



DUNEDIN CITY HOLDINGS LIMITED

INTERIM REPORT

For the six months ended 31 December 2022

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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 2022.

Overview of results	Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	Unaudited full year to 30 Jun 2022 \$'000
Total revenue	165,344	143,428	281,784
Net profit before tax	10,402	6,878	(2,771)
Income tax	3,305	2,475	688
Net profit after tax	7,097	4,403	(3,459)
Other comprehensive income	15,958	42,359	83,183
Total comprehensive income for the period	23,055	46,762	79,724
Net cash flow from operating activities	29,491	13,839	43,223
Total assets	1,786,475	1,555,641	1,658,003

Dividends

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

Retained earnings and reserves

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

The cash flow hedge reserve has increased by \$15.486 million reflecting a change in the market value of interest and foreign exchange hedge valuations.

The carbon credit reserve has not significantly increased in value and there were no sales of carbon credit units during the period.

Review of operations

Group Overview

This review of operations and the accompanying financial reports cover the first six months of the 2022/2023 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 \$10.402 million.

Directors' report

Total revenue has increased from the same period last year, broadly in line with budget projections. Across the Group operating costs are higher than the same period last year, largely in line with the increase in revenue. This is due to rising operating costs and the cost of borrowing.

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

Activities this period include:

- monitoring the performance of the DCHL Group companies to ensure returns (financial and other) are optimised
- engaging with the DCHL Group companies on their medium term strategies
- communicating with Dunedin City Council with regular reports and on ad hoc matters as required
- providing support for Dunedin Railways
- working with DCTL to add the Local Government Funding Agency to the group's funding sources
- appointing new directors and overseeing a programme of subsidiary board evaluations
- administering the DCHL Graham Crombie Intern Director programme
- participating in the DCHL Group companies' annual planning processes, and providing 2024 expectations guidance for the companies
- seeking opportunities to create synergies, and leverage experience and expertise across the DCHL Group, such as progressing work on carbon emissions and waste reduction strategies.

DCHL Group Company Summaries



DUNEDIN CITY HOLDINGS LIMITED

DCHL parent entity received \$1.5 million in dividends during the six-month period (\$1.0 million from City Forests Ltd, and \$0.5 million from Dunedin International Airport Ltd). This income will be applied to paying \$5.9 million to Council as interest on its shareholder's advance, and funding Dunedin Railways in line with Council instructions. DCHL also anticipates paying a dividend of \$5.5 million to Dunedin City Council prior to 30 June 2023.



Aurora Energy recorded a net profit after tax of \$7.9 million for the period, compared with a budgeted \$7.8 million. Increased revenue was driven by strong customer connections and use of system revenue (excluding pass-through costs). Operating expenses (including network management, operations and maintenance) increased to \$63.9 million (HY21: \$55.1 million), largely due to higher network maintenance expenditure, transmission charges, depreciation charges and interest costs. Asset additions were \$47.2 million (HY21: \$31.0 million) for the half year reporting period. The company continues to fund its investment programme through a combination of operating cashflows and term borrowings from Dunedin City Treasury Ltd. Term borrowings increased by \$22.4 million, from \$438.2 million as at 30 June 2022, to \$460.2 million at 31 December 2022.

Directors' report



City Forests experienced mildly profitable trading conditions and delivered a \$3.2 million profit after tax for the half year period. This is less than that recorded for the same period of the previous year (\$4.0 million) and reflects the weaker log export trading conditions encountered. The market value of carbon credits held by City Forests experienced a slight increase over the period. City Forests paid a budgeted interim dividend of \$1.0 million as well as a capital return to DCHL of \$10.0 million in December 2022.



Delta reported a net profit after tax of \$1.2 million (HY21: \$0.5 million). Total operating revenue of \$58.2 million was \$6.4 million higher than the same period last year, driven off an increase in work plans for Delta's major customers and also due to the nationwide lockdown in August/September 2021's impact on Delta's 2021 (comparative) half year results. However, it has been a challenging operational period for Delta with fuel price increases and inflationary pressures challenging the company's ability to achieve acceptable margins. It has also become evident over the period that price increase mechanisms within Delta's major contracts are not fully reflective of the pressures. All Delta's operational divisions have improvement plans in place, and improving results remains the primary focus of the Delta board. Delta received \$1.9 million in surplus sale proceeds from the Yaldhurst Development during the period (included in net profit for the period).

Dunedin City Treasury Ltd

DCTL experienced an increase in the cost of funds for the DCC Group, with average cost of funding increasing from 3.17% to 3.53% over the six-month period, as wholesale interest rates increased significantly. DCTL continues to manage interest rate risk on behalf of its borrowing entities in line with Dunedin City Council's Treasury Risk Management Policy. DCTL added the Local Government Funding Agency to its borrowing programme during the half year period, which will provide increased diversity of funding sources for the Group.

DUNEDIN STADIUM PROPERTY LTD

DSPL's results for the period were consistent with expectations and with the same period last year.



The effects of the Covid-19 pandemic are still being felt by DVML. Uncertainty of border control affected the company's ability to host major events and the confidence of content providers to book additional events to 31 December 2022. DVML recorded a net deficit before taxation of \$29,000 for the half year period, compared to a \$614,000 net deficit for the same period in the previous year.

Directors' report

DUNEDIN RAILWAYS



DRL made a loss of \$513,000 during the period to 31 December 2022, which was a little lower than expected. The company has been funded by way of equity contributions from DCHL, in line with Council instructions. Dunedin Railways hosted 6,149 passengers across 35 services during the period.



DIAL's performance over the period tracked well ahead of forecast operation due to a faster post-Covid-19 rebound of passenger volumes than expected. Passenger volumes were 26% ahead of forecast. DIAL's operating revenue and surplus were well ahead of budget and prior year performance, with the company reporting a \$2.6 million surplus after tax for the half year period.

Events subsequent to balance date

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

Corporate governance

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

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

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

Outlook

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

Statement of responsibility

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

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

In the opinion of the Directors, the interim financial statements fairly reflect the financial position as at 31 December 2022 and operations for the six months to 31 December 2022 of Dunedin City Holdings Limited Group.

The Directors of Dunedin City Holdings Limited have pleasure in presenting the interim group financial statements, set out on pages 9 to 21, for the six months ended 31 December 2022 and authorises them for issue on 28 February 2023.



Chair



Director

Dunedin City Holdings Limited

Principal activities of the group

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

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

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

Principal activities of the subsidiary and associate companies

- [Aurora Energy Limited](#) owns the electricity network assets of poles, lines, cables, and substations in Dunedin, Central Otago and Queenstown Lakes. Its function is to transfer electricity from the national grid to the end consumer.
- [City Forests Limited](#) owns and or manages approximately 25,226 hectares of land from which forest products are grown, harvested and marketed. Products are sold in both the export and domestic markets.
- [Delta Utility Services Limited's](#) principal activity is the provision of contracting services, which encompasses a broad range of energy and environmental services to local authority and private sector customers. The Company's core business centres on the construction, operation and maintenance of essential energy and environmental infrastructure.
- [Dunedin City Treasury Limited](#) provides the group with funding and financial services and manages the financial risks of the group.
- [Dunedin Stadium Property Limited](#) owns Forsyth Barr Stadium and as such has responsibilities as both a landlord and for ensuring the Stadium is appropriately maintained.
- [Dunedin Venues Management Limited](#) is an event, stadium and facilities management company which currently operates out of the Forsyth Barr Stadium, and the Dunedin Centre/Town Hall Complex.
- [Dunedin Railways Limited](#) operated regular tourist train services prior to Covid-19. The Company is now in a semi-hibernated state, operating a limited schedule of passenger services, and maintaining key assets pending evaluation and consideration of options for the Company and its assets.
- [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 2022 \$'000	Six Months to Dec 2021 \$'000	Year to June 2022 \$'000	Year to June 2021 \$'000 Restated	Year to June 2020 \$'000 Restated
Revenue	165,344	143,428	281,784	291,131	257,964
Profit before subvention and tax	10,402	6,878	(2,771)	33,245	(10,295)
Income tax	3,305	2,475	688	10,840	(2,273)
Net profit after tax	7,097	4,403	(3,459)	22,404	(8,021)
Net interest paid to the Council on advance	2,970	2,951	5,902	5,902	5,902
Profit after tax before shareholder interest	10,067	7,354	2,443	28,306	(2,119)
Cash flows from operating activities	29,491	13,839	43,223	37,769	14,343
Shareholder's funds	458,690	400,206	435,635	353,360	288,226
Shareholder's advance	112,000	112,000	112,000	112,000	112,000
Total shareholder's interest	570,690	512,206	547,635	465,360	400,226
Rate of return (on shareholder funds)	1.5%	1.1%	-0.8%	6.3%	-2.8%
Dividend paid	-	-	-	-	-
Total assets	1,786,475	1,555,641	1,658,003	1,481,647	1,382,970
Shareholder's funds to total assets	25.7%	25.7%	26.3%	23.8%	20.8%

Statement of comprehensive income
For the six months ending 31 December 2022

	Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	full year to 30 Jun 2022 \$'000
Income continuing operations			
Operating revenue	151,961	131,940	262,207
Gain on sale of assets	100	36	-
Interest on advances to related parties	7,007	4,021	8,802
Interest - other	302	111	197
Subvention income	-	-	-
Net gain on foreign currency transactions	-	719	1,095
Dividends	1	-	8
Gain in fair value of forestry land	5,973	6,601	9,475
Total operating revenue	165,344	143,428	281,784
Expenses continuing operations			
Bad debts written off	20	(7)	81
Movement in expected credit losses for receivables	(23)	(39)	(109)
Donations	6	6	25
Lease expense	222	61	2,099
Research expenditure	19	20	4
Employee expenses	38,427	35,202	65,205
Directors remuneration	599	603	1,201
Audit fees	234	181	555
Interest - related parties	2,970	2,975	5,963
Interest - other	17,607	11,005	23,280
Net loss on foreign currency transactions	872	-	-
Depreciation and amortisation	19,386	18,328	35,301
Other expenses	75,903	68,270	151,182
Total operating expenditure	156,242	136,605	284,787
Profit (Loss) from continuing operations	9,102	6,823	(3,003)
Share of associate profit	1,300	55	232
Profit (Loss) before tax	10,402	6,878	(2,771)
Income tax	3,305	2,475	688
Profit (Loss) after tax	7,097	4,403	(3,459)
Attributable to:			
Equity holders of the parent	7,097	4,403	(3,459)
Minority interest	-	-	-

**Statement of comprehensive income
For the six months ending 31 December 2022**

	Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	full year to 30 Jun 2022 \$'000
Profit (Loss) after tax brought forward	7,097	4,403	(3,459)
Other comprehensive income:			
Gain (loss) on forestry land revaluations	-	-	10,156
Gain (loss) on interest rate swap hedges	21,620	31,093	53,740
Gain (loss) on foreign exchange hedges	-	(381)	-
Gain (loss) on carbon credit revaluation	488	27,850	40,167
Other comprehensive income associates	41	44	5,400
Income tax on other comprehensive income	(6,191)	(16,247)	(26,280)
Total other comprehensive income	15,958	42,359	83,183
Total comprehensive income for the period	23,055	46,762	79,724
Attributable to:			
Equity holders of the parent	23,055	46,762	79,724
Minority interest	-	-	-
	23,055	46,762	79,724

Dunedin City Holdings Limited

Statement of changes in equity For the six months ending 31 December 2022

	Share capital \$'000	Retained earnings \$'000	Reserves \$'000	Total equity \$'000
Unaudited				
Equity as at 1 July 2022	131,239	157,953	146,442	435,634
Profit after tax	-	7,097	-	7,097
Other comprehensive income	-	(158)	16,116	15,958
Share capital contribution	-	-	-	-
Distributions to equity holders	-	-	-	-
Equity as at 31 December 2022	131,239	164,892	162,558	458,689
Unaudited				
Equity as at 1 July 2021	128,689	171,735	53,020	353,444
Profit after tax	-	4,403	-	4,403
Other comprehensive income	-	7,880	34,479	42,359
Share capital contribution	-	-	-	-
Equity as at 31 December 2021	128,689	184,018	87,499	400,206
Audited				
Equity as at 1 July 2021	128,689	153,397	71,274	353,360
Profit after tax	-	4,556	(8,015)	(3,459)
Other comprehensive income	-	-	83,183	83,183
Share capital contribution	2,550	-	-	2,550
Equity as at 30 June 2022	131,239	157,953	146,442	435,634

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2022

	<i>Note</i>	Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	Audited full year to 30 Jun 2022 \$'000
Current assets				
Cash and cash equivalents		6,701	25,782	14,346
Derivative financial instruments	6	1,766	156	646
Trade and other receivables		37,806	30,266	32,592
Inventories		6,658	6,761	6,819
Other current financial assets		885	1,915	275
Prepayments		847	671	2,612
Total current assets		54,663	65,551	57,290
Non-current assets				
Other non-current financial assets		409,824	303,302	333,821
Investments in associate companies		41,856	35,493	41,026
Intangible assets - carbon credits		79,297	74,162	78,809
Intangible assets - other		6,440	7,246	6,696
Forestry assets		202,896	201,440	201,362
Property, plant and equipment	4	935,455	847,787	900,812
Right of Use Assets		11,593	11,168	12,188
Derivative financial instruments	6	44,451	9,492	25,999
Total non-current assets		1,731,812	1,490,090	1,600,713
Total assets		1,786,475	1,555,641	1,658,003

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2022

	<i>Note</i>	Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	Audited full year to 30 Jun 2022 \$'000
Current liabilities				
Short term borrowings		1,673	2,588	1,497
Current Portion of Lease Liability		3,263	3,058	3,272
Trade and other payables		31,802	28,182	34,957
Employee entitlements		7,979	8,070	7,507
Accrued expenditure		100	86	-
Derivative financial instruments	6	2,892	2,095	2,342
Provision for tax		4,513	2,464	2,978
Current portion of term borrowing	5	-	-	-
Total current liabilities		52,222	46,543	52,554
Non-current liabilities				
Term borrowing	5	982,868	852,002	891,178
Term Portion of Lease Liability		9,072	8,606	9,147
Shareholders advance - DCC		112,000	112,000	112,000
Employee entitlements		587	638	725
Other non-current liabilities		546	25	359
Derivative financial instruments	6	33,694	24,133	29,618
Deferred taxation		136,796	111,488	126,787
Total non-current liabilities		1,275,563	1,108,892	1,169,814
Total liabilities		1,327,785	1,155,435	1,222,368
Equity				
Share Capital		131,239	128,689	131,239
Retained earnings		164,892	184,018	157,953
Associate company asset revaluation reserve		24,584	18,948	24,304
Cash flow hedge reserve		31,750	(6,389)	16,264
Forest land revaluation reserve		49,840	39,683	49,840
Carbon credit reserve		56,385	35,257	56,035
Total equity		458,690	400,206	435,635
Total liabilities and equity		1,786,475	1,555,641	1,658,003

Dunedin City Holdings Limited

Statement of cash flows For the six months ending 31 December 2022

		Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	Audited full year to 30 Jun 2022 \$'000
	<i>Note</i>			
Cash flow from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		147,459	132,736	260,558
Interest received		6,950	3,538	7,819
Dividend received		512	312	8
		154,921	136,586	268,385
<i>Cash was applied to:</i>				
Suppliers and employees		108,427	111,287	195,940
Finance costs paid		18,741	13,864	29,082
Taxation paid		50	-	1,042
Net GST paid / (received)		(1,788)	(2,404)	(902)
		125,430	122,747	225,162
Net cash flow from operating activities	3	29,491	13,839	43,223
Cash flow from investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		502	1,380	5,389
Carbon credits sold		-	3,131	11,131
Decrease in investments		1,844	7,674	3,456
		2,346	12,185	19,976
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		59,858	30,946	97,862
Increase in investments		78,323	21,822	76,620
		138,181	52,768	174,482
Net cash flow from investing activities		(135,835)	(40,583)	(154,506)
Cash flow from financing activities				
<i>Cash was provided from:</i>				
Call on Capital		10,000	-	2,550
Loans raised		135,000	110,000	174,170
		145,000	110,000	176,720
<i>Cash was applied to:</i>				
Lease liabilities		2,033	2,078	3,070
Loans repaid		44,268	77,375	70,000
Dividends		-	-	-
		46,301	79,453	73,070
Net cash flow from financing activities		98,699	30,547	103,650
Net increase/(decrease) in cash		(7,645)	3,803	(7,633)
Opening cash and cash equivalents		14,346	21,979	21,979
Closing cash and cash equivalents		6,701	25,782	14,346

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

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 2022.

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 2022 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 2022.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2022.

The judgement, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2022.

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

3 Reconciliation of operating profit to net cash flows from operating

	Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	Audited full year to 30 Jun 2022 \$'000
Net profit after tax	7,097	4,403	(3,459)
Share of net profit/(loss) in associated companies	(1,300)	(55)	(232)
<i>Items Not Involving Cash Flows</i>			
Depreciation & amortisation	19,386	18,328	35,301
Depletion of forest	6,651	7,435	13,408
Deferred tax	1,030	987	(2,677)
Asset impairment	-	-	(453)
Forest revaluation	(5,972)	(6,601)	(9,475)
Carbon credit revaluation	-	-	-
(Increase)/Decrease in cash flow hedge valuation	97	(759)	-
Other non-cash items	7,090	(4,264)	36,906
<i>Impact of Changes in Working Capital Items</i>			
(Increase)/Decrease in trade and other receivables	(5,214)	4,054	7,749
(Increase)/Decrease in other current assets	(610)	(794)	846
(Increase)/Decrease in inventories	161	(1,325)	(1,383)
(Increase)/Decrease in prepayments	1,765	893	(426)
Increase /(Decrease) in trade and other payables	(3,155)	(7,698)	(1,005)
Increase /(Decrease) in provision for tax	1,534	1,807	2,321
Increase /(Decrease) in other current liabilities	572	1,086	519
<i>Items Classified as Investing or Financing Activities</i>			
Gain on sale of property, plant and equipment	1,572	532	(5,035)
Loss on sale of property, plant and equipment	-	-	2,287
Investment in Financial Instruments	(1,844)	(7,674)	(31,969)
Movement in capital creditors	631	3,484	-
Net cash inflows from operating activities	29,491	13,839	43,223

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

4 Property, plant and equipment

	Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	Audited full year to 30 Jun 2022 \$'000
Additions	40,251	36,068	104,396
Revaluations	-	-	10,156
Net disposals	(775)	(105)	(3,178)
Capital commitments	49,797	34,520	31,780

There have been no material changes in fair value for all property, plant and equipment asset classes between 30 June 2022 and 31 December 2022.

5 Term borrowings

	Unaudited as at 31 Dec 2022 \$'000	Unaudited as at 31 Dec 2021 \$'000	Audited as at 30 Jun 2022 \$'000
Current	-	-	-
Non Current			
Multi-option note facility	982,868	852,002	891,178
	982,868	852,002	891,178
Total term borrowings	982,868	852,002	891,178

The group has an \$1,200 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 2022

	Unaudited as at 31 Dec 2022 \$'000	Unaudited as at 31 Dec 2021 \$'000	Audited as at 30 Jun 2022 \$'000
Term borrowings			
Promissory notes	232,279	164,474	174,013
Floating rate notes 15/10/22	-	50,000	50,000
Medium term notes 15/11/22*	-	45,000	45,000
Medium term notes 16/10/23*	50,000	50,000	50,000
Floating rate notes 15/02/24	25,000	25,000	25,000
Medium term notes 16/10/24	35,000	35,000	35,000
Floating rate notes 01/04/25	50,000	-	50,000
Floating rate notes 15/10/25	75,000	-	-
Medium term notes 17/7/25	50,000	50,000	50,000
Medium term notes 15/4/26*	65,000	65,000	65,000
Medium term notes 15/3/26	50,000	50,000	50,000
Medium term notes 15/11/26*	55,000	55,000	55,000
Medium term notes 16/11/26	60,000	60,000	60,000
Medium term notes 18/04/28*	110,000	110,000	110,000
Medium term notes 15/11/28*	60,000	-	-
Medium term notes 27/11/28*	100,000	100,000	100,000
Fair value impact on bonds (*)	(34,411)	(7,472)	(27,835)
Total term borrowings	982,868	852,002	891,178
The repayment period on the term borrowings is as follows:			
Repayable less than one year	280,211	259,272	268,667
Repayable between one to five years	460,170	381,581	434,433
Repayable later than five years	242,487	211,149	188,078
	982,868	852,002	891,178

Fair value of borrowings

Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Debt instruments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices.

Directors estimate the fair value of the Company's borrowings as at 31 December 2022 as being \$967,113,932 (December 2021 \$849,735,616).

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

6 Derivative financial instruments

	Unaudited as at 31 Dec 2022 \$'000	Unaudited as at 31 Dec 2021 \$'000	Audited as at 30 Jun 2022 \$'000
Assets			
Interest rate swaps and FX contracts	46,217	9,648	26,645
<i>Analysed as:</i>			
Current	1,766	156	646
Non-Current	44,451	9,492	25,999
	46,217	9,648	26,645
Liabilities			
Interest rate swaps and FX contracts	36,586	26,228	31,960
<i>Analysed as:</i>			
Current	2,892	2,095	2,342
Non-Current	33,694	24,133	29,618
	36,586	26,228	31,960

Derivative financial instruments are recognised at fair value on the date the derivative is entered into and are subsequently re-measured to their fair value.

7 Financial instruments

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

**Notes to the financial statements (unaudited)
For the six months ending 31 December 2022****8 Contingent liabilities**

	Unaudited as at 31 Dec 2022 \$'000	Unaudited as at 31 Dec 2021 \$'000	Audited as at 30 Jun 2022 \$'000
Performance bonds	377	585	377

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

In future years there will be a carbon credit liability against a proportion of the carbon credits sequestered from post-1989 forest areas in accordance with New Zealand Emission Trading Scheme Regulations. A proportion of carbon sequestered from Post-1989 areas will have to be surrendered to compensate for the carbon liability generated from harvesting those forest areas. As at 31 December 2022 the value of the potential liability in future years is unknown due to the variations in the harvesting schedule, carbon reporting periods and the value of carbon to surrender.

10 Subsequent events

There were no significant post balance date events.

Statement of Service Performance For the six months ending 31 December 2022

Performance targets	Outcome achieved
1 Monitor performance of DCHL Group companies to ensure returns (financial and other) are optimised.	Achieved. Monthly and quarterly monitoring of DCHL Group companies has been completed for the year to date.
2 Seek opportunities to create synergies, leverage experience or expertise across DCHL Group, where appropriate.	Achieved. Synergy projects are ongoing across the DCHL Group.
3 Monitor performance of DCHL portfolio as a whole to ensure returns (financial and other) are optimised.	Achieved. Monthly and quarterly monitoring of the consolidated DCHL Group has been completed and quarterly updates provided to Council, for the year to date.
4 Consider strategic issues.	Achieved. An annual review of the ownership and capital structures of the DCHL Group companies will be completed prior to 30 June 2023. One request for capital expenditure approval was considered in the year to date.
5 Provide input on DCHL Group companies' medium to long term strategies.	Achieved. Several DCHL company engagements and one full Chairs meeting has taken place. All remaining DCHL company engagements will be completed prior to 30 June 2023.
6 Review and approve DCHL Group Statements of Intent for consistency with Council's strategic direction.	Achieved. Draft DCHL Group Statements of Intent are currently under review. All DCHL Group Statements of Intent will be reviewed and approved prior to 30 June 2023.
7 Set expectations through annual Letters of Expectation to DCHL Group companies.	Achieved. Annual Letters of Expectation were sent to DCHL Group companies prior to 20 December 2022.
8 Monitor performance of the DCHL Group in measuring, reporting, and reducing carbon emissions and waste.	Achieved. Systems to measure and report carbon emissions are in place. Strategies and targets to reduce carbon emissions and waste will be publicly reported against in the 30 June 2023 Annual Reports.

Statement of Service Performance For the six months ending 31 December 2022

- | | | |
|-----------|---|---|
| 9 | Ensure that all direct employees are paid at living wage or above. | Achieved. All direct employees are paid at living wage or above. |
| 10 | Appoint Directors to DCHL Group companies; appoint Chairs to subsidiary companies. | Achieved. All appointments and re-appointments have been completed on time and in compliance with policy. |
| 11 | Ensure companies are good employers, and operate in an environmentally and socially responsible way. Expect Group companies to maintain ongoing focus on health and safety as a top priority. | Achieved. Appropriate policies and procedures are in place and monthly reporting on key aspects, including health and safety have been completed, for the year to date. |
| 12 | Consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes. | Achieved. All matters requiring escalation to the shareholder were reported in a timely manner. |
| 13 | Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage. | Achieved. All substantive matters were reported to the shareholder within 24 hours of the DCHL Board becoming aware of them. |

Financial forecasts

Financial forecasts are set in the Statement of Intent for the year ending 30 June 2022. The Parent and Group is on track to meet the financial forecasts set.

Dunedin City Holdings Limited

Directory

Directors

Keith T Cooper (Chair)
Richard J Thomson
Susie J Johnstone
Timothy DR Loan

Registered Office

50 The Octagon
Dunedin 9016

Bankers

Westpac Banking Corporation

Solicitors

Anderson Lloyd

Taxation Advisors

Deloitte

Auditor

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

Companies comprising the Dunedin City Holdings group

Subsidiary Companies

Aurora Energy Limited
City Forests Limited
Delta Utility Services Limited
Dunedin City Treasury Limited
Dunedin Stadium Property Limited
Dunedin Venues Management Limited
Dunedin Railways Limited

Associate Company

Dunedin International Airport Limited (50% ownership)