



DUNEDIN CITY HOLDINGS LIMITED

INTERIM REPORT

For the six months ended 31 December 2021

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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 2021.

Overview of results

	Unaudited 6 months to 31 Dec 2021 \$'000	Unaudited 6 months to 31 Dec 2020 \$'000	Unaudited full year to 30 Jun 2021 \$'000
Total revenue	143,428	140,863	296,200
Net profit before tax	6,878	1,600	38,431
Income tax	2,475	1,388	12,292
Net profit after tax	4,403	212	26,139
Other comprehensive income	42,359	13,879	36,529
Total comprehensive income for the period	46,762	14,091	62,668
Net cash flow from operating activities	13,839	19,332	38,850
Total assets	1,555,641	1,408,827	1,481,764

Dividends

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

Retained earnings and reserves

The change in retained earnings comprises the after tax profit and items subsequently reclassified to profit and loss.

The cash flow hedge reserve has increased by \$16.040 million reflecting a change in the market value of interest and foreign exchange hedge valuations.

The carbon credit reserve has increased in value by \$18.395 million (after tax) being the revaluation of carbon credits held. There were two sales of 25,000 carbon credit units each, during the period.

Review of operations

Group Overview

This review of operations and the accompanying financial reports cover the first six months of the 2021/2022 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 \$6.878 million.

Directors' report

Total revenue is in line with budget and higher than the same period last year due to the impact of Covid-19 during the prior year. Across the Group operating costs are lower than the same period last year, due to reduced costs of borrowing and a conscious effort to reduce costs. The reduction in cost of funds achieved by Dunedin City Treasury Ltd has continued to make a favourable contribution across the Group.

Dunedin City Holdings Ltd has pursued a range of initiatives in order to **achieve the best for Dunedin 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
- communicating with Dunedin City Council with regular reports and on ad hoc matters as required
- providing support for Dunedin Railways, including the Trains Not Planes Promotion
- considering the ongoing impact of Covid-19, specifically at Dunedin International Airport Ltd and Dunedin Venues Management Ltd
- updating company valuations
- appointing new directors and a new intake of intern directors to DCHL Group companies
- participating in the DCHL Group companies' annual planning processes, and providing 2023 expectations guidance for the companies
- seeking opportunities to create synergies, and leverage experience and expertise across the DCHL Group, such as progressing carbon emissions and waste reduction strategies, and starting cross-group work on staff wellbeing processes.

DCHL Group Company Summaries



DUNEDIN CITY HOLDINGS LIMITED

The parent company returned a net profit before tax for the half year of \$1.258 million, \$3.150 million better than budget projections. The variance to budget is due City Forests paying a higher interim dividend than anticipated. Total dividends for FY22 are expected to be higher than budgeted, enabling DCHL to cover the annual contribution of equity to Dunedin Railways as instructed by Dunedin City Council, and to make increased debt repayments.



During the period under review, operating revenues of \$63.913 million were \$5.697 million higher, while network operating expenses (including network maintenance, asset management and operations functions) of \$55.089 million were \$2.382 million lower than for the same period last year. The company recorded a net profit after tax of \$6.942 million (HY 20 \$0.461 million). The focus on capital renewals has continued with capital expenditure at \$35.969 million for the period.

Directors' report



The company experienced profitable trading conditions and delivered an \$3.997 million profit after tax for the first six months to the end of December 2021. This is less than that recorded for the same period of the previous year (\$4.940m) and reflects the weaker log export trading conditions encountered during the period. Forest production for the period was below budget as the company temporarily reduced harvesting below its sustainable cut level to adjust to a period of reduced demand from log export markets. A December interim dividend of \$3.800 million has been paid to the shareholder which was higher than budgeted.



During the first half of financial year 2022, Delta continued to experience strong demand for its core services. Total operating revenues of \$52.159 million were \$3.493 million (7%) higher than for the same period last year, largely due to the DCC Parks and Reserves maintenance contract as well as the ramp up in Aurora maintenance works. A net profit after tax of \$0.576 million (2020: \$1.262 million) was recorded for the six months ended 31 December 2021. The decrease on prior year reflects the impact the Covid-19 level 4 lockdown had on operations during the period. A dividend of \$1.000 million was paid in December 2021.

Dunedin City Treasury Ltd

Dunedin City Treasury's average cost of funding slightly increased from 2.49% to 2.50% over this six month period. However, the company achieved a reduction on the overall cost of funds it passed onto the group compared to the prior year period. One successful refinancing of a \$70.000 million Medium Term Note (MTN) took place on 25 November 2021. The maturity was replaced by issuance of a new \$100.000 million seven year MTN, with a coupon rate of 3.22%.

DUNEDIN STADIUM PROPERTY LTD

An operating loss before tax and subventions of \$3.268 million (2020: \$3.816 million) occurred in the six months to 31 December 2021. The main factor influencing the improved result for the period was a reduction in interest costs.



DVML's net loss before taxation was \$614,000 for the six months to 31 December 2021, compared to a loss of \$273,000 for the same period in the previous year. The effects of the Covid-19 pandemic are still being felt by the company. The uncertainty of border control has affected the company's ability to host major events and the confidence of content providers to book additional events; these events are a significant source of income for the company.

Directors' report

DUNEDIN RAILWAYS



Dunedin Railways Limited reported a loss after tax of \$719,000 in the six months to 31 December 2021, compared with a loss after tax of \$83,000 in the same period in the prior year, due to receiving an operating grant from Dunedin City Council in the prior year. The company entered hibernation mode on 1 July 2020. A small team remains employed by the company, to actively maintain key assets during hibernation, pending further decisions from Dunedin City Council. The company operates a limited schedule of passenger services over the summer season, when Covid-19 restrictions permit.



Dunedin Airport recorded an operating surplus before tax of \$0.230 million (2020: \$1.017 million). This decrease is representative of the impact of Covid-19 on the company. There are decreased passenger numbers which has a direct correlation to aeronautical revenue and also impacts on non-aeronautical revenue streams. These decreases in revenue are partially offset by a decrease in operating expenditure.

Events subsequent to balance date

The Directors are not aware of any matters or circumstances since the end of the financial period not otherwise discussed at note 10 of these 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.

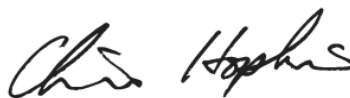
The Directors accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

In the opinion of the Directors, the interim financial statements fairly reflect the financial position as at 31 December 2021 and operations for the six months to 31 December 2021 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 2021 and authorises them for issue on 25 February 2022.



Chair



Director

Dunedin City Holdings Limited

Principal activities of the group

Dunedin City Holdings Limited's purpose is to **achieve the best for Dunedin 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](#) owns the electricity network assets of poles, lines, cables, and substations in Dunedin, Central Otago and Queenstown Lakes. Its function is to transfer electricity from the national grid to the end consumer.
- [City Forests Limited](#) owns and or manages approximately 23,731 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, stadium and facilities management company which currently operates out of the Forsyth Barr Stadium, and the Dunedin Centre/Town Hall Complex.
- [Dunedin Railways Limited](#) operated a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin, until March 2020, when the company was put into hibernation. Focus has now turned to identifying and evaluating options for sustainable tourism offerings going forward.
- [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 2021 \$'000	Six Months to Dec 2020 \$'000 Restated	Year to June 2021 \$'000	Year to June 2020 \$'000 Restated	Year to June 2019 \$'000 Restated
Revenue	143,428	140,863	296,200	257,964	269,651
Profit before subvention and tax	6,878	1,600	38,431	(10,295)	4,369
Income tax	2,475	1,388	12,292	(2,273)	4,510
Net profit after tax	4,403	212	26,139	(8,022)	(141)
Net interest paid to the Council on advance	2,975	2,951	5,902	5,902	5,902
Profit after tax before shareholder interest	7,378	3,163	32,041	(2,120)	5,761
Cash flows from operating activities	13,839	19,332	38,850	14,343	24,036
Shareholder's funds	400,206	302,318	353,444	288,226	286,751
Shareholder's advance	112,000	112,000	112,000	112,000	112,000
Total shareholder's interest	512,206	414,318	465,444	400,226	398,751
Rate of return (on shareholder funds)	1.1%	0.1%	7.4%	-2.8%	0.0%
Dividend paid	-	-	-	-	-
Total assets	1,555,641	1,408,827	1,481,764	1,382,970	1,281,378
Shareholder's funds to total assets	25.7%	21.5%	23.9%	20.8%	22.4%

**Statement of comprehensive income
For the six months ending 31 December 2021**

	Unaudited 6 months to 31 Dec 2021 \$'000	Unaudited 6 months to 31 Dec 2020 \$'000	Unaudited full year to 30 Jun 2021 \$'000
Income continuing operations			
Sales revenue	131,940	128,437	248,320
Gain on sale of assets	36	470	-
Interest on advances to related parties	4,021	4,649	8,205
Interest - other	111	410	1,169
Subvention income	-	-	-
Net gain on foreign currency transactions	719	-	342
Dividends	-	-	-
Gain in fair value of forestry land	6,601	6,897	38,164
Total operating revenue	143,428	140,863	296,200
Expenses continuing operations			
Bad debts written off	(7)	6	(386)
Movement in expected credit losses for receivables	(39)	-	(112)
Donations	6	7	30
Lease expense	61	14	98
Research expenditure	20	82	-
Employee expenses	35,202	33,637	60,583
Directors remuneration	603	559	1,289
Audit fees	181	180	448
Interest - related parties	2,975	3,603	5,534
Interest - other	11,005	12,455	23,426
Net loss on foreign currency transactions	-	380	-
Depreciation and amortisation	18,328	17,534	33,935
Other expenses	68,270	71,254	133,966
Total operating expenditure	136,605	139,711	258,811
Profit (Loss) from continuing operations	6,823	1,152	37,389
Share of associate profit	55	448	1,042
Profit (Loss) before tax	6,878	1,600	38,431
Income tax	2,475	1,388	12,292
Profit (Loss) after tax	4,403	212	26,138
Attributable to:			
Equity holders of the parent	4,403	212	26,138
Minority interest	-	-	-

**Statement of comprehensive income
For the six months ending 31 December 2021**

	Unaudited 6 months to 31 Dec 2021 \$'000	Unaudited 6 months to 31 Dec 2020 \$'000	Unaudited full year to 30 Jun 2021 \$'000
Profit (Loss) after tax brought forward	4,403	212	26,138
Other comprehensive income:			
Gain (loss) on forestry land revaluations	-	(221)	6,524
Gain (loss) on interest rate swap hedges	31,093	10,945	28,127
Gain (loss) on foreign exchange hedges	(381)	-	1,212
Gain (loss) on carbon credit revaluation	27,850	5,428	12,279
Other comprehensive income associates	44	45	91
Income tax on other comprehensive income	(16,247)	(2,318)	(11,704)
Total other comprehensive income	42,359	13,879	36,529
Total comprehensive income for the period	46,762	14,091	62,667
Attributable to:			
Equity holders of the parent	46,762	14,091	62,667
Minority interest	-	-	-
	46,762	14,091	62,667

Dunedin City Holdings Limited

Statement of changes in equity For the six months ending 31 December 2021

	Share capital \$'000	Retained earnings \$'000	Reserves \$'000	Total equity \$'000
Unaudited				
Equity as at 1 July 2021	128,689	171,735	53,020	353,444
Profit after tax	-	4,403	-	4,403
Other comprehensive income	-	7,880	34,479	42,359
Share capital contribution	-	-	-	-
Distributions to equity holders	-	-	-	-
Equity as at 31 December 2021	128,689	184,018	87,499	400,206
Unaudited				
Equity as at 1 July 2020	126,139	145,755	16,333	288,227
Profit after tax	-	212	-	212
Other comprehensive income	-	-	13,879	13,879
Share capital contribution	-	-	-	-
Equity as at 31 December 2020	126,139	145,967	30,212	302,318
Unaudited				
Equity as at 1 July 2020	126,139	145,755	16,333	288,227
Profit after tax	-	26,138	-	26,138
Other comprehensive income	-	(158)	36,687	36,529
Share capital contribution	2,550	-	-	2,550
Equity as at 30 June 2021	128,689	171,735	53,020	353,444

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2021

	<i>Note</i>	Unaudited 6 months to 31 Dec 2021 \$'000	Unaudited 6 months to 31 Dec 2020 \$'000	Unaudited full year to 30 Jun 2021 \$'000
Current assets				
Cash and cash equivalents		25,782	45,793	21,979
Derivative financial instruments	6	156	-	2,059
Trade and other receivables		30,266	29,436	34,320
Inventories		6,761	4,754	5,436
Other current financial assets		1,915	1,457	1,121
Prepayments		671	800	1,564
Total current assets		65,551	82,240	66,479
Non-current assets				
Term Receivables		-	9,497	6,021
Other non-current financial assets		303,302	251,509	271,525
Investments in associate companies		35,493	35,067	35,706
Intangible assets - carbon credits		74,162	37,398	49,443
Intangible assets - other		7,246	4,870	5,779
Forestry assets		201,440	171,699	200,246
Property, plant and equipment	4	847,787	792,047	828,338
Right of Use Assets		11,168	9,247	9,983
Derivative financial instruments	6	9,492	15,253	8,244
Total non-current assets		1,490,090	1,326,587	1,415,285
Total assets		1,555,641	1,408,827	1,481,764

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2021

	<i>Note</i>	Unaudited 6 months to 31 Dec 2021 \$'000	Unaudited 6 months to 31 Dec 2020 \$'000	Unaudited full year to 30 Jun 2021 \$'000
Current liabilities				
Short term borrowings		2,588	3,108	1,482
Current Portion of Lease Liability		3,058	3,302	3,129
Trade and other payables		28,182	31,897	35,880
Employee entitlements		8,070	7,599	6,988
Accrued expenditure		86	261	82
Derivative financial instruments	6	2,095	-	1,228
Provision for tax		2,464	1,508	657
Current portion of term borrowing	5	-	-	-
Total current liabilities		46,543	47,675	49,446
Non-current liabilities				
Term borrowing	5	852,002	801,186	818,992
Term Portion of Lease Liability		8,606	6,783	7,263
Shareholders advance - DCC		112,000	112,000	112,000
Employee entitlements		638	833	862
Other non-current liabilities		25	311	53
Derivative financial instruments	6	24,133	53,518	36,489
Deferred taxation		111,488	84,203	103,215
Total non-current liabilities		1,108,892	1,058,834	1,078,874
Total liabilities		1,155,435	1,106,509	1,128,320
Equity				
Share Capital		128,689	126,139	128,689
Retained earnings		184,018	145,970	171,735
Associate company asset revaluation reserve		18,948	18,858	18,904
Cash flow hedge reserve		(6,389)	(33,437)	(22,429)
Forest land revaluation reserve		39,683	32,860	39,683
Carbon credit reserve		35,257	11,928	16,862
Total equity		400,206	302,318	353,444
Total liabilities and equity		1,555,641	1,408,827	1,481,764

Dunedin City Holdings Limited

Statement of cash flows For the six months ending 31 December 2021

	Note	Unaudited 6 months to 31 Dec 2021 \$'000	Unaudited 6 months to 31 Dec 2020 \$'000	Unaudited full year to 30 Jun 2021 \$'000
Cash flow from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		132,736	132,909	242,866
Interest received		3,538	5,059	8,208
Dividend received		312	-	-
		136,586	137,968	251,074
<i>Cash was applied to:</i>				
Suppliers and employees		111,287	108,691	182,089
Finance costs paid		13,864	16,058	29,356
Taxation paid		-	(5,410)	1,028
Net GST paid / (received)		(2,404)	(703)	(249)
		122,747	118,636	212,224
Net cash flow from operating activities	3	13,839	19,332	38,850
Cash flow from investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		1,380	1,753	1,820
Carbon credits sold		3,131	-	(125)
Decrease in investments		7,674	-	4,698
		12,185	1,753	6,393
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		30,946	32,327	84,707
Increase in investments		21,822	7,474	28,000
		52,768	39,801	112,707
Net cash flow from investing activities		(40,583)	(38,048)	(106,314)
Cash flow from financing activities				
<i>Cash was provided from:</i>				
Call on Capital		-	-	2,550
Loans raised		110,000	109,282	240,270
		110,000	109,282	242,820
<i>Cash was applied to:</i>				
Lease liabilities		2,078	-	3,604
Loans repaid		77,375	95,000	200,000
Dividends		-	-	-
		79,453	95,000	203,604
Net cash flow from financing activities		30,547	14,282	39,216
Net increase/(decrease) in cash		3,803	(4,434)	(28,248)
Opening cash and cash equivalents		21,979	50,227	50,227
Closing cash and cash equivalents		25,782	45,793	21,979

Notes to the financial statements (unaudited) For the six months ending 31 December 2021

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 2021.

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 2021 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 unaudited financial statements for the year ended 30 June 2021 and the audited financial statements for the year ended 30 June 2020.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2021 and 30 June 2020.

The judgement, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2021 and 30 June 2020.

The annual report for the year ended 30 June 2021 has not been audited and is therefore not yet publically available. The legislative requirement is for the audit to be completed by 30 November 2021. The delay is due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns. It is expected that the audit will be commenced in February 2022 and finished in March 2022.

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2021

3 Reconciliation of operating profit to net cash flows from operating

	Unaudited 6 months to 31 Dec 2021 \$'000	Unaudited 6 months to 31 Dec 2020 \$'000	Unaudited full year to 30 Jun 2021 \$'000
Net profit after tax	4,403	212	26,138
Share of net profit/(loss) in associated companies	(55)	(448)	(1,042)
<i>Items Not Involving Cash Flows</i>			
Depreciation & amortisation	18,328	17,534	33,935
Depletion of forest	7,435	7,520	12,375
Deferred tax	987	3,741	14,955
Asset impairment	-	-	(741)
Forest revaluation	(6,601)	(6,897)	(38,164)
Carbon credit revaluation	-	(5,428)	(5,069)
(Increase)/Decrease in cash flow hedge valuation	(759)	(1,092)	(2,003)
Other non-cash items	(4,264)	(1,331)	1,491
<i>Impact of Changes in Working Capital Items</i>			
(Increase)/Decrease in trade and other receivables	4,054	5,826	(4,773)
(Increase)/Decrease in other current assets	(794)	313	(219)
(Increase)/Decrease in inventories	(1,325)	(4,149)	884
(Increase)/Decrease in prepayments	893	138	(626)
Increase /(Decrease) in trade and other payables	(7,698)	506	4,489
Increase /(Decrease) in provision for tax	1,807	2,037	1,186
Increase /(Decrease) in other current liabilities	1,086	1,194	404
<i>Items Classified as Investing or Financing Activities</i>			
Gain on sale of property, plant and equipment	532	(470)	(568)
Loss on sale of property, plant and equipment	-	-	1,485
Investment in Financial Instruments	(7,674)	-	(4,698)
Movement in capital creditors	3,484	126	(589)
Net cash inflows from operating activities	13,839	19,332	38,850

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2021

4 Property, plant and equipment

	Unaudited 6 months to 31 Dec 2021 \$'000	Unaudited 6 months to 31 Dec 2020 \$'000	Unaudited full year to 30 Jun 2021 \$'000
Additions	36,068	33,312	84,634
Revaluations	-	-	6,745
Net disposals	(105)	(2,066)	(1,373)
Capital commitments	34,520	33,124	12,000

There have been no material changes in fair value for all property, plant and equipment asset classes between 30 June 2021 and 31 December 2021.

5 Term borrowings

	Unaudited as at 31 Dec 2021 \$'000	Unaudited as at 31 Dec 2020 \$'000	Unaudited as at 30 Jun 2021 \$'000
Current	-	-	-
Non Current			
Multi-option note facility	852,002	801,186	818,992
	852,002	801,186	818,992
Total term borrowings	852,002	801,186	818,992

The group has an \$975 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 2021

	Unaudited as at 31 Dec 2021 \$'000	Unaudited as at 31 Dec 2020 \$'000	Unaudited as at 30 Jun 2021 \$'000
Term borrowings			
Promissory notes	164,474	129,915	149,858
Bonds 15/4/21*	-	30,000	-
Bonds 15/4/21	-	75,000	-
Bonds 25/11/21*	-	70,000	70,000
Floating rate notes 15/10/22	50,000	50,000	50,000
Bonds 15/11/22*	45,000	45,000	45,000
Bonds 16/10/23*	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 17/7/25	50,000	50,000	50,000
Bonds 15/3/26	50,000	50,000	50,000
Bonds 15/4/26*	65,000	65,000	65,000
Bonds 15/11/26*	55,000	55,000	55,000
Bonds 16/11/26	60,000	60,000	60,000
Bonds 18/4/28*	110,000	-	110,000
Bonds 27/11/28*	100,000	-	-
Fair value impact on bonds (*)	(7,472)	11,271	4,134
Total term borrowings	852,002	801,186	818,992
The repayment period on the term borrowings is as follows:			
Repayable less than one year	259,272	307,712	220,994
Repayable between one to five years	381,581	263,474	374,216
Repayable later than five years	211,149	230,000	223,782
	852,002	801,186	818,992

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.

Directors estimate the fair value of the group's borrowings as at 31 December 2021 as being \$849,735,616 (June 2021: \$829,066,000, December 2020: \$895,621,657).

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2021

6 Derivative financial instruments

	Unaudited as at 31 Dec 2021 \$'000	Unaudited as at 31 Dec 2020 \$'000	Unaudited as at 30 Jun 2021 \$'000
Assets			
Interest rate swaps and FX contracts	9,648	15,253	10,303
<i>Analysed as:</i>			
Current	156	-	2,059
Non-Current	9,492	15,253	8,244
	9,648	15,253	10,303
Liabilities			
Interest rate swaps and FX contracts	26,228	53,518	37,717
<i>Analysed as:</i>			
Current	2,095	-	1,228
Non-Current	24,133	53,518	36,489
	26,228	53,518	37,717

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.

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.

**Notes to the financial statements (unaudited)
For the six months ending 31 December 2021****8 Contingent liabilities**

	Unaudited as at 31 Dec 2021 \$'000	Unaudited as at 31 Dec 2020 \$'000	Unaudited as at 30 Jun 2021 \$'000
Performance bonds	585	1,006	1,157

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.

In January 2021, the Labour Inspectorate office opened an investigation into Delta Utility Services Limited's leave processes and payments. This investigation is still ongoing and at reporting date, the financial consequences of this matter (if any) were not known.

network reliability standards are contained in the Commerce Commission's Default Price-Quality Path for Electricity Distribution Businesses. Aurora Energy Limited breached its regulated quality limits for the 2020 disclosure year. At reporting date, the financial consequences of the above matter (if any) were not known.

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 31 December 2021 the value of the potential liability in future years is unknown due to the variations in the harvesting schedule, carbon reporting periods and the value of carbon to surrender. The Directors of City Forests Limited have requested future work be done in this area so potential liabilities can be ascertained.

There is a potential obligation to repay Key Money received by Dunedin Venues Management Limited, related to food and beverage contracts. The Key Money is recognised as a liability in the statement of financial position and is recognised when turnover targets are met, or repaid when they are not. Contingent Liabilities in relation to this total \$500,000 as at 31 December 2021, with \$50k at risk each year over the life of the contract.

Notes to the financial statements (unaudited)
For the six months ending 31 December 2021
9 Prior period errors

Whilst preparing the 30 June 2021 financial statements prior period errors were identified and the 30 June 2020 financial statements were restated to reflect the correct opening position (refer to the annual report for the year ended 30 June 2021). Therefore, the 31 December 2020 financial statements in this interim report also had to be restated to reflect the correct opening position. In addition to this the financial statistics page has been restated for each period reported.

Statement of financial position

	Previously reported 31/12/20 \$'000	Error 1- Profit elimination \$'000	Error 2 - Classification \$'000	Restated 31/12/20
Current assets				
Trade and other receivables	21,405		8,031	29,436
Taxation refund receivable	6,645		(6,645)	-
Inventories	12,785		(8,031)	4,754
Non-current assets				
Property, plant and equipment	860,310	(68,263)		792,047
Current liabilities				
Provision for tax	8,153		(6,645)	1,508
Non-current liabilities				
Deferred taxation	119,401	(19,114)	(16,084)	84,203
Equity				
Share capital	126,419		(280)	126,139
Accumulated funds	142,491	(49,149)	52,628	145,970
Cash flow hedge reserves	(49,521)		16,084	(33,437)
Forest land revaluation reserve	85,208		(52,348)	32,860

Statement of cash flows

	Previously reported 31/12/20 \$'000	Error 3 - Classification \$'000	Restated 31/12/20
Cash flow from investing activities			
Loans raised (inflow)	14,282	95,000	109,282
Loans repaid (outflow)	-	95,000	95,000

Notes to the financial statements (unaudited) For the six months ending 31 December 2021

1. Profit elimination error

Whilst preparing the 30 June 2021 financial statements, an error was identified regarding the elimination of profit between subsidiary entities of DCHL. Delta Utility Services Limited ("Delta") provides contracting services to Aurora Energy Limited ("Aurora"), some of these services are performed on network assets that are then capitalised by Aurora. The capitalisation of the costs includes a profit component that is earned by Delta. The subsidiary financial statements of Aurora reflect their correct financial position by including the full cost (which includes the profit component) and Delta correctly recognises the profit in its Statement of financial performance.

The error occurs in the DCHL Group when consolidating these result. From a DCHL Group perspective the network asset recognised in previous financial statements includes an inter-company profit component. This inclusion has overstated the value of the network asset as the profit should have been eliminated from the network asset value when reported in the DCHL financial statements.

This error has occurred since 2006. There has been an adjustment made to opening retained earnings to reflect the profit component capitalised on the network asset value since 2006.

There was no adjustment required to the 31 December 2020 interim statement of comprehensive income as there had been no network assets capitalised with a profit component during that interim period.

2. Classification errors for statement of financial position

A work in progress balance of \$8.031 million was incorrectly classified as inventory rather than trade and other receivables.

The taxation refund receivable and provision for tax liability were both overstated by \$6.645 million because the balances should have been netted off in the statement of financial position.

The Group had not recognised the \$16.084 million of tax benefits from Dunedin City Treasury Limited and Dunedin Stadium Property Limited.

Share capital was incorrectly overstated by \$280k which should have been included in accumulated funds.

The forestry revaluation reserve balance of \$52.348 million has now been reclassified to accumulated funds, in order to separately show the forest land revaluation reserve.

3. Classification error for statement of cash flows

The proceeds from borrowings and repayment of borrowings were understated by \$95 million because the borrowings (for medium term notes and floating rate notes) that matured during the year had been incorrectly netted off against the borrowings taken out.

10 Subsequent events

From 23 January 2022 the country moved into the red traffic light, at the date of signing this Interim Report the area in which the DCHL Group operates remains subject to red level of the Covid-19 Protection Framework. At this stage our assessment is that the impact of Covid-19 restrictions will not materially effect the achievement of the DCHL Group's targets for the 2022 financial year. Each entity within the Group have put in place budgets and strategies to mitigate against the risk of Covid-19 and associated supply chain and market price fluctuations.

There were no other significant post balance date events.

Statement of Service Performance For the six months ending 31 December 2021

Performance targets	Outcome achieved
1 Monitor performance of DCHL Group companies to ensure returns (financial and other) are optimised.	Achieved. Monthly and quarterly monitoring of DCHL Group companies has been completed for the year to date.
2 Seek opportunities to create synergies, leverage experience or expertise across DCHL Group, where appropriate.	Achieved. Synergy projects are ongoing across the DCHL Group.
3 Monitor performance of DCHL portfolio as a whole to ensure returns (financial and other) are optimised.	Achieved. Monthly and quarterly monitoring of the consolidated DCHL Group has been completed and quarterly updates provided to Council, for the year to date.
4 Consider strategic issues.	Achieved. An annual review of the ownership and capital structures of the DCHL Group companies will be completed prior to 30 June 2021. No requests for capital expenditure approval have been made in the year to date.
5 Provide input on DCHL Group companies' medium to long term strategies.	Achieved. Several DCHL company engagements and one full Chairs meeting has taken place. All remaining DCHL company engagements will be completed prior to 30 June 2022.
6 Review and approve DCHL Group Statements of Intent for consistency with Council's strategic direction.	Achieved. Draft DCHL Group Statements of Intent are currently under review. All DCHL Group Statements of Intent will be reviewed and approved prior to 30 June 2022.
7 Set expectations through annual Letters of Expectation to DCHL Group companies.	Achieved. Annual Letters of Expectation were sent to DCHL Group companies prior to 31 December 2021.
8 Support progress across the DCHL Group in moving towards measuring, reporting, and reducing carbon emissions and waste.	Achieved. Systems to measure and report carbon emissions are in place. Strategies and targets to reduce carbon emissions and waste are expected to be complete by 30 June 2022.

Statement of Service Performance For the six months ending 31 December 2021

- | | | |
|-----------|---|--|
| 9 | Appoint Directors to DCHL Group companies; appoint Chairs to subsidiary companies. | Achieved. All appointments and re-appointments have been completed on time and in compliance with policy. |
| 10 | Ensure companies are good employers, and operate in an environmentally and socially responsible way. Expect Group companies to maintain ongoing focus on health and safety as a top priority. | Achieved. Monthly reporting on key aspects including health and safety have been completed, for the year to date. Systems are now in place to reduce the carbon footprint of the DCHL Group companies. |
| 11 | Consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes. | Achieved. All matters requiring escalation to the shareholder were reported in a timely manner. |
| 12 | 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. All substantive matters were reported to the shareholder within 24 hours of the DCHL Board becoming aware of them. |

Financial forecasts

Financial forecasts are set in the Statement of Intent for the year ending 30 June 2021. The Parent and Group is on track to meet the financial forecasts set.

Dunedin City Holdings Limited

Directory

Directors

Keith T Cooper (Chair)
Christopher C Hopkins
Linda M Robertson
Richard J Thomson
Susie J Johnstone

Registered Office

50 The Octagon
Dunedin 9016

Bankers

Westpac Banking Corporation

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

Associate Company

Dunedin International Airport Limited (50% ownership)