



DUNEDIN CITY HOLDINGS LIMITED

Dunedin City Holdings Limited
Report for the Six Months Ended
31 December 2015



DUNEDIN CITY HOLDINGS LIMITED

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**Directors' Report
For the Six Months Ended 31 December 2015**

Results for the Six Months Ended 31 December 2015

	Group \$'000
Revenue	139,081
Surplus before taxation	13,471
Surplus after taxation	8,733
Net cash flow from operating activities	23,414
Total assets	1,147,051

Dividends

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

Reserves and Retained Earnings

The hedging reserve has moved by \$0.833 million reflecting a change in the market value of interest and foreign exchange hedge valuations.

The carbon credit reserve has changed value by \$2.052 million reflecting movements in the valuation of carbon credits held.

The change in retained earnings comprises the after tax profit.

Review of Operations

Dunedin City Holdings

The parent company returned a net surplus after income tax for the half year of \$0.888 million compared to a surplus of \$1.9 million for the same period in 2014. The anticipated reduction in subsidiary dividends resulted in the decrease to the prior year.

Aurora Energy Limited

The operating surplus before tax and subvention was \$12.962 million (2014: \$13.757 million). An increase in revenue has been offset by additional costs associated with the capital maintenance programme that is underway. The Company continues to focus on operating a reliable and cost effective electricity distribution system.

Delta Utility Services Limited

The Company has reported a before tax profit of \$2.354 million (2014: \$2.970 million). Operating results for the six months, whilst down slightly to the same period last year, are in line with budgeted expectations. The Company continued to operate in asset management, energy and environmental divisions.

City Forests Limited

The Company produced an operating surplus before tax of \$7.012 million (2014: \$5.039 million). Improvements in both international and domestic demand along with a reduction in the value of the New Zealand dollar and a drop in costs, through international shipping rates and fuel costs, have had strong influences on the improved return.

Taieri Gorge Railway Limited

The Company reported a before tax loss of \$0.444 million (2014: loss of \$0.328 million). Passenger numbers are up 10.2%

Dunedin Venues Management Limited

An operating surplus before tax of \$0.461 million was generated (2014: loss of \$1.031 million). An increase in events and reduction in rent were the main factors in the change in operating performance.

Dunedin Venues Limited

An operating loss before tax and subventions of \$5.683 million (2014: \$6.219 million) occurred in the 6 months. Two main factors influenced the result for the period being, a reduction in interest expense in part due to a transfer of \$30 million debt to the Dunedin City Council partially offset by a reduction in rent revenue.

Dunedin International Airport

The Company has reported an operating surplus before tax of \$2.115 million (2014: \$1.543 million). A reduction in interest expense along with an unrealised gain in investments contributed to the favourable increase.

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 (SI). The board is responsible for the preparation of the SI. 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 SI and three-year financial plan. 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.

Directors' Interests in Contracts

Disclosures of interests made by directors are recorded in the company's interest register. Any transaction entered into was in the group's normal course of business and on its usual terms and conditions.

Directors' Insurance

In accordance with their constitutions, Dunedin City Holdings Limited and its subsidiary companies have arranged policies of Directors' and Officers' Liability Insurance which, together with a deed of indemnity, ensure that the directors will not incur any monetary loss as a result of actions undertaken by them as directors provided that they operate within the law.

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.

Dunedin Venues and Dunedin Venues Management Limited

Ownership of Dunedin Venues Limited and Dunedin Venues Management Limited was to be transferred from Dunedin City Council to Dunedin City Holdings Limited effective 1 July 2015. This transfer is yet to be formally completed pending final approval from the group debenture holders. These financial statements have been prepared on the basis of the share transfer having been implemented.

Outlook

The outlook for the group is positive for the full year. The consolidated group expects to exceed planned results for the year.

Financial Statements

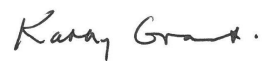
The unaudited financial statements for the six months ended 31 December 2015 are attached to this report.

Chair

A blue ink handwritten signature, appearing to be 'D. Grant', written above a horizontal line.

12 February 2016

Director

A blue ink handwritten signature, 'Kathy Grant', written above a horizontal line.

12 February 2016



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 the ultimate shareholder, the 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.

Dunedin City Holdings Limited endeavours 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.

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

- **Aurora Energy Limited** is New Zealand's sixth-largest electricity distributor, annually receiving 1,400GWh of electricity for distribution to more than 82,300 homes and businesses in Dunedin and Central Otago.
- **City Forests Limited** owns approximately 16,315 hectares of land from which forest products are grown, harvested and marketed.
- **Dunedin City Treasury Limited** provides the group with funding and financial services and manages the financial risks of the group.
- **Delta Utility Services Limited** is a multi-utility service provider specialising in delivering essential services to community, corporate and private customers. As asset manager to Aurora Energy Ltd it is responsible for the efficient distribution of electricity in Dunedin city and an increasingly large proportion of Central Otago.
- **Taieri Gorge Railway Limited** operates a tourist and community-orientated train on the Taieri Gorge railway line and provides other train services in the South Island, principally for charters and excursions.
- **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 Venues Management Limited** is an event management company currently operating the Forsyth Barr Stadium and the Dunedin Centre for use for public and private events.
- **Dunedin Venues Limited** owns and is the landlord for Forsyth Barr Stadium.



DUNEDIN CITY HOLDINGS LIMITED

Group Financial Statistics

	* Six Months to Dec 2015 \$'000	Six Months to Dec 2014 \$'000	Year to June 2015 \$'000	Year to June 2014 \$'000	Year to June 2013 \$'000	Year to June 2012 \$'000
Revenue	139,081	127,757	251,067	233,978	231,234	254,922
Profit before tax, impairment and subvention payment from continuing activities	13,381	18,084	26,429	28,616	38,586	15,543
Profit/(loss) after tax from continuing operations	8,643	10,000	12,755	13,800	24,053	(2,249)
Tax	4,738	4,280	6,382	7,524	7,166	2,838
Surplus/(deficit) after tax	8,733	10,118	12,952	12,483	20,512	(5,087)
Net interest paid to the Council on advance	2,967	2,951	5,902	6,731	5,903	7,213
Surplus after tax before shareholder interest	11,700	13,069	18,854	19,214	26,415	2,126
Cashflows from operating activities	23,414	25,838	32,565	30,084	35,745	19,549
Shareholder's funds	300,097	175,690	175,173	169,549	159,197	142,289
Shareholder's advance	112,000	112,000	112,000	112,000	112,000	112,000
Total shareholder's interest	412,097	287,690	287,173	281,549	271,197	254,289
Rate of return (on shareholder funds)	2.9%	5.8%	7.4%	7.4%	12.9%	-3.6%
Dividend paid	-	1,500	4,548	3,719	4,547	10,737
Total assets	1,147,051	1,013,423	1,029,435	1,034,432	1,036,228	1,022,319
Shareholder's funds to total assets	26.2%	17.3%	17.0%	16.4%	15.4%	13.9%

* Includes consolidated results of Dunedin Venues Management Limited and Dunedin Venues Limited



DUNEDIN CITY HOLDINGS LIMITED

Statement of Financial Performance For the Six Months Ended 31 December 2015

	Note	Six months to 31 December 2015 \$'000	Six months to 31 December 2014 \$'000	Year to 30 June 2015 \$'000
Revenue continuing operations				
Operating revenue	3	127,105	113,669	219,414
Financial income	4	11,976	13,423	29,138
Forest revaluation reserve		-	665	2,515
Total operating revenue		139,081	127,757	251,067
Expenditure continuing operations				
Other expenses	5	66,682	58,587	120,220
Employee expenses		24,218	21,212	43,272
Financial expenses	5	22,583	21,803	44,456
Depreciation and amortisation		13,009	8,631	17,543
Total operating expenditure		126,492	110,233	225,491
Operating surplus from continuing operations		12,589	17,524	25,576
Surplus/(Loss) for the year from discontinued operations	8	90	118	197
Share of associate surplus/(deficit)		792	560	853
Surplus before subvention and taxation		13,471	18,202	26,626
Less subvention payment DVL & DVML		-	3,644	7,292
Surplus before taxation		13,471	14,558	19,334
Less taxation expense	7	4,738	4,440	6,382
Surplus after taxation		8,733	10,118	12,952
Attributable to:				
Equity holders of the parent		8,823	10,184	12,902
Minority Interest		(90)	(66)	50



DUNEDIN CITY HOLDINGS LIMITED

Statement of Other Comprehensive Income For the Six Months Ended 31 December 2015

	Note	Six months to 31 December 2015 \$'000	Six months to 31 December 2014 \$'000	Year to 30 June 2015 \$'000
Other comprehensive income				
Gain (loss) on forestry land revaluations		-	-	(22)
Gain (loss) on interest rate swap hedges		235	(1,993)	(1,587)
Gain (loss) on foreign exchange hedges		860	(1,468)	(3,691)
Gain (loss) on carbon credit revaluation		2,623	-	1,917
Other comprehensive income associates		17	15	61
Income tax on other comprehensive income		(833)	969	542
Net income recognised directly as other comprehensive income		2,902	(2,477)	(2,780)
Surplus after taxation		8,733	10,118	12,952
Total comprehensive income for the year		11,635	7,641	10,172
Attributable to:				
Equity holders of the parent		11,725	7,707	10,122
Minority interest		(90)	(66)	50
		11,635	7,641	10,172

Statement of Changes in Equity For the Six Months Ended 31 December 2015

		Six months to 31 December 2015 \$'000	Six months to 31 December 2014 \$'000	Year to 30 June 2015 \$'000
Movements in equity				
Opening equity		175,173	169,549	169,549
Total comprehensive income for the year		11,635	7,641	10,172
Equity injections		113,289	-	-
Distributions to equity holders of the parent	6	-	(1,500)	(4,548)
Closing equity		300,097	175,690	175,173



DUNEDIN CITY HOLDINGS LIMITED

Statement of Financial Position For the Six Months Ended 31 December 2015

	Note	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Current assets				
Cash and cash equivalents		18,429	9,933	15,889
Other current financial assets		7,322	17,205	17,224
Derivative financial instruments	24	676	16,826	23,571
Trade and other receivables	13	35,104	35,378	41,004
Taxation refund receivable		2,696	2	716
Inventories	17	6,853	5,355	5,137
Other current assets	18	9,078	4,168	4,994
Prepayments		1,070	1,750	1,179
Total current assets		81,228	90,617	109,714
Non-current assets				
Other non-current financial assets	19	225,408	345,399	324,332
Investments in associate companies		23,040	22,596	22,935
Intangible assets		3,644	1,083	1,558
Investment property		-	-	-
Forestry assets		113,776	111,623	113,629
Property, plant and equipment	22	681,022	442,105	457,267
Derivative financial instruments	24	18,933	-	-
Total non current assets		1,065,823	922,806	919,721
Total assets		1,147,051	1,013,423	1,029,435
Current liabilities				
Short term borrowings	14	811	2,722	4,808
Trade and other payables	15	26,477	28,056	25,875
Employee entitlements	16	5,173	4,600	4,837
Accrued expenditure		251	-	335
Derivative financial instruments	24	21,159	18,686	23,880
Provision for tax		5,698	4,272	5,218
Current portion of term borrowing	20	141,770	51,686	141,686
Total current liabilities		201,339	110,022	206,639
Non-current liabilities				
Term borrowing	20	446,434	532,082	451,219
Shareholders advance - DCC		112,000	112,000	112,000
Employee entitlements	16	394	320	362
Other non-current liabilities		792	557	320
Derivative financial instruments	24	1,790	-	1,232
Deferred taxation		84,205	82,752	82,490
Total non-current liabilities		645,615	727,711	647,623
Equity				
Share Capital	9	113,389	100	100
Accumulated funds	11	141,664	135,791	132,841
Minority interest in subsidiaries		440	414	530
Revaluation reserves	10	10,579	10,516	10,562
Cash flow hedge reserves	10	(2,489)	(1,463)	(3,322)
Forest revaluation reserves	10	31,642	30,332	31,642
Carbon credit reserve	10	4,872	-	2,820
Total equity		300,097	175,690	175,173
Total liabilities and equity		1,147,051	1,013,423	1,029,435



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Statement of Cash Flows

For the Six Months Ended 31 December 2015

	Note	Six months to 31 December 2015 \$'000	Six months to 31 December 2014 \$'000	Year to 30 June 2015 \$'000
Cashflow from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		117,428	121,560	196,406
Interest received		6,469	17	23,172
Income tax refund		1,361	-	723
Dividend received		704	640	641
		125,962	122,217	220,942
<i>Cash was applied to:</i>				
Suppliers and employees		79,053	71,998	131,839
Finance costs paid		19,573	23,012	43,914
Taxation paid		4,288	1,441	2,761
Subvention payment to DVL/DVML		-	1,361	9,046
Net GST paid		(366)	(1,433)	1,074
		102,548	96,379	188,634
Net cashflow from operating activities from continuing activities		23,414	25,838	32,308
Net cashflow from operating activities from discontinued activities		-	-	257
Net cashflow from operating activities	12	23,414	25,838	32,565
Cashflow from investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		315	4,024	5,264
Reduction in loans and advances		591	-	-
Decrease in investments		5,135	1,218	14,837
		6,041	5,242	20,101
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		21,542	17,343	39,808
Increase in loans and advances		642	-	-
Purchase of investments		-	3,394	3,898
Net cash on acquisition of subsidiaries		109,206	-	-
		131,390	20,737	43,706
Net cashflow from investing activities from continuing activities		(125,349)	(15,495)	(23,605)
Net cashflow from investing activities from discontinued activities		-	-	-
Net cashflow from investing activities		(125,349)	(15,495)	(23,605)

Statement of Cash Flows
For the Six Months Ended 31 December 2015

	Six months to 31 December 2015 \$'000	Six months to 31 December 2014 \$'000	Year to 30 June 2015 \$'000
<i>Note</i>			
Cashflow from financing activities			
<i>Cash was provided from:</i>			
Equity injections	113,289	-	-
	113,289	-	-
<i>Cash was applied to:</i>			
Loans repaid	8,814	35,903	25,516
Dividends	-	1,500	4,548
	8,814	37,403	30,064
Net cashflow from financing activities from continuing activities	104,475	(37,403)	(30,064)
Net cashflow from financing activities from discontinued activities	-	-	-
Net cashflow from financing activities	104,475	(37,403)	(30,064)
Net increase/(decrease) in cash	2,540	(27,060)	(21,104)
Opening cash and cash equivalents	15,889	36,993	36,993
Closing cash and cash equivalents	18,429	9,933	15,889



DUNEDIN CITY HOLDINGS LIMITED

Notes to the financial statements For the Six Months Ended 31 December 2015

1 Reporting Entity

The financial statements presented here are for the reporting entity Dunedin City Holdings Limited (the Company) and the consolidated financial statements of the group comprising Dunedin City Holdings Limited 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 ultimate parent of the group, Dunedin City Council.

The financial statements of Dunedin City Holdings Limited are for the six months ended 31 December 2015

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

Dunedin City Holdings Limited is a profit orientated entity.

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.

2 Significant Accounting Policies

Statement of Compliance

The condensed consolidated financial report is a general purpose financial report which has been prepared in accordance with NZ IAS 34: Interim Financial Reporting.

The condensed consolidated financial report does not include all of the information required for a full annual report.

The financial report is to be read in conjunction with the most recent annual financial report.

Basis of Accounting

The financial statements have been prepared on the historic cost basis, except for the revaluation of certain property, plant and equipment, investment properties, biological assets, derivative financial instruments, financial instruments classified as available for sale and financial instruments held for trading.

The accounting policies have been applied consistently by group entities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest value are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity, are eliminated in full.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Associate Entities

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised.



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Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Where a group company transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Investment in Associates

The financial statements of the company (parent) include the investment in entities over which the company is in a position to exercise significant influence (associates) at the cost of the acquisition.

Non-current Assets held for Sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation on such assets will cease once classified as held for sale.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least at each reporting date. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Any negative goodwill arising on an acquisition is recognised directly in profit or loss.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Construction Contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.



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Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

The Group as Lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also recognised on a straight-line basis over the lease term.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements the results and financial position of each entity are expressed in New Zealand dollars, which is the functional currency of the Council and Group.

Transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. The group does not hold non-monetary assets and liabilities denominated in foreign currencies.

In order to hedge its exposure to certain foreign exchange risks, the group may enter into forward contracts and options (see below for details of the group's accounting policies in respect of such derivative financial instruments).

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Government Loans

Forestry term liabilities include Ministry of Agriculture and Forestry Suspensory Loans and Ministry of Agriculture and Forestry Repayable Loans. Interest is calculated annually on the suspensory loans. However, the interest and principal may be forgiven when the loan conditions are met. Interest is also calculated annually on the repayable loans.

Employee Entitlements

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the group.

Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.



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Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, Plant and Equipment

Property, plant and equipment are those assets held by the group for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment, apart from forestry land, is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Forestry land is stated at its revalued amount, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by Quotable Value NZ.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase is credited to the appropriate revaluation reserve, except to the extent that it reverses a revaluation decrease previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

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

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

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

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

Depreciation on revalued assets, excluding land, is charged to the profit and loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the appropriate property revaluation reserve is transferred directly to retained earnings.

Assets held under finance leases are depreciated.



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Depreciation rates and methods used by all companies except for City Forests Limited are as follows:

	<i>Rate</i>	<i>Method</i>
Buildings	1% to 17%	Straight Line
Metering Equipment	7% to 100%	Straight Line
Electricity Network Assets	1% to 20%	Straight Line
Plant and Equipment	1% to 50%	Straight Line
Motor Vehicles	5% to 33%	Straight Line
Railway Assets	1% to 50%	Straight Line
Office Equipment and Fittings	5% to 48%	Straight Line
Construction in Progress	no depreciation charged	
Software	20% to 100%	Straight Line

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

	<i>Rate</i>	<i>Method</i>
Buildings	2% to 3%	Straight Line
Roads	5% to 24%	Diminishing Value
Bridges	2% to 2.4%	Diminishing Value
Plant and Equipment	6% to 80.4%	Diminishing Value
Fences	10% to 13%	Diminishing Value
Motor Vehicles	9.6% to 36%	Diminishing Value
Office Equipment	10% to 60%	Diminishing Value

Forests

The fair value of the forest, exclusive of the forest land, is determined at each reporting date. Fair value is equivalent to the NZIF Forest Valuation Standards definition of market value. Fair value is determined using the discounted cash flow methodology and, in using this method, financing costs and replanting costs are excluded. The method first determines the current market value of the collective forest and land resource, with land then subtracted at its current market value to provide the value of the forest asset.

The valuation takes into account changes in price over the accounting period as well as the quantity of trees harvested and the growth that has occurred in the forest. Any change in forest valuation is recorded in the income statement.

Derecognition of Non-Financial Assets

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

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

Investment Property

Investment property is property held to earn rentals and/or for capital appreciation. All investment properties are stated at fair value, as determined annually by independent valuers at the balance sheet date.

Gains or losses arising from changes in the fair value of investment properties are recognised in the income statement for the period in which the gain or loss arises.

Intangible Assets

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets, acquired at the time of acquisition of a business or an equity interest in a subsidiary or associate company. Goodwill is tested annually for impairment.

Software is recognised at cost and amortised to the Income Statement on a straight line basis over the estimated useful life, which is a maximum period of five years.

Research and Development Expenditure

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

Patents and Trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives.



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Impairment of Assets excluding Goodwill

At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previous revaluation increase for that asset (or cash generating unit) that remains in the revaluation reserve. Any additional impairment is immediately transferred to the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised as income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Log inventories are initially valued at fair valueless estimated point of sale costs. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Financial Instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade and Other Receivables

Trade and other receivables are stated at cost less any allowances for estimated irrecoverable amounts.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments in Debt and Equity Securities

Investments in debt and equity securities are financial instruments classified as held for trading and are measured at fair value through profit and loss at balance date. Any resultant gains or losses are recognised in the income statement for the period.

Trade and Other Payables

Trade and other payables are stated at cost.

Borrowings

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial Liability and Equity

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



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Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, the price of oil and interest rates. The group uses foreign exchange forward contracts, foreign exchange options and interest rate swap contracts to hedge these exposures.

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

The use of financial derivatives in each entity within the group is governed by the Dunedin City Council's Treasury Risk Management Policy (approved December 2014). The policy provides written principles on the use of financial derivatives.

Derivative financial instruments are recognised at fair value on the date the derivative is entered into and are subsequently re-measured to their fair value. The fair value on initial recognition is the transaction price. Subsequently fair values are based on independent bid prices quoted in active markets as provided for us by our banking counterparties.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in the income statement.

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

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

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

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

Carbon Credits

Emissions units held are treated as intangible assets, and initially recorded at:

Cost in the case of purchased units.

Government granted units are recognised at fair value (initial market value) when there is reasonable assurance that the company will comply with the attached conditions and the grant will be received.

Emissions unit fair value is marked to market (revalued) annually at 30 June subsequent to initial recognition and annually thereafter. The difference between initial fair value or previous annual revaluation and disposal or revaluation value of the units is treated as revenue if positive or expense if negative. Emissions obligations are recognised as a current or future liability depending on the legislated liability period. Emissions liability is recorded at the market value of emissions units at the end of the period. Increases in emissions liabilities at 30 June are treated as expenses and reductions are treated as revenue.

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for restructuring costs are recognised when the group has a detailed formal plan for the restructuring that has been communicated to affected parties.



DUNEDIN CITY HOLDINGS LIMITED

Critical Accounting Estimates and Assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial period include:

- impairment of investments in subsidiaries, associate companies and jointly controlled operations;
- valuation of forestry assets;
- valuation of derivative financial instruments (note 24);
- carrying value of the deferred tax liability.

Discontinued Operations

Discontinued operations consist of business units and other non-core assets that have either been sold or discontinued during the year or are classified as held-for-sale at year end.

Changes in Accounting Policy

There has been no change in accounting policy. Policies for the current year and comparative year have been applied on a consistent basis, as the below standards introduced or amended did not materially impact the Group.

Seasonality of Operations

The profitability and cash flow of the group contains seasonal elements. Some businesses of the group have quite marked seasonal elements, but overall the winter business of the electricity distribution company has a bigger impact on the group than the summer flows of the tourism based business of Taieri Gorge Railway and the summer bias of the Delta Utility Services contracting activity.



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3 OPERATING REVENUE

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Sale revenue	127,105	113,634	219,394
Gain on sale of assets	-	35	20
	<u>127,105</u>	<u>113,669</u>	<u>219,414</u>

4 FINANCIAL INCOME

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Interest on advances to related parties	8,613	12,225	23,596
Interest on other investments	3,363	191	4,066
Dividends	-	-	1
Net gain on foreign currency transactions	-	1,007	1,475
	<u>11,976</u>	<u>13,423</u>	<u>29,138</u>

5 SEPARATELY DISCLOSED EXPENDITURE

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Other expenses			
Bad debts written off	-	-	37
Increase/(decrease) in impairment provision for receivables	2,108	1,207	4,934
Donations	31	-	58
Rental expense on operating leases	1,512	70	2,424
Research expenditure	86	80	134
Other expenditure	62,945	57,230	112,633
Expenditure of continuing activities	<u>66,682</u>	<u>58,587</u>	<u>120,220</u>
Financial Expenses			
Interest - related parties	2,969	2,997	6,062
Interest - term loans	19,614	18,806	38,394
Total financial expenses	<u>22,583</u>	<u>21,803</u>	<u>44,456</u>

6 Dividends

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Interim dividend - December	-	1,500	1,500
Final Dividend - June	-	-	3,048
	<u>-</u>	<u>1,500</u>	<u>4,548</u>



DUNEDIN CITY HOLDINGS LIMITED

7 INCOME TAX

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Operating surplus/(loss)			
- continuing operations	13,381	14,440	19,137
- discontinued operations	125	164	274
Income subject to taxation	13,506	14,604	19,411
Tax thereon at 28%	3,782	4,089	5,435
Plus/(Less) the Tax Effect of Differences			
Revenue not liable for taxation	(122)	(151)	(191)
Expenditure not deductible for taxation	1,359	851	1,725
Imputation credits on taxable dividends	(197)	-	(179)
Under/(over) tax provision in prior years	(83)	(71)	(271)
Other	34	(232)	(60)
Taxation charge	4,773	4,486	6,459
Effective tax rate	35.3%	30.7%	33.3%
The taxation charge is represented by:			
Current tax provision	3,793	3,874	5,748
Deferred tax provision	1,613	588	970
Under/(over) tax provision in prior years	(603)	24	(176)
Under/(over) deferred tax in prior years	(30)	-	(83)
	4,773	4,486	6,459
Tax expense continuing activity	4,738	4,440	6,382
Tax expense discontinued activity	35	46	77
	4,773	4,486	6,459

8 DISCONTINUED OPERATIONS

Net Profit from Discontinued Operations

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Revenue	181	229	382
Total Revenue	181	229	382
Less Expenses			
Impairment of wood processing assets	-	(48)	(80)
Other Expenses	56	113	188
Total Expenses	56	65	108
Net Profit/(Loss) before Income Tax	125	164	274
Income tax benefit	(35)	(46)	(77)
Net Profit/(Loss) from Discontinued Operations	90	118	197

9 EQUITY – Share Capital

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Issued Capital			
965,839,000 ordinary shares	113,389	100	100



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10 RESERVES

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Forest Revaluation Reserve			
Balance at beginning of the period	31,642	29,853	29,853
Net revaluations of forest	-	479	1,811
Net revaluation of forest land	-	-	(22)
Balance at the end of the period	<u>31,642</u>	<u>30,332</u>	<u>31,642</u>

Hedging Reserve

Balance at beginning of the period	(3,322)	1,029	1,029
Gain/(loss) recognised on cash flow hedges:	(581)	-	(1,990)
Interest rate swaps/fx forwards	1,532	(3,458)	(4,055)
Deferred tax arising on hedges	(115)	966	1,691
Gain on settlement of interest rate swaps to equity	(3)	-	3
Balance at the end of the period	<u>(2,489)</u>	<u>(1,463)</u>	<u>(3,322)</u>

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments and foreign exchange transactions that have not yet occurred.

Carbon Credit Reserve

Balance at beginning of the period	2,820	-	-
Transfer from retained earning	-	-	1,288
Gain in carbon credits above initial recognition value	2,052	-	1,532
Balance at the end of the period	<u>4,872</u>	<u>-</u>	<u>2,820</u>

Associate Company Asset Revaluation Reserve

Balance at beginning of the period	10,562	10,501	10,501
Gain/(loss) recognised on cash flow hedges/assets	17	15	61
Balance at end of period	<u>10,579</u>	<u>10,516</u>	<u>10,562</u>

The reserve relates to assets of Dunedin International Airport Limited.

11 ACCUMULATED FUNDS

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Balance at the beginning of the period			
Group companies	125,665	120,410	120,410
Associate companies	<u>7,176</u>	<u>7,176</u>	<u>7,176</u>
	132,841	127,586	127,586
Net profit for the period	8,733	10,118	12,952
Dividend distributions	-	(1,500)	(4,548)
Minority share of surplus	90	66	(50)
Transfer to reserves – forest (note 12)	-	(479)	(1,811)
Transfer to reserves – carbon credit (note 12)	-	-	(1,288)
Balance at the end of the period	<u>141,664</u>	<u>135,791</u>	<u>132,841</u>
<i>Represented by</i>			
Group companies	133,763	128,615	125,665
Associate companies	<u>7,901</u>	<u>7,176</u>	<u>7,176</u>
Balance at the end of the period	<u>141,664</u>	<u>135,791</u>	<u>132,841</u>



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12 RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Operating surplus (deficit)	8,733	10,118	12,952
Share of net surplus/(deficit) in associated companies	(792)	(560)	(853)
<i>Items Not Involving Cash Flows</i>			
Depreciation	13,009	8,684	17,543
Depletion of forest	959	1,433	2,197
Deferred tax	992	113	72
Asset impairment	-	-	4,844
Forest revaluation	-	(665)	(2,515)
(Increase)/Decrease in cash flow hedge valuation	-	-	-
Other non-cash items	1,673	467	(4,534)
<i>Impact of Changes in Working Capital Items</i>			
(Increase)/Decrease in trade and other receivables	5,900	4,056	(2,102)
(Increase)/Decrease in other current assets	(4,084)	(241)	-
(Increase)/Decrease in inventories	(1,716)	(776)	(558)
(Increase)/Decrease in prepayments	109	(665)	(94)
(Increase) /Decrease in tax refund due	(1,980)	737	23
Increase /(Decrease) in trade and other payables	602	4,498	6,079
Increase /(Decrease) in provision for tax	480	1,735	2,681
Increase /(Decrease) in other current liabilities	252	874	(3,003)
<i>Items Classified as Investing or Financing Activities</i>			
Gain on sale of property, plant and equipment	(111)	(366)	(340)
Loss on sale of property, plant and equipment	-	-	-
Items related to development property	-	(1,207)	173
Movement in Capital Creditors	(612)	(2,397)	-
Net cash inflows from operating activities	23,414	25,838	32,565

13 TRADE AND OTHER RECEIVABLES

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Trade receivables	42,704	36,240	44,670
Estimated impairment	(11,973)	(6,138)	(9,865)
	30,731	30,102	34,805
Due from related Parties:			
Subsidiaries			
Other related parties	2,802	4,833	4,887
Other current receivables	1,571	443	1,312
	35,104	35,378	41,004

The estimated impairment provision relates entirely to individually impaired Trade receivable balances.

A Subsidiary has an impaired debt that is going through a mortgage sale process.

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Opening doubtful debts provision	(9,865)	(4,931)	(4,931)
Additional provisions made during the period	(2,108)	(1,207)	(5,031)
Receivables written off during the period	-	-	37
Provisions reversed during the period	-	-	60
Closing doubtful debts provision	(11,973)	(6,138)	(9,865)

14 SHORT TERM BORROWINGS

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Consolidated Group			
Short term borrowing	811	1,542	1,314
Related party borrowings	-	1,180	3,494
	811	2,722	4,808



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15 TRADE AND OTHER PAYABLES

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Trade Payables	21,854	23,392	19,183
Due to related parties			
Dunedin City Council Group	8	2,662	736
	8	2,662	736
Other Payables			
GST payable	989	-	557
Other current liabilities	3,626	2,002	5,399
	4,615	2,002	5,956
	26,477	28,056	25,875

16 EMPLOYEE ENTITLEMENTS/PROVISIONS

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
<u>Current Liabilities</u>			
Long service leave	263	255	260
Annual leave	4,406	3,767	4,016
Gratuities	235	350	290
Sick leave	122	115	122
Other provisions	147	113	149
	5,173	4,600	4,837
<u>Non-Current Liabilities</u>			
Long service leave	265	231	265
Gratuities	129	89	97
	394	320	362

17 INVENTORIES

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Raw materials and stores	3,437	2,973	3,211
Work in progress	3,416	2,382	1,867
Finished goods	-	-	59
	6,853	5,355	5,137

18 OTHER CURRENT ASSETS

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Intangibles - New Zealand carbon credits	9,078	4,168	4,994
	9,078	4,168	4,994

19 INVESTMENTS NON CURRENT

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Loan repayments due from Dunedin City Council			
Maturity one to five years	225,400	214,372	83,152
Maturity over five years	-	131,016	241,169
	225,400	345,388	324,321
Shares and units in other companies and funds	8	11	11



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20 TERM BORROWINGS (secured)

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Current			
Multi-option note facility	141,770	51,686	141,686
Non Current			
Multi-option note facility	439,269	524,262	445,131
Forestry loans	7,165	7,820	6,088
Due to subsidiaries	-	-	-
	<u>446,434</u>	<u>532,082</u>	<u>451,219</u>

The repayment period on the term borrowings is as follows:

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Repayable less than one year	141,770	51,686	141,686
Repayable between one to five years	259,992	412,082	314,380
Repayable later than five years	186,442	120,000	136,839
	<u>588,204</u>	<u>583,768</u>	<u>592,905</u>

21 CONTINGENT LIABILITIES

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Performance bonds	1,220	1,658	1,446

The performance bonds issued are principally in favour of South Island Local Authorities for contract work. There is no indication that any of the above contingent liabilities will crystallise in the foreseeable future.

22 PROPERTY, PLANT AND EQUIPMENT

31 December 2015	Group Land \$'000	Group Forest Land \$'000	Group Buildings \$'000	Group Roads Bridges \$'000	Group Network \$'000	Group Plant Equipment \$'000	Group Sub-Total \$'000
Cost or Valuation							
Balance at beginning of year	10,249	25,567	19,287	6,699	482,769	26,684	571,255
Increase through acquisition	28,526	-	205,550	-	-	15,243	249,319
Purchases/revaluation	120	-	349	428	8,220	800	9,917
Sales	-	-	(22)	-	-	(112)	(134)
Transfers	-	-	-	-	-	-	-
Balance at end of year	<u>38,895</u>	<u>25,567</u>	<u>225,164</u>	<u>7,127</u>	<u>490,989</u>	<u>42,615</u>	<u>830,357</u>
Accumulated Depreciation							
Balance at beginning of year	29	-	4,422	3,732	122,895	17,539	148,617
Increase through acquisition	-	-	26,957	-	-	6,047	33,004
Depreciation	-	-	3,576	85	6,817	1,299	11,777
Impairment	-	-	-	-	-	-	-
Sales	-	-	-	-	-	(109)	(109)
Transfers	-	-	-	-	-	-	-
	<u>29</u>	<u>-</u>	<u>34,955</u>	<u>3,817</u>	<u>129,712</u>	<u>24,776</u>	<u>193,289</u>
Balance at end of period	<u>38,866</u>	<u>25,567</u>	<u>190,209</u>	<u>3,310</u>	<u>361,277</u>	<u>17,839</u>	<u>637,068</u>



DUNEDIN CITY HOLDINGS LIMITED

31 December 2015

	Group	Group Motor	Group Office	Group	Group Railway	Group	Group
	Sub-Total	Vehicles	Equipment	Locomotives	Track	Construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation							
Balance at beginning of year	571,255	24,760	1,727	4,311	409	20,848	623,310
Increase through acquisition	249,319	15	221	-	-	-	249,555
Purchases/revaluation	9,917	1,416	48	92	48	9,046	20,567
Sales	(134)	(450)	(9)	-	-	-	(593)
Transfers	-	-	-	-	-	-	-
Balance at end of year	830,357	25,741	1,987	4,403	457	29,894	892,839
Accumulated Depreciation							
Balance at beginning of year	148,617	13,836	1,318	2,102	184	-	166,057
Increase through acquisition	33,004	6	118	-	-	-	33,128
Depreciation	11,777	1,049	78	104	1	-	13,009
Impairment	-	-	-	-	-	-	-
Sales	(109)	(260)	(8)	-	-	-	(377)
Transfers	-	-	-	-	-	-	-
	193,289	14,631	1,506	2,206	185	-	211,817
Balance at end of period	637,068	11,110	481	2,197	272	29,894	681,022

31 December 2014

	Group	Group Forest	Group	Group Roads	Group	Group Plant	Group
	Land	Land	Buildings	Bridges	Network	Equipment	Sub-Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation							
Balance at beginning of year	11,617	25,574	19,274	6,378	463,357	20,453	546,653
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	-	-	39	4	7,915	570	8,528
Sales	(1,353)	-	-	-	-	(13)	(1,366)
Transfers	-	-	-	-	-	-	-
Balance at end of year	10,264	25,574	19,313	6,382	471,272	21,010	553,815
Accumulated Depreciation							
Balance at beginning of year	110	-	4,155	3,583	110,238	15,851	133,937
Increase through acquisition	-	-	-	-	-	-	-
Depreciation	-	-	139	73	6,572	547	7,331
Impairment	(81)	-	-	-	-	-	(81)
Sales	-	-	-	-	-	(13)	(13)
Transfers	-	-	-	-	-	-	-
	29	-	4,294	3,656	116,810	16,385	141,174
Balance at end of period	10,235	25,574	15,019	2,726	354,462	4,625	412,641

31 December 2014

	Group	Group Motor	Group Office	Group	Group Railway	Group	Group
	Sub-Total	Vehicles	Equipment	Locomotives	Track	Construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation							
Balance at beginning of year	546,653	27,701	1,658	4,347	409	9,258	590,026
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	8,528	1,053	46	-	-	8,300	17,927
Sales	(1,366)	(6,747)	(1)	-	-	-	(8,114)
Transfers	-	-	-	-	-	-	-
Balance at end of year	553,815	22,007	1,703	4,347	409	17,558	599,839
Accumulated Depreciation							
Balance at beginning of year	133,937	16,425	1,232	2,035	184	-	153,813
Increase through acquisition	-	-	-	-	-	-	-
Depreciation	7,331	1,229	47	105	-	-	8,712
Impairment	(81)	-	-	-	-	-	(81)
Sales	(13)	(4,645)	(1)	(51)	-	-	(4,710)
Transfers	-	-	-	-	-	-	-
	141,174	13,009	1,278	2,089	184	-	157,734
Balance at end of period	412,641	8,998	425	2,258	225	17,558	442,105



DUNEDIN CITY HOLDINGS LIMITED

30 June 2015

	Group	Group Forest	Group	Group Roads	Group	Group Plant	Group
	Land	Land	Buildings	Bridges	Network	Equipment	Sub-Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation							
Balance at beginning of year	11,617	25,574	19,274	6,378	463,357	20,453	546,653
Increase through acquisition	-	-	-	-	23,814	19	23,833
Purchases/revaluation	(22)	-	23	334	546	1,392	2,273
Sales	(1,352)	-	(9)	-	-	(142)	(1,503)
Transfer to assets held for sale	-	-	-	-	14	-	14
Balance at end of year	10,243	25,574	19,288	6,712	487,731	21,722	571,270
Accumulated Depreciation							
Balance at beginning of year	110	-	4,155	3,583	110,238	15,851	133,937
Increase through acquisition	-	-	-	-	-	-	-
Depreciation	-	-	277	147	13,358	1,130	14,912
Impairment	(80)	-	-	-	-	-	(80)
Sales	-	-	(9)	-	-	(141)	(150)
Transfer to assets held for sale	-	-	-	-	-	-	-
	30	-	4,423	3,730	123,596	16,840	148,619
Balance at end of year	10,213	25,574	14,865	2,982	364,135	4,882	422,651

30 June 2015

	Group	Group Motor	Group Office	Group	Group Railway	Group	Group
	Sub-Total	Vehicles	Equipment	Locomotives	Track	Construction	Sub-Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation							
Balance at beginning of year	546,653	27,701	1,658	4,347	409	9,258	590,026
Increase through acquisition	23,833	-	-	-	-	11,588	35,421
Purchases/revaluation	2,273	3,934	91	110	-	16	6,424
Sales	(1,503)	(6,874)	(11)	(146)	-	-	(8,534)
Transfer to assets held for sale	14	-	-	-	-	(14)	-
Balance at end of year	571,270	24,761	1,738	4,311	409	20,848	623,337
Accumulated Depreciation							
Balance at beginning of year	133,937	16,425	1,232	2,035	184	-	153,813
Increase through acquisition	-	-	-	-	-	-	-
Depreciation	14,912	2,391	107	213	-	-	17,623
Impairment	(80)	-	-	-	-	-	(80)
Sales	(150)	(4,979)	(11)	(146)	-	-	(5,286)
Transfer to assets held for sale	-	-	-	-	-	-	-
	148,619	13,837	1,328	2,102	184	-	166,070
Balance at end of year	422,651	10,924	410	2,209	225	20,848	457,267

24 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 31 December 2015 Asset \$'000	Group 31 December 2015 Liability \$'000	Group 31 December 2014 Asset \$'000	Group 31 December 2014 Liability \$'000	Group 30 June 2015 Asset \$'000	Group 30 June 2015 Liability \$'000
Group						
<i>Fair Value</i>						
Forward foreign exchange contracts	29	1,558	-	712	-	2,345
Interest rate swaps	19,580	21,391	16,826	17,974	23,571	22,767
	19,609	22,949	16,826	18,686	23,571	25,112
Analysed as:						
Current	676	21,159	16,826	18,686	23,571	23,880
Non Current	18,933	1,790	-	-	-	1,232
	19,609	22,949	16,826	18,686	23,571	25,112

25 CAPITAL EXPENDITURE COMMITMENTS

	Group 31 December 2015 \$'000	Group 31 December 2014 \$'000	Group 30 June 2015 \$'000
Plant and equipment	14,811	14,179	18,791



DUNEDIN CITY HOLDINGS LIMITED

26 FINANCIAL RISK

Dunedin City Treasury Limited provides services and loans to the businesses and the shareholder, co-ordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the group. These risks include market risk, credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements at 30 June 2015. There have been no changes in the risk management strategies or in any risk management policies since year end.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	31 December 2015			Total
	Level 1 NZ \$'000	Level 2 NZ \$'000	Level 3 NZ \$'000	NZ \$'000
Financial assets				
Derivative financial assets		676		676
New Zealand carbon credits	9,078			9,078
	9,078	676		9,754
Financial liabilities				
Derivative financial liabilities		21,159		21,159
	-	21,159	-	21,159

	31 December 2014			Total
	Level 1 NZ \$'000	Level 2 NZ \$'000	Level 3 NZ \$'000	NZ \$'000
Financial assets				
Derivative financial assets		16,826		16,826
New Zealand carbon credits	4,168			4,168
	4,168	16,826		20,994
Financial liabilities				
Derivative financial liabilities		18,686		18,686
	-	18,686	-	18,686

	30 June 2015			Total
	Level 1 NZ \$'000	Level 2 NZ \$'000	Level 3 NZ \$'000	NZ \$'000
Financial assets				
Derivative financial assets		23,571		23,571
New Zealand carbon credits	4,994			4,994
	4,994	23,571		28,565
Financial liabilities				
Derivative financial liabilities		23,880		23,880
	-	23,880	-	23,880

27 EVENTS AFTER BALANCE SHEET DATE

There were no significant events after balance date.



DUNEDIN CITY HOLDINGS LIMITED

Company Directory

Directors

Graham W Crombie

Kathleen E Grant

Linda M Robertson

Brian J Wood

Keith T Cooper

Group Chief Financial Officer

Grant A McKenzie

Registered Office

50 The Octagon
Dunedin
New Zealand

Bankers

ANZ Bank New Zealand Limited

Taxation Advisors

Deloitte

Solicitors

Anderson Lloyd

Auditor

Audit New Zealand on behalf of the Controller and Auditor General

Companies Comprising the Dunedin City Holdings Group

Subsidiary Companies

City Forests Limited
Delta Utility Services Limited
Dunedin City Treasury Limited
Aurora Energy Limited
Taieri Gorge Railway Limited (72% owned)
Dunedin Venues Limited
Dunedin Venues Management Limited

Associate Companies

Dunedin International Airport Limited (50% Owned)