



DUNEDIN CITY HOLDINGS LIMITED

Dunedin City Holdings Limited

Interim Report

For the six months ended

31 December 2017

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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 2017.

Overview of results

	unaudited 6 months to 31 Dec 2017 \$'000	unaudited 6 months to 31 Dec 2016 \$'000	audited full year to 30 Jun 2017 \$'000
Total revenue	137,418	125,147	275,073
Net profit before tax	8,138	8,490	28,902
Income tax	4,318	3,630	10,390
Net profit after tax	3,820	4,860	18,512
Other comprehensive income	(1,044)	9,797	13,452
Total comprehensive income for the period	2,776	14,657	31,964
Net cash flow from operating activities	29,968	30,203	34,416
Total assets	1,200,632	1,124,714	1,171,778

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 \$(4.331) million reflecting a change in the market value of interest and foreign exchange hedge valuations.

The carbon credit reserve has increased in value by \$1.771 million reflecting movements in the valuation of carbon credits held.

The change in accumulated funds comprises the after tax profit.

Review of operations

This review of operations and the accompanying financial reports cover the first six months of the 2017/2018 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 \$8.138 million, \$0.751 million ahead of budget for this period.

Total revenue is higher than the same period last year, boosted by City Forests' and Dunedin Airport's strong results. Across the Group however, costs were also higher than the same period last year; primarily those relating to the separation of Aurora and Delta's combined services, and Aurora's increased maintenance investment.

Dunedin City Holdings Limited

Directors' report

Dunedin City Treasury achieved a reduction in the cost of funds during the reporting period. This will contribute favourably across the Group going forward.

As the parent company, Dunedin City Holdings Limited has pursued several initiatives to provide support, leadership and oversight across the Group. This includes establishing a programme of director internships, developing a stronger dashboard of companies' financial and non-financial performance, and strengthening the parent company's risk identification and management structures. Further initiatives will be reported on in the 2017/2018 Annual Report.

The Directors of Dunedin City Holdings Ltd are turning attention to initiatives which create new synergies across the Group, and which align with the strategic framework of DCC as shareholder. This includes areas such as business continuity planning, co-ordination in emergency events, health and well-being of employees, benchmarking wage levels, and avenues for employees to safely raise issues of concern.

Dunedin City Holdings Limited

The parent company returned a net loss before tax for the half year of \$0.282 million in line with budget projections, compared to a surplus of \$1.295 million for the same period in 2016. The major influence on the result compared to the prior year was the reduction in interim dividends

Aurora Energy Limited

With effect from 1 July 2017, Aurora Energy directly employed around 100 staff and began to self perform its own network asset management and operations functions. Revenues of \$56.739 million were \$2.450 million higher, while network operating expenses of \$51.963 million were \$7.233 million higher than for the same period last year. The Company recorded a net profit before tax of \$4.776 million (2016: \$9.559 million) after a significant uplift in network asset renewals. At \$38.074 million, capital expenditure was \$22.129 million higher than for the same period last year.

As reported previously, the Commerce Commission has initiated an investigation of Aurora Energy's breach of regulated network reliability targets for the 2015 and 2016 regulatory disclosure years (ending 31 March). Aurora Energy also breached its regulated network reliability targets for the 2017 disclosure year, primarily driven by the increased investment on the network. During the period under review, the Company responded to detailed and comprehensive information requests from the Commerce Commission in respect of the network reliability target breach. However the outcome of the current investigation is not yet known.

Network performance measures have again exceeded regulated targets throughout the current reporting period. The main contributing factor is an unavoidable increase in planned outages as the company carries more maintenance and renewal work. Ongoing works programmes are expected to continue to impact reliability measures for at least the 2018 and 2019 disclosure years.

Dunedin City Holdings Limited

Directors' report

City Forests Limited

City Forests has recorded a pleasing six monthly profit before tax of \$9.432m for the six months to the end of December 2017 (2016: \$4.893). This is ahead of budget and last year result and is primarily driven by above budget returns from log sales in a strong domestic and international market. During the period the Company disposed of its Milburn Wood Processing plant recording a net gain on sale of approximately \$0.308m. No serious Health and Safety events occurred in Company operations however a number of minor injuries were recorded. The company paid a dividend of \$2.000 million in December 2017. During the period City Forests has been successful in negotiating the purchase of a new forest area. A private farm is under unconditional contract for purchase at Henley for forest establishment. This will increase both wood and carbon production from the forest estate. Further acquisition opportunities are under investigation.

Delta Utility Services Limited

With effect from 1 July 2017, a new Board and management structure was established to position Delta as a standalone contracting business, Delta has continued to provide a broad range of energy and environmental services during the period under review. Total revenues of \$43.863 million (2016: \$52.210 million) were lower than the same period last year largely due to the new contracting arrangements between Delta and Aurora. A net profit before tax of \$1.881 million (2016: \$2.532 million) was recorded for the six months ended 31 December 2017. The directors expect a satisfactory result at year-end. A dividend of \$0.875 million was paid in December 2017.

Dunedin City Treasury Limited

In the six months to 31 December 2017, Dunedin City Treasury achieved a reduction on the cost of funds which it was able to pass on to the group. The AA/A-1+ ratings for both DCTL and the Dunedin City Council were reaffirmed by Standard and Poor's in December 2017.

Dunedin Stadium Property Limited

An operating loss before tax and subventions of \$4.878 million (2016: \$5.342 million) occurred in the six months to 31 December 2017. The main factor influencing the improved result for the period was a reduction in interest costs.

Dunedin Venues Management Limited

Dunedin Venues recorded an operating profit before tax of \$0.417 million was generated (2016: \$0.111 million). The increase in operating profit was largely the result of an increase in major events held at Forsyth Barr Stadium, namely the All Blacks Bedisloe Cup Test and the Stevie Nicks & The Pretenders concert.

Dunedin Railways Limited

Dunedin Railways Limited registered a change of name from Taieri Gorge Railway Limited on 1 December 2017.

The Company reported a before tax loss of \$0.881 million (2016: loss of \$0.653 million). In July 2017 Dunedin Railways had a rainfall event over two days resulting in extensive slips and washouts. Initial repair is completed at a net cost of \$385,000 with a loss of income of approximately \$175,000.

Directors' report

Dunedin International Airport

Dunedin Airport recorded an operating surplus before tax of \$2.994 million (2016: \$2.448 million), with aeronautical income 40.86% above last year as a result of both increased Airport landing charges and an increase in domestic passengers. Non-aeronautical income was also up 5.49% on last year. Overall expenses were below budget, although some of this relates to deferred maintenance costs, with the spend forecast to be incurred later this financial 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

Dunedin City Holdings Limited is a Council Controlled Trading Organisation (CCTO). The directors' role is defined in the Local Government Act 2002. This states that all decisions relating to the operation of the CCTO shall be made pursuant to the authority of the directorate of the CCTO and its Statement of Intent (SoI). The board is responsible for the preparation of the SoI. In addition to the obligations of the Local Government Act, Dunedin City Holdings Limited is also covered by the Companies Act and governed by directors in accordance with the law and best practice.

The shareholder reviews and approves the annual Statement of Intent. Six monthly and annual reports of financial and operational performance are provided to the shareholder. In addition quarterly updates are provided to Councillors of the Dunedin City Council.

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;

In the opinion of the Directors, the interim financial statements fairly reflect the financial position as at 31 December 2017 and operations for the six months to 31 December 2017 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 19, for the six months ended 31 December 2017 and authorises them for issue on 20 February 2018.



Chair



Director

Dunedin City Holdings Limited

Principal activities of the group

Dunedin City Holdings Limited, as the parent company of the group, has the primary role of monitoring the operating performance of its subsidiary companies on behalf of its shareholder, the Dunedin City Council.

Dunedin City Holdings Limited's role is to create an environment, and provide leadership, to optimise the performance of its Subsidiary and Associated Companies, so as to ensure each Company provides the maximum advantages in all respects to the shareholder, Dunedin City Council.

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

The principal activities of the subsidiary and associate companies are as follows.

- **Aurora Energy Limited's** principal activities are the ownership and strategic management of electricity distribution network assets in Dunedin and Central Otago. With effect from 1 July 2017, Aurora Energy directly employed around 100 staff and began to self perform its own network asset management and operations functions. The Company distributes electricity to more than 88,100 homes and businesses in Dunedin and Central Otago.
- **City Forests Limited** owns and or manages approximately 16,795 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** is a multi-utility contracting business and service provider specialising in delivering essential services to community, corporate and private customers including the construction, operation and maintenance of infrastructure assets and related services. Delta is the core network maintenance provider to some energy companies, along with greenspace maintenance through contracts with some South Island councils.
- **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 2017 \$'000	Six Months to Dec 2016 \$'000	Year to June 2017 \$'000	Year to June 2016 \$'000	Year to June 2015 \$'000
Revenue	137,418	125,147	275,073	270,625	251,067
Profit before subvention and tax	8,138	8,490	28,902	37,452	26,429
Income tax	4,318	3,630	10,390	9,851	6,382
Net profit after tax	3,820	4,860	18,512	20,309	12,952
Net interest paid to the Council on advance	2,954	2,498	5,902	5,902	5,902
Profit after tax before shareholder interest	6,774	7,358	24,414	26,211	18,854
Cash flows from operating activities	29,968	30,203	34,416	31,634	32,565
Shareholder's funds	322,905	300,272	320,129	285,615	175,173
Shareholder's advance	112,000	112,000	112,000	112,000	112,000
Total shareholder's interest	434,905	412,272	432,129	397,615	287,173
Rate of return (on shareholder funds)	1.2%	1.6%	5.8%	7.1%	7.4%
Dividend paid	-	-	-	-	4,548
Total assets	1,200,632	1,124,714	1,171,778	1,143,093	1,029,435
Shareholder's funds to total assets	26.9%	26.7%	27.3%	25.0%	17.0%

Dunedin City Holdings Limited

Statement of comprehensive income For the six months ending 31 December 2017

	unaudited 6 months to 31 Dec 2017 \$'000	unaudited 6 months to 31 Dec 2016 \$'000	audited full year to 30 Jun 2017 \$'000
Income continuing operations			
Sales revenue	129,534	117,034	250,720
Gain on sale of assets	718	-	68
Interest on advances to related parties	6,415	7,234	13,883
Interest - other	506	687	772
Net gain on foreign currency transactions	245	192	-
Dividends	-	-	1
Forest revaluation reserve	-	-	9,629
Total operating revenue	137,418	125,147	275,073
Expenses continuing operations			
Bad debts written off	68	551	542
Increase in impairment provision for receivables	141	123	205
Donations	13	31	57
Lease expense	2,128	1,505	3,696
Research expenditure	88	74	145
Employee expenses	27,875	26,396	54,017
Directors remuneration	546	469	1,076
Audit fees	-	-	288
Interest - related parties	2,969	2,497	5,946
Interest - other	14,602	16,085	31,122
Net loss on foreign currency transactions	-	-	9
Depreciation and amortisation	14,184	13,600	27,629
Other expenses	67,751	56,187	122,600
Total operating expenditure	130,365	117,518	247,332
Profit from continuing operations	7,053	7,629	27,741
Share of associate profit	1,085	861	1,161
Profit before tax	8,138	8,490	28,902
Income tax	4,318	3,630	10,390
Profit after tax	3,820	4,860	18,512
Attributable to:			
Equity holders of the parent	3,998	4,992	18,464
Minority interest	(178)	(132)	48

Dunedin City Holdings Limited

Statement of comprehensive income For the six months ending 31 December 2017

	unaudited 6 months to 31 Dec 2017 \$'000	unaudited 6 months to 31 Dec 2016 \$'000	audited full year to 30 Jun 2017 \$'000
Profit after tax brought forward	3,820	4,860	18,512
Other comprehensive income:			
Gain (loss) on forestry land revaluations	(71)	(13)	241
Gain (loss) on interest rate swap hedges	(4,139)	10,177	7,163
Gain (loss) on foreign exchange hedges	(284)	323	877
Gain (loss) on carbon credit revaluation	4,514	(821)	(586)
Other comprehensive income associates	12	42	6,095
Income tax on other comprehensive income	(1,076)	89	(338)
Total other comprehensive income	(1,044)	9,797	13,452
Total comprehensive income for the period	2,776	14,657	31,964
Attributable to:			
Equity holders of the parent	2,954	14,789	31,916
Minority interest	(178)	(132)	48
	2,776	14,657	31,964

Dunedin City Holdings Limited

Statement of changes in equity For the six months ending 31 December 2017

	Share capital \$'000	Minority interest \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
unaudited					
Equity as at 1 July 2017	118,489	616	70,017	131,007	320,129
Comprehensive income for the period	-	(178)	(2,619)	5,573	2,776
Share capital contribution	-	-	-	-	-
Distributions to equity holders	-	-	-	-	-
Equity as at 31 December 2017	118,489	438	67,398	136,580	322,905
unaudited					
Equity as at 1 July 2016	115,939	561	49,639	119,476	285,615
Comprehensive income for the period	-	(132)	9,789	5,000	14,657
Share capital contribution	-	-	-	-	-
Equity as at 31 December 2016	115,939	429	59,428	124,476	300,272
audited					
Equity as at 1 July 2016	115,939	561	49,639	119,476	285,615
Comprehensive income for the period	-	55	13,445	18,464	31,964
Transfer to reserves	-	-	6,933	(6,933)	-
Adjustment on acquisition of subsidiaries	-	-	-	-	-
Share capital contribution	2,550	-	-	-	2,550
Equity as at 30 June 2017	118,489	616	70,017	131,007	320,129

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2017

	Note	unaudited 6 months to 31 Dec 2017 \$'000	unaudited 6 months to 31 Dec 2016 \$'000	audited full year to 30 Jun 2017 \$'000
Current assets				
Cash and cash equivalents		18,698	18,766	15,072
Other current financial assets		17,448	20,019	18,883
Derivative financial instruments	6	1,457	694	426
Trade and other receivables		23,298	17,818	27,320
Taxation refund receivable		816	2,571	941
Inventories		6,997	6,827	9,650
Other current assets		2,206	726	1,122
Prepayments		1,456	1,732	1,178
Total current assets		72,376	69,153	74,592
Non-current assets				
Term Receivables		13,291	12,838	12,841
Other non-current financial assets		189,509	193,807	184,914
Investments in associate companies		30,156	23,402	29,755
Investments in subsidiary companies		-	-	-
Intangible assets		27,330	17,971	24,893
Forestry assets		136,371	123,551	136,333
Property, plant and equipment	4	718,693	673,877	692,269
Derivative financial instruments	6	12,906	10,115	16,181
Total non-current assets		1,128,256	1,055,561	1,097,186
Total assets		1,200,632	1,124,714	1,171,778

The accompanying notes form part of these financial statements

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2017

	Note	unaudited 6 months to 31 Dec 2017 \$'000	unaudited 6 months to 31 Dec 2016 \$'000	audited full year to 30 Jun 2017 \$'000
Current liabilities				
Short term borrowings		392	277	473
Trade and other payables		23,416	23,239	33,942
Employee entitlements		6,194	5,038	5,458
Accrued expenditure		1,960	4,976	335
Derivative financial instruments	6	1,728	641	125
Provision for tax		4,029	6,020	2,869
Current portion of term borrowing	5	1,686	1,756	1,686
Total current liabilities		39,405	41,947	44,888
Non-current liabilities				
Term borrowing	5	601,844	558,876	570,870
Shareholders advance - DCC		112,000	112,000	112,000
Employee entitlements		797	867	886
Other non-current liabilities		874	1,148	1,105
Derivative financial instruments	6	20,189	15,377	21,605
Deferred taxation		102,618	94,227	100,295
Total non-current liabilities		838,322	782,495	806,761
Total liabilities		877,727	824,442	851,649
Equity				
Share Capital		118,489	115,939	118,489
Accumulated funds		136,580	124,476	131,007
Minority interest in subsidiaries		438	429	616
Revaluation reserve		16,662	10,597	16,650
Hedging reserve		(7,457)	(303)	(3,126)
Forest revaluation reserve		45,602	38,486	45,673
Carbon credit reserve		12,591	10,648	10,820
Total equity		322,905	300,272	320,129
Total liabilities and equity		1,200,632	1,124,714	1,171,778

Dunedin City Holdings Limited

Statement of cash flows For the six months ending 31 December 2017

	Note	unaudited 6 months to 31 Dec 2017 \$'000	unaudited 6 months to 31 Dec 2016 \$'000	audited full year to 30 Jun 2017 \$'000
Cash flow from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		119,473	111,863	218,468
Interest received		6,429	9,633	14,213
Income tax refund		-	-	730
Dividend received		704	704	704
		126,606	122,200	234,115
<i>Cash was applied to:</i>				
Suppliers and employees		80,575	74,545	159,250
Finance costs paid		15,116	18,468	37,366
Taxation paid		1,231	(150)	2,270
Net GST paid		(284)	(866)	813
		96,638	91,997	199,699
Net cash flow from operating activities	3	29,968	30,203	34,416
Cash flow from investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		2,176	284	804
Decrease in investments		-	3,672	17,867
		2,176	3,956	18,671
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		52,569	22,100	47,845
Purchase of investments		7,089	710	7,811
Net cash on acquisition of subsidiaries		-	-	-
		59,658	22,810	55,656
Net cash flow from investing activities		(57,482)	(18,854)	(36,985)
Cash flow from financing activities				
<i>Cash was provided from:</i>				
Equity injections		-	-	2,550
Loans raised		31,140	-	-
		31,140	-	2,550
<i>Cash was applied to:</i>				
Loans repaid		-	9,933	2,259
Dividends		-	-	-
		-	9,933	2,259
Net cash flow from financing activities		31,140	(9,933)	291
Net increase/(decrease) in cash		3,626	1,416	(2,278)
Opening cash and cash equivalents		15,072	17,350	17,350
Closing cash and cash equivalents		18,698	18,766	15,072

The accompanying notes form part of these financial statements

Notes to the financial statements (unaudited) For the six months ending 31 December 2017

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 2017.

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 2017 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 2017.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2017.

The judgement, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2017.

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2017

3 Reconciliation of operating profit to net cash flows from operating

	unaudited 6 months to 31 Dec 2017 \$'000	unaudited 6 months to 31 Dec 2016 \$'000	audited full year to 30 Jun 2017 \$'000
Net profit after tax	3,820	4,860	18,512
Share of net profit/(loss) in associated companies	(1,085)	(861)	(1,161)
<i>Items Not Involving Cash Flows</i>			
Depreciation & amortisation	14,184	13,600	27,629
Depletion of forest	1,318	1,160	2,394
Deferred tax	1,211	1,646	8,199
Forest revaluation	-	-	(11,003)
(Increase)/Decrease in cash flow hedge valuation	-	-	948
Other non-cash items	2,438	(289)	(19,726)
<i>Impact of Changes in Working Capital Items</i>			
(Increase)/Decrease in trade and other receivables	4,022	9,502	15,068
(Increase)/Decrease in other current assets	(1,084)	396	-
(Increase)/Decrease in inventories	2,653	2,823	(4,572)
(Increase)/Decrease in prepayments	(278)	(554)	(53)
(Increase) /Decrease in tax refund due	125	(1,630)	(61)
Increase /(Decrease) in trade and other payables	(10,526)	(10,703)	2,037
Increase /(Decrease) in provision for tax	1,160	3,151	802
Increase /(Decrease) in other current liabilities	2,361	4,221	740
<i>Items Classified as Investing or Financing Activities</i>			
Gain on sale of property, plant and equipment	(237)	(169)	(464)
Loss on sale of property, plant and equipment	-	2	-
Movement in capital creditors	9,886	3,048	(4,873)
Net cash inflows from operating activities	29,968	30,203	34,416

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2017

4 Property, plant and equipment

	unaudited 6 months to 31 Dec 2017 \$'000	unaudited 6 months to 31 Dec 2016 \$'000	audited full year to 30 Jun 2017 \$'000
Additions	41,246	18,781	51,959
Disposals	(1,988)	(121)	(8,419)
Capital commitments	12,496	25,787	11,340

There have been no material changes in fair value for all property, plant and equipment asset classes between 30 June 2017 and 31 December 2017.

5 Term borrowings

	unaudited as at 31 Dec 2017 \$'000	unaudited as at 31 Dec 2016 \$'000	audited as at 30 Jun 2017 \$'000
Current			
Forestry loans	1,686	1,686	1,686
Other loans	-	70	-
	1,686	1,756	1,686
Non Current			
Multi-option note facility	599,039	554,687	567,378
Forestry loans	2,805	4,189	3,492
	601,844	558,876	570,870
Total term borrowings	603,530	560,632	572,556

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 2017

	unaudited as at 31 Dec 2017 \$'000	unaudited as at 31 Dec 2016 \$'000	audited as at 30 Jun 2017 \$'000
Term borrowings			
Promissory notes	89,571	54,712	59,702
Floating rate notes 15/2/17	-	20,000	-
Bonds 15/10/17	-	60,000	60,000
Floating rate notes 7/10/17	-	20,000	20,000
Floating rate notes 15/5/18	20,000	20,000	20,000
Bonds 17/7/18	50,000	50,000	50,000
Bonds 17/12/18	15,000	15,000	15,000
Floating rate notes 15/11/19	50,000	50,000	50,000
Floating rate notes 16/10/20	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
Bonds 16/10/24	35,000	-	-
Bonds 15/4/26	65,000	65,000	65,000
Fair value impact on bonds	4,468	(25)	2,676
	599,039	554,687	567,378
Forestry loans	4,491	5,875	5,178
Other loans	-	70	-
Total term borrowings	603,530	560,632	572,556
The repayment period on the term borrowings is as follows:			
Repayable less than one year	86,686	101,756	71,686
Repayable between one to five years	339,712	339,712	379,619
Repayable later than five years	177,132	119,164	121,251
	603,530	560,632	572,556

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 2017 as being \$607,131,551 (December 2016 \$565,433,435).

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2017

6 Derivative financial instruments

	unaudited as at 31 Dec 2017 \$'000	unaudited as at 31 Dec 2016 \$'000	audited as at 30 Jun 2017 \$'000
Assets			
Interest rate swaps	14,363	10,809	16,607
<i>Analysed as:</i>			
Current	1,457	694	426
Non-Current	12,906	10,115	16,181
	14,363	10,809	16,607
Liabilities			
Interest rate swaps	21,917	16,018	21,730
<i>Analysed as:</i>			
Current	1,728	641	125
Non-Current	20,189	15,377	21,605
	21,917	16,018	21,730

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 2017 \$'000	unaudited as at 31 Dec 2016 \$'000	audited as at 30 Jun 2017 \$'000
Performance bonds	1,111	1,208	1,208

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.

Dunedin City Holdings Limited

Directory

Directors

Graham W Crombie (Chair)
Keith T Cooper
Kathleen E Grant
Linda M Robertson
Quentin C S Hix (appointed 1 January 2018)
Brian J Wood (retired 31 December 2017)

Registered Office

50 The Octagon
Dunedin 9016

Bankers

ANZ
Dunedin

Solicitors

Anderson Lloyd
Dunedin

Taxation Advisors

Deloitte
Dunedin

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)