; they are lower than what was budgeted for this six month period. The further reduction in cost of funds achieved by Dunedin City Treasury Ltd has continued to make a favourable contribution across the Group.

Directors' report

Dunedin City Holdings Ltd has pursued a range of initiatives in order to **achieve for Dunedin the best from its investments**.

Activities this period include:

- monitoring the performance of the DCHL Group companies to ensure returns (financial and other) are optimised
- engaging with the DCHL Group companies on their medium term strategies
- overseeing and supporting Aurora Energy as the Company addresses a number of challenges
- communicating with Dunedin City Council with regular reports and on ad hoc matters as required
- holding a full day Strategy session
- completing 2018 Director appointments
- participating in the DCHL Group companies' annual planning processes
- seeking opportunities to create synergies, and leverage experience and expertise across the DCHL Group.

DCHL Group Company Summaries



DUNEDIN CITY HOLDINGS LIMITED

The parent company returned a net loss before tax for the half year of \$0.240 million slightly ahead of budget projections, and similar to a loss of \$0.282 million for the same period in 2017. The result is ahead of budget projections due to more favourable borrowing costs from Dunedin City Treasury Limited than anticipated.



During the period under review, operating revenues of \$55.055 million were \$1.684 million lower, while network operating expenses (including network maintenance, asset management and operations functions) of \$52.832 million were \$0.869 million higher than for the same period last year. The Company recorded a net profit after tax of \$1.434 million versus the half year result of \$3.151 million in the prior year. The focus on capital renewals has continued with capital expenditure at \$32.335 million for the period.



City Forests has recorded a pleasing six monthly profit before tax of \$7.245 million for the six months to the end of December 2018 (2017: \$9.432 million). This is ahead of budget of \$5.658 million primarily driven by above budget returns from log sales in a strong domestic and international market. The company paid a dividend of \$2.000 million in December 2018. During the period City Forests has been successful in negotiating a new land purchase for forest establishment. This will increase both wood and carbon production from the forest estate. Further acquisition opportunities are under investigation.

Directors' report



During the first half of financial year 2019, Delta continued to deliver on its existing long term contracts and managed to secure new work activity with both new and current customers. Total operating revenues of \$47.470 million were \$3.607 million higher than for the same period last year (2017: \$43.863 million), largely due to the uplift in Aurora Energy's capital projects during the period. A net profit before tax of \$0.530 million (2017: \$1.881 million) was recorded for the six months ended 31 December 2018. A dividend of \$0.750 million was paid in December 2018. The directors expect a satisfactory result at year-end.

Dunedin City Treasury Ltd

In the six months to 31 December 2018, Dunedin City Treasury achieved a reduction on the cost of funds which it was able to pass on to the group. The average cost of funding reduced from 4.70% to 4.03% over this six month period. A successful refinancing of a \$50 million Medium Term Note (MTN) maturity on 17 July 2018 contributed to the reduced cost of funding. The maturity had a coupon or yield of 6.57%, and was refinanced with a new \$50 million 7 year MTN with a coupon of 3.61%. The AA/A-1+ ratings for both DCTL and the Dunedin City Council were reaffirmed by Standard and Poor's in December 2018.

Dunedin Stadium Property Limited

An operating loss before tax and subventions of \$4.558 million (2017: \$4.878 million) occurred in the six months to 31 December 2018. The main factor influencing the improved result for the period was a reduction in interest costs.



Dunedin Venues recorded an operating profit before tax of \$0.054 million (2017: \$0.417 million). Much like the same time last year, several major events were held at Forsyth Barr Stadium, including the P!nk and Shain Twain concerts. However, there was a decrease in surplus as a result of one off revenue being generated in the first half of the prior financial year such as the hosting of the Bledisloe Cup Test Match and income for the cricket block redevelopment work at the University of Otago Oval.



Dunedin Railways Limited reported a before tax loss of \$0.617 million (2017: loss of \$0.881 million). The Company has a strong seasonal element with the region's higher tourist season from October until April, which typically creates a deficit for the first half of the year. The prior year loss was higher due to a significant rainfall event in July 2017 that increased repair costs and lost income.

Directors' report



Dunedin Airport recorded an operating surplus before tax of \$2.775 million (2017: \$2.994 million). This decrease is representative of increases in both aeronautical and non-aeronautical revenue streams, which have increased by 3.4% and 2.3% respectively. However, these increases in revenue are offset by a proportionally greater increase in operating expenditure (totalling \$5.800 million for the six months to date) which is primarily caused by a significant increase in staff headcount against the corresponding period in the prior year.

Events subsequent to balance date

The Directors are not aware of any matters or circumstances since the end of the financial period not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operation of Dunedin City Holdings Limited, the results of those operations or the state of affairs of the parent company or the Group.

Corporate governance

DCHL is governed by a Board of independent Directors, in accordance with the law and best practice. Directors meet regularly to direct and control DCHL's proceedings.

The role of a Director of a CCO is defined in section 58 of the Local Government Act 2002 as "to assist the organisation to meet its objectives and any other requirements in its Statement of Intent."

In addition to the obligations of the Local Government Act, DCHL is also subject to the requirements of the Companies Act 1993, and all other applicable legislative requirements.

Outlook

The outlook for the Group remains stable, with no significant changes in markets or updates to the projections set out in Statements of Intent.

Statement of responsibility

The Directors accept responsibility for the preparation of the interim financial statements and the judgements used in them.

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

In the opinion of the Directors, the interim financial statements fairly reflect the financial position as at 31 December 2018 and operations for the six months to 31 December 2018 of Dunedin City Holdings Limited Group.

The Directors of Dunedin City Holdings Limited have pleasure in presenting the interim group financial statements, set out on pages 9 to 21, for the six months ended 31 December 2018 and authorises them for issue on 7 February 2019.



Acting Chair



Director

Dunedin City Holdings Limited

Principal activities of the group

Dunedin City Holdings Limited's purpose is to **achieve for Dunedin the best from its investments** on behalf of its shareholder, the Dunedin City Council.

Dunedin City Holdings Limited's primary objective is to encourage and facilitate increased shareholder value of DCHL Group companies. The company does this by monitoring performance, engaging with companies on strategy and planning, making governance appointments, and seeking synergies across the Group.

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

Principal activities of the subsidiary and associate companies

- [Aurora Energy Limited's](#) principal activities are the ownership and strategic management of electricity distribution network assets in Dunedin, Central Otago, and Queenstown Lakes. The Company distributes electricity to more than 88,000 homes, farms, and businesses through out the Dunedin, Central Otago, and Queenstown Lakes region.
- [City Forests Limited](#) owns and or manages approximately 21,094 hectares of land from which forest products are grown, harvested and marketed. Products are sold in both the export and domestic markets.
- [Delta Utility Services Limited's](#) principal activity is the provision of contracting services, which encompasses a broad range of energy and environmental services to local authority and private sector customers. The Company's core business centres on the construction, operation and maintenance of essential energy and environmental infrastructure.
- [Dunedin City Treasury Limited](#) provides the group with funding and financial services and manages the financial risks of the group.
- [Dunedin Stadium Property Limited](#) owns Forsyth Barr Stadium and as such has responsibilities as both a landlord and for ensuring the Stadium is appropriately maintained.
- [Dunedin Venues Management Limited](#) is an event, turf and stadium and facilities management company which currently operates out of the Forsyth Barr Stadium, the Dunedin Centre/Town Hall Complex and the University of Otago Oval.
- [Dunedin Railways Limited](#) operates a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin, and also undertakes rail touring using the Dunedin Silver Fern railcar throughout the South Island.
- [Dunedin International Airport Limited](#) (associate) operates the Dunedin Airport. It also farms adjacent land in partnership with sharemilkers and owns a small residential housing estate on land adjoining the airfield to the north.

Dunedin City Holdings Limited

Group financial statistics

	Six Months to Dec 2018 \$'000	Six Months to Dec 2017 \$'000	Year to June 2018 \$'000	Year to June 2017 \$'000	Year to June 2016 \$'000
Revenue	138,461	137,418	290,757	275,073	270,625
Profit before subvention and tax	2,882	8,138	24,253	28,902	37,452
Income tax	1,059	4,318	8,760	10,390	9,851
Net profit after tax	1,823	3,820	15,493	18,512	20,309
Net interest paid to the Council on advance	2,951	2,954	5,902	5,902	5,902
Profit after tax before shareholder interest	4,774	6,774	21,395	24,414	26,211
Cash flows from operating activities	28,103	29,968	31,892	34,416	31,634
Shareholder's funds	342,281	331,090	345,124	320,129	285,615
Shareholder's advance	112,000	112,000	112,000	112,000	112,000
Total shareholder's interest	454,281	443,090	457,124	432,129	397,615
Rate of return (on shareholder funds)	0.5%	1.2%	4.5%	5.8%	7.1%
Dividend paid	-	-	-	-	-
Total assets	1,281,761	1,208,817	1,241,463	1,171,778	1,143,093
Shareholder's funds to total assets	26.7%	27.4%	27.8%	27.3%	25.0%

Dunedin City Holdings Limited

Statement of comprehensive income For the six months ending 31 December 2018

	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Income continuing operations			
Sales revenue	132,210	129,534	263,005
Gain on sale of assets	8	718	482
Interest on advances to related parties	5,750	6,415	12,082
Interest - other	493	506	1,043
Net gain on foreign currency transactions	-	245	559
Dividends	-	-	1
Forest revaluation reserve	-	-	13,585
Total operating revenue	138,461	137,418	290,757
Expenses continuing operations			
Bad debts written off	(1)	68	154
Increase in impairment provision for receivables	277	141	116
Donations	8	13	31
Lease expense	1,990	2,128	3,828
Research expenditure	107	88	205
Employee expenses	31,977	27,875	57,313
Directors remuneration	558	546	1,165
Audit fees	142	-	394
Interest - related parties	2,971	2,969	5,872
Interest - other	13,594	14,602	28,638
Net loss on foreign currency transactions	-	-	-
Depreciation and amortisation	14,609	14,184	28,627
Other expenses	70,321	67,751	141,799
Total operating expenditure	136,553	130,365	268,142
Profit from continuing operations	1,908	7,053	22,615
Share of associate profit	974	1,085	1,638
Profit before tax	2,882	8,138	24,253
Income tax	1,059	4,318	8,760
Profit after tax	1,823	3,820	15,493
Attributable to:			
Equity holders of the parent	1,947	3,998	15,566
Minority interest	(124)	(178)	(73)

Dunedin City Holdings Limited

Statement of comprehensive income For the six months ending 31 December 2018

	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Profit after tax brought forward	1,823	3,820	15,493
Other comprehensive income:			
Gain (loss) on forestry land revaluations	-	(71)	2,277
Gain (loss) on interest rate swap hedges	(8,178)	(4,139)	(6,483)
Gain (loss) on foreign exchange hedges	199	(284)	(1,303)
Gain (loss) on carbon credit revaluation	4,782	4,514	5,158
Other comprehensive income associates	(49)	12	177
Income tax on other comprehensive income	(1,420)	(1,076)	(1,059)
Total other comprehensive income	(4,666)	(1,044)	(1,233)
Total comprehensive income for the period	(2,843)	2,776	14,260
Attributable to:			
Equity holders of the parent	(2,719)	2,954	14,333
Minority interest	(124)	(178)	(73)
	(2,843)	2,776	14,260

Dunedin City Holdings Limited

Statement of changes in equity For the six months ending 31 December 2018

	Share capital \$'000	Minority interest \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Unaudited					
Equity as at 1 July 2018	121,039	543	80,470	143,072	345,124
Comprehensive income for the period	-	(124)	(5,995)	3,276	(2,843)
Share capital contribution	-	-	-	-	-
Distributions to equity holders	-	-	-	-	-
Equity as at 31 December 2018	121,039	419	74,475	146,348	342,281
Unaudited					
Equity as at 1 July 2017	118,489	616	78,202	131,007	328,314
Comprehensive income for the period	-	(178)	(2,619)	5,573	2,776
Share capital contribution	-	-	-	-	-
Equity as at 31 December 2017	118,489	438	75,583	136,580	331,090
Audited					
Equity as at 1 July 2017	118,489	616	78,202	131,007	328,314
Comprehensive income for the period	-	(73)	(1,232)	15,565	14,260
Transfer to reserves	-	-	3,500	(3,500)	-
Adjustment on acquisition of subsidiaries	-	-	-	-	-
Share capital contribution	2,550	-	-	-	2,550
Equity as at 30 June 2018	121,039	543	80,470	143,072	345,124

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2018

	<i>Note</i>	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Current assets				
Cash and cash equivalents		15,510	18,698	1,973
Other current financial assets		13,453	17,448	31,980
Derivative financial instruments	6	359	1,457	-
Trade and other receivables		20,760	23,298	28,784
Taxation refund receivable		2,755	816	2,654
Inventories		12,635	6,997	11,356
Other current assets		1,547	2,206	-
Prepayments		1,430	1,456	945
Total current assets		68,449	72,376	77,692
Non-current assets				
Term Receivables		12,468	13,291	11,968
Other non-current financial assets		195,048	189,509	170,009
Investments in associate companies		31,088	30,156	30,867
Investments in subsidiary companies		-	-	-
Intangible assets - carbon credits		29,677	27,330	27,024
Intangible assets - other		879	-	1,236
Forestry assets		150,473	144,556	150,172
Property, plant and equipment	4	781,932	718,693	761,233
Derivative financial instruments	6	11,747	12,906	11,262
Total non-current assets		1,213,312	1,136,441	1,163,771
Total assets		1,281,761	1,208,817	1,241,463

The accompanying notes form part of these financial statements

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2018

	<i>Note</i>	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Current liabilities				
Short term borrowings		438	392	3,638
Trade and other payables		28,401	23,416	28,612
Employee entitlements		5,765	6,194	5,539
Accrued expenditure		3,207	1,960	332
Derivative financial instruments	6	4,143	1,728	786
Provision for tax		3,666	4,029	5,096
Current portion of term borrowing	5	-	1,686	-
Total current liabilities		45,620	39,405	44,003
Non-current liabilities				
Term borrowing	5	646,584	601,844	609,570
Shareholders advance - DCC		112,000	112,000	112,000
Employee entitlements		851	797	967
Other non-current liabilities		573	874	963
Derivative financial instruments	6	24,146	20,189	20,889
Deferred taxation		109,706	102,618	107,947
Total non-current liabilities		893,860	838,322	852,336
Total liabilities		939,480	877,727	896,339
Equity				
Share Capital		121,039	118,489	121,039
Accumulated funds		146,348	136,580	143,072
Minority interest in subsidiaries		419	438	543
Revaluation reserve		16,779	16,662	16,828
Hedging reserve		(18,674)	(7,457)	(10,686)
Forest revaluation reserve		65,917	53,787	65,917
Carbon credit reserve		10,453	12,591	8,411
Total equity		342,281	331,090	345,124
Total liabilities and equity		1,281,761	1,208,817	1,241,463

Dunedin City Holdings Limited

Statement of cash flows For the six months ending 31 December 2018

	Note	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Cash flow from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		121,412	119,473	229,801
Interest received		5,897	6,429	12,347
Income tax refund		-	-	591
Dividend received		704	704	704
		128,013	126,606	243,443
<i>Cash was applied to:</i>				
Suppliers and employees		85,136	80,575	172,490
Finance costs paid		14,422	15,116	35,012
Taxation paid		1,126	1,231	2,817
Net GST paid		(774)	(284)	1,232
		99,910	96,638	211,551
Net cash flow from operating activities	3	28,103	29,968	31,892
Cash flow from investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		49	2,176	2,460
Carbon credits sold		2,145	-	8,010
Decrease in investments		-	-	1,961
		2,194	2,176	12,431
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		38,761	52,569	97,489
Purchase of investments		1,076	7,089	-
Net cash on acquisition of subsidiaries		-	-	-
		39,837	59,658	97,489
Net cash flow from investing activities		(37,643)	(57,482)	(85,058)
Cash flow from financing activities				
<i>Cash was provided from:</i>				
Equity injections		-	-	2,550
Loans raised		23,077	31,140	42,695
		23,077	31,140	45,245
<i>Cash was applied to:</i>				
Loans repaid		-	-	5,178
Dividends		-	-	-
		-	-	5,178
Net cash flow from financing activities		23,077	31,140	40,067
Net increase/(decrease) in cash		13,537	3,626	(13,099)
Opening cash and cash equivalents		1,973	15,072	15,072
Closing cash and cash equivalents		15,510	18,698	1,973

Notes to the financial statements (unaudited) For the six months ending 31 December 2018

1 Reporting entity

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

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

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

The financial statements of Dunedin City Holdings Limited are for the six months ended 31 December 2018.

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.

Dunedin City Holdings Limited is a profit orientated entity.

2 Basis of preparation

The financial statements for the period ended 31 December 2018 are unaudited.

The financial statements have been prepared in accordance with New Zealand Equivalents to International Reporting Standards 34, Interim Financial Reporting, and should be read in conjunction with the audited financial statements for the year ended 30 June 2018.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2018.

The judgement, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2018.

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2018

3 Reconciliation of operating profit to net cash flows from operating

	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Net profit after tax	1,823	3,820	15,493
Share of net profit/(loss) in associated companies	(974)	(1,085)	(1,638)
<i>Items Not Involving Cash Flows</i>			
Depreciation & amortisation	14,609	14,184	28,627
Depletion of forest	776	1,318	4,674
Deferred tax	189	1,211	6,495
Forest revaluation	-	-	(13,585)
(Increase)/Decrease in cash flow hedge valuation	-	-	63
Other non-cash items	1,970	2,438	(17,481)
<i>Impact of Changes in Working Capital Items</i>			
(Increase)/Decrease in trade and other receivables	8,024	4,022	13,604
(Increase)/Decrease in other current assets	(1,547)	(1,084)	-
(Increase)/Decrease in inventories	(1,279)	2,653	(6,278)
(Increase)/Decrease in prepayments	(485)	(278)	180
(Increase) /Decrease in tax refund due	(101)	125	(1,774)
Increase /(Decrease) in trade and other payables	(211)	(10,526)	(3,293)
Increase /(Decrease) in provision for tax	(1,430)	1,160	3,029
Increase /(Decrease) in other current liabilities	3,101	2,361	818
<i>Items Classified as Investing or Financing Activities</i>			
Gain on sale of property, plant and equipment	(8)	(237)	(754)
Loss on sale of property, plant and equipment	480	-	893
Movement in capital creditors	3,166	9,886	2,819
Net cash inflows from operating activities	28,103	29,968	31,892

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2018

4 Property, plant and equipment

	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Additions	35,494	41,246	90,473
Disposals	(414)	(1,988)	(11,262)
Capital commitments	22,737	12,496	22,773

There have been no material changes in fair value for all property, plant and equipment asset classes between 30 June 2018 and 31 December 2018.

5 Term borrowings

	Unaudited as at 31 Dec 2018 \$'000	Unaudited as at 31 Dec 2017 \$'000	Audited as at 30 Jun 2018 \$'000
Current			
Forestry loans	-	1,686	-
Other loans	-	-	-
	-	1,686	-
Non Current			
Multi-option note facility	646,584	599,039	609,570
Forestry loans	-	2,805	-
	646,584	601,844	609,570
Total term borrowings	646,584	603,530	609,570

The group has an \$850 million multi option debt issuance facility which is secured against certain assets and undertakings of the Dunedin City Council Group. Debt is raised by issuing long dated bonds, floating rate notes or by the issue of promissory notes usually issued for three month terms.

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2018

	Unaudited as at 31 Dec 2018 \$'000	Unaudited as at 31 Dec 2017 \$'000	Audited as at 30 Jun 2018 \$'000
Term borrowings			
Promissory notes	169,491	89,571	119,389
Floating rate notes 15/5/18	-	20,000	-
Bonds 17/7/18	-	50,000	50,000
Bonds 17/12/18	-	15,000	15,000
Floating rate notes 15/11/19	50,000	50,000	50,000
Floating rate notes 16/10/20	45,000	45,000	45,000
Bonds 16/11/20	50,000	50,000	50,000
Bonds 15/4/21	30,000	30,000	30,000
Bonds 25/11/21	70,000	70,000	70,000
Floating rate notes 15/10/22	50,000	50,000	50,000
Floating rate notes 15/02/24	25,000	25,000	25,000
Bonds 16/10/24	35,000	35,000	35,000
Bonds 15/4/26	65,000	65,000	65,000
Bonds 17/7/25	50,000	-	-
Fair value impact on bonds	7,093	4,468	5,181
	646,584	599,039	609,570
Forestry loans	-	4,491	-
Other loans	-	-	-
Total term borrowings	646,584	603,530	609,570
The repayment period on the term borrowings is as follows:			
Repayable less than one year	50,000	86,686	65,000
Repayable between one to five years	481,258	339,712	414,389
Repayable later than five years	115,000	177,132	130,181
	646,584	603,530	609,570

Fair value of borrowings

Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. 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.

Directors estimate the fair value of the group's borrowings as at 31 December 2018 as being \$653,220,372 (December 2017 \$607,131,551).

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2018

6 Derivative financial instruments

	Unaudited as at 31 Dec 2018 \$'000	Unaudited as at 31 Dec 2017 \$'000	Audited as at 30 Jun 2018 \$'000
Assets			
Interest rate swaps	12,106	14,363	11,262
<i>Analysed as:</i>			
Current	359	1,457	-
Non-Current	11,747	12,906	11,262
	12,106	14,363	11,262
Liabilities			
Interest rate swaps	28,289	21,917	21,675
<i>Analysed as:</i>			
Current	4,143	1,728	786
Non-Current	24,146	20,189	20,889
	28,289	21,917	21,675

Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

7 Financial instruments

All financial assets are recognised at cost/face value while financial liabilities are recognised at amortised cost except derivative financial instruments which are recognised at fair value.

8 Contingent liabilities

	Unaudited as at 31 Dec 2018 \$'000	Unaudited as at 31 Dec 2017 \$'000	Audited as at 30 Jun 2018 \$'000
Performance bonds	990	1,208	1,269

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

Statement of Service Performance For the six months ending 31 December 2018

Performance targets

Outcome achieved

Parent

- | | | |
|----------|---|---|
| 1 | Review and approve the Statements of Intent of each of the Group entities for consistency with the strategic direction of Dunedin City Council. | Achieved. The review of the draft 2020 Statements of Intent of each of the Group entities has been completed. Final 2020 Statement of Intents are on track to be approved by 30 June 2019. |
| 2 | Review the operating activities of each of the Group entities for compliance with the goals and objectives of the Statement of Intent. | Achieved. Reviews of the operating activities of Group entities have been performed as required by the DCHL Board. |
| 3 | Review the performance of each Group entity against their Statement of Intent goals and objectives. | Achieved. Quarterly reviews of each of the Group entities performance against their Statement of Intent goals and objectives have been performed by the DCHL Board. |
| 4 | Monitor financial performance of each of the Group companies | Achieved. Monthly reviews of each of the Group entities financial performance have been performed by the DCHL Board, with the exception of the associate company, Dunedin International Airport Limited, which is reviewed quarterly. |
| 5 | Monitor the capital structure of each Group entity. | Achieved. Reviews of capital structure within the Group were performed at the half year balance dates. |
| 6 | Review the capital expenditure of each of the Group entities for compliance and approval as required by Dunedin City Holdings Limited. | Achieved. Monthly reviews of each of the Group entities capital expenditure have been performed by the DCHL Board, with the exception of the associate company, Dunedin International Airport Limited, which is reviewed quarterly. |
| 7 | Engage with the shareholder annually on opportunities for the Group entities to contribute, or assist where possible, with Council's community outcomes (as listed in the annual plan). | Achieved. Consideration was given to Dunedin City Council's expectations in each of the Group entities annual Statements of Intent. |
| 8 | Reviews of performance objectives are undertaken on a quarterly basis and reported on in quarterly reports to the Shareholder. | Achieved. Quarterly reviews of each of the Group entities performance against their Statement of Intent goals and objectives have been performed by the DCHL Board and provided to Dunedin City Council. |

Statement of Service Performance For the six months ending 31 December 2018

- | | | |
|-----------|--|---|
| 9 | Bring to the attention of the Shareholder any strategic or operational matters where there may be conflict between the Council's community outcomes and those of the Group and seek the Shareholder's view on these. | Achieved. There were no matters of conflict requiring escalation to the Shareholder. |
| 10 | Encourage each Group entity to act as a socially and environmentally responsible corporate citizen. | Achieved. Reviews of the activities undertaken by the Group companies for purposes of being a socially and environmentally responsible corporate citizen, have been undertaken during the period. |
| 11 | To report matters of substance to the Shareholder within 24 hours of the DCHL Board becoming aware.
Present quarterly reports to the Shareholder. | Achieved. All substantive matters were reported to the Shareholder within 24 hours of the DCHL Board becoming aware of them.
Achieved. Quarterly reports have been presented to the Shareholder. |

Group

- | | | |
|----------|---|--|
| 1 | Subsidiaries are compliant with the Dunedin City Council Treasury Risk Management Policy. | Achieved. The subsidiaries are compliant with the Dunedin City Council Treasury Risk Management Policy. |
| 2 | Subsidiaries review their policies on a regular basis. | Achieved. Ensured that the subsidiaries have reviewed their policies on a regular basis. |
| 3 | Business Continuity Plans are reviewed on an annual basis. | Achieved. Ensured that the subsidiaries have reviewed their Business Continuity Plans within the last 12 months. |
| 4 | Health and Safety policies and procedures are reviewed on an annual basis. | Achieved. Ensured that the subsidiaries have reviewed their Health and Safety policies and procedures within the last 12 months. |
| 5 | Risk management structures are reviewed on an annual basis. | Achieved. Ensured that the subsidiaries have reviewed their risk management structures within the last 12 months. |
| 6 | All urgent outstanding issues on Audit reports have been resolved. | Not achieved. There are three urgent outstanding issues from the 2017 financial year, on one of the Group entity's Audit reports. The matters are in progress and expect to be resolved by 30 June 2019. |

Financial forecasts

Financial forecasts are set in the Statement of Intent for the year ending 30 June 2019. The Parent and Group is on track to meet the financial forecasts set.

Dunedin City Holdings Limited

Directory

Directors

Graham W Crombie (Chair)
Keith T Cooper
Kathleen E Grant
Linda M Robertson
Quentin C S Hix

Registered Office

50 The Octagon
Dunedin 9016

Bankers

Westpac Banking Corporation
ANZ Bank New Zealand Limited

Solicitors

Anderson Lloyd

Taxation Advisors

Deloitte

Auditor

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

Companies comprising the Dunedin City Holdings group

Subsidiary Companies

Aurora Energy Limited
City Forests Limited
Delta Utility Services Limited
Dunedin City Treasury Limited
Dunedin Stadium Property Limited
Dunedin Venues Management Limited
Dunedin Railways Limited (72% ownership)

Associate Company

Dunedin International Airport Limited (50% ownership)