



DUNEDIN CITY HOLDINGS LIMITED

INTERIM REPORT

For the six months ended 31 December 2019

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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 2019.

Overview of results

	Unaudited 6 months to 31 Dec 2019 \$'000	Unaudited 6 months to 31 Dec 2018 \$'000	Audited full year to 30 Jun 2019 \$'000
Total revenue	145,882	138,461	299,583
Net profit before tax	(882)	2,882	10,379
Income tax	309	1,059	6,193
Net profit after tax	(1,191)	1,823	4,186
Other comprehensive income	6,547	(4,666)	(18,722)
Total comprehensive income for the period	5,356	(2,843)	(14,536)
Net cash flow from operating activities	20,312	28,103	31,606
Total assets	1,415,324	1,281,761	1,345,804

Dividends

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

Reserves and accumulated funds

The hedging reserve has increased by \$2.077 million reflecting a change in the market value of interest and foreign exchange hedge valuations.

The carbon credit reserve has increased in value by \$4.525 million being the revaluation of carbon credits held. There were no carbon credits sold during the period.

The change in accumulated funds comprises the after tax loss.

Review of operations

Group Overview

This review of operations and the accompanying financial reports cover the first six months of the 2019/2020 financial year.

The financial results for this reporting period are broadly in line with budget projections. Overall, the Group recorded a pre tax loss of \$882,000.

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

Directors' report

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

Activities this period include:

- monitoring the performance of the DCHL Group companies to ensure returns (financial and other) are optimised
- engaging with the DCHL Group companies on their medium term strategies
- overseeing and supporting Aurora Energy as the Company addresses a number of challenges
- communicating with Dunedin City Council with regular reports and on ad hoc matters as required
- holding a full day Strategy session
- completing 2019 Director appointments
- participating in the DCHL Group companies' annual planning processes
- seeking opportunities to create synergies, and leverage experience and expertise across the DCHL Group.

DCHL Group Company Summaries



DUNEDIN CITY HOLDINGS LIMITED

The parent company returned a net profit before tax for the half year of \$0.270 million, \$0.559 million back on budget projections. The variance to budget is due City Forests paying a smaller interim dividend than anticipated, partially offset by Dunedin Airport paying a larger dividend than budgeted. Total City Forests dividends for FY20 are expected to be as budgeted.



During the period under review, operating revenues of \$58.920 million were \$3.865 million higher, while network operating expenses (including network maintenance, asset management and operations functions) of \$58.806 million were \$5.974 million higher than for the same period last year. The Company recorded a net profit after tax of \$0.066 million (HY 18 \$1.434 million). The focus on capital renewals has continued with capital expenditure at \$26.281 million for the period.



The Company experienced profitable trading conditions albeit reduced from the previous year and delivered an \$5.548m profit before tax for the first six months to the end of December 2019. This is behind budget by \$0.61million. Forest production was on budget with log markets pricing weaker during this period. A December interim dividend of \$2m has been paid to the shareholder. Further acquisition opportunities are under investigation. A number of headwinds are facing the Chinese and Korean economies leading to a softening log market outlook for the second six months. The purchase of the new forest area will be funded from cash flow and / or the sale of carbon credits and existing Company debt funding arrangements.

Directors' report



During the first half of financial year 2019, Delta continued to deliver on its existing long term contracts and managed to secure new work activity with both new and current customers. Total operating revenues of \$49.2 million were \$2.2 million (5%) higher than for the same period last year, largely due to good volumes of Power and Communications work across both Central Otago and the Tasman region. A net profit before tax of \$0.212 million (2018: \$0.530 million) was recorded for the six months ended 31 December 2019. A dividend of \$0.750 million was paid in December 2019. The Directors expect an improvement in results over the second half of FY20.

Dunedin City Treasury Ltd

In the six months to 31 December 2019, Dunedin City Treasury achieved a reduction on the cost of funds which it was able to pass on to the group. The average cost of funding reduced from 3.93% to 3.66% over this six month period. A successful refinancing of a \$50 million Floating Rate Note (FRN) maturity on 15 November 2019 contributed to the reduction in the average cost of funding. The maturity was replaced by issuance of two new Medium Term Notes (MTN's). The new MTNs were issued for terms of three and seven years for amounts of \$45 million and \$55 million with coupons of just 1.51% and 2.09% respectively.

DUNEDIN STADIUM PROPERTY LTD

An operating loss before tax and subventions of \$4.012 million (2018: \$4.558 million) occurred in the six months to 31 December 2019. The main factor influencing the improved result for the period was a reduction in interest costs.



DVML's net surplus before taxation was \$81,000 for the six months to 31 December 2019, compared to a surplus of \$15,000 for the same period in the previous year. Additional revenue relating to rentals and commissions at Forsyth Barr Stadium and the Dunedin Centre, coupled with the timing of Stadium maintenance and marketing expenses, predominantly explains the variance to budget.



Dunedin Railways Limited reported a loss after tax of \$862,000 in the six months to 31 December 2019, compared with a loss after tax of \$444,000 in the same period in the prior year. The Company has a strong seasonal element with the region's higher tourist season from October until April, which typically creates a deficit for the first half of the year. However, passenger numbers have been below budget this season as a result of lower than expected numbers from some cruise ships, some cruise ship cancellations and fewer rail tours.

Directors' report



Dunedin Airport recorded an operating surplus before tax of \$2.910 million (2018: \$2.2.776 million). This increase is representative of increases in both aeronautical and non-aeronautical revenue streams, which have increased by 1.06% and 5.58% respectively. However, these increases in revenue are partially offset by an increase in operating expenditure (4.84% increase for the six months to date) which is primarily caused by increases in staff headcount against the corresponding period in the prior year.

Events subsequent to balance date

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

Corporate governance

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

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

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

Outlook

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

Statement of responsibility

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

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

In the opinion of the Directors, the interim financial statements fairly reflect the financial position as at 31 December 2019 and operations for the six months to 31 December 2019 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 2019 and authorises them for issue on 27 February 2020.



Chair



Director

Dunedin City Holdings Limited

Principal activities of the group

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

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

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

Principal activities of the subsidiary and associate companies

- [Aurora Energy Limited](#) 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 22,544 hectares of land from which forest products are grown, harvested and marketed. Products are sold in both the export and domestic markets.
- [Delta Utility Services Limited's](#) principal activity is the provision of contracting services, which encompasses a broad range of energy and environmental services to local authority and private sector customers. The Company's core business centres on the construction, operation and maintenance of essential energy and environmental infrastructure.
- [Dunedin City Treasury Limited](#) provides the group with funding and financial services and manages the financial risks of the group.
- [Dunedin Stadium Property Limited](#) owns Forsyth Barr Stadium and as such has responsibilities as both a landlord and for ensuring the Stadium is appropriately maintained.
- [Dunedin Venues Management Limited](#) is an event, turf and stadium and facilities management company which currently operates out of the Forsyth Barr Stadium, the Dunedin Centre/Town Hall Complex and the University of Otago Oval.
- [Dunedin Railways Limited](#) operates a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin. The train trip through the Taieri Gorge remains a key attraction for residents, visitors to the region, and for visiting cruise ship passengers.
- [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 2019 \$'000	Six Months to Dec 2018 \$'000	Year to June 2019 \$'000	Year to June 2018 \$'000	Year to June 2017 \$'000
Revenue	145,882	138,461	299,583	290,757	275,073
Profit before subvention and tax	(882)	2,882	10,379	24,253	28,902
Income tax	309	1,059	6,193	8,760	10,390
Net profit after tax	(1,191)	1,823	4,186	15,493	18,512
Net interest paid to the Council on advance	2,951	2,954	5,902	5,902	5,902
Profit after tax before shareholder interest	1,760	4,777	10,088	21,395	24,414
Cash flows from operating activities	20,312	28,103	31,606	31,892	34,416
Shareholder's funds	338,494	342,281	333,138	345,124	320,129
Shareholder's advance	112,000	112,000	112,000	112,000	112,000
Total shareholder's interest	450,494	454,281	445,138	457,124	432,129
Rate of return (on shareholder funds)	-0.4%	0.5%	1.3%	4.5%	5.8%
Dividend paid	-	-	-	-	-
Total assets	1,415,324	1,281,761	1,345,804	1,241,463	1,171,778
Shareholder's funds to total assets	23.9%	26.7%	24.8%	27.8%	27.3%

Dunedin City Holdings Limited

Statement of comprehensive income For the six months ending 31 December 2019

	Unaudited 6 months to 31 Dec 2019 \$'000	Unaudited 6 months to 31 Dec 2018 \$'000	Audited full year to 30 Jun 2019 \$'000
Income continuing operations			
Sales revenue	136,030	132,210	267,744
Gain on sale of assets	42	8	9
Interest on advances to related parties	5,186	5,750	10,543
Interest - other	488	493	954
Gain in fair value of forestry land	4,136	-	20,333
Total operating revenue	145,882	138,461	299,583
Expenses continuing operations			
Bad debts written off	4	(1)	88
Increase in impairment provision for receivables	139	277	317
Donations	6	8	19
Lease expense	804	1,990	4,369
Research expenditure	112	107	214
Employee expenses	32,808	31,977	66,000
Directors remuneration	607	558	1,136
Audit fees	138	142	772
Interest - related parties	2,986	2,971	5,945
Interest - other	13,368	13,594	26,648
Net loss on foreign currency transactions	550	-	799
Depreciation and amortisation	17,202	14,609	29,784
Other expenses	79,093	70,321	154,907
Total operating expenditure	147,817	136,553	290,998
Profit (Loss) from continuing operations	(1,935)	1,908	8,585
Share of associate profit	1,053	974	1,794
Profit (Loss) before tax	(882)	2,882	10,379
Income tax	309	1,059	6,193
Profit (Loss) after tax	(1,191)	1,823	4,186
Attributable to:			
Equity holders of the parent	(950)	1,947	4,220
Minority interest	(241)	(124)	(34)

Dunedin City Holdings Limited

Statement of comprehensive income For the six months ending 31 December 2019

	Unaudited 6 months to 31 Dec 2019 \$'000	Unaudited 6 months to 31 Dec 2018 \$'000	Audited full year to 30 Jun 2019 \$'000
Profit (Loss) after tax brought forward	(1,191)	1,823	4,186
Other comprehensive income:			
Gain (loss) on forestry land revaluations	-	-	4,734
Gain (loss) on interest rate swap hedges	1,588	(8,178)	(25,691)
Gain (loss) on foreign exchange hedges	592	199	497
Gain (loss) on carbon credit revaluation	6,285	4,782	2,846
Other comprehensive income associates	21	(49)	(116)
Income tax on other comprehensive income	(1,939)	(1,420)	(992)
Total other comprehensive income	6,547	(4,666)	(18,722)
Total comprehensive income for the period	5,356	(2,843)	(14,536)
Attributable to:			
Equity holders of the parent	5,597	(2,719)	(14,502)
Minority interest	(241)	(124)	(34)
	5,356	(2,843)	(14,536)

Dunedin City Holdings Limited

Statement of changes in equity For the six months ending 31 December 2019

	Share capital \$'000	Minority interest \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Unaudited					
Equity as at 1 July 2019	123,589	509	66,500	142,540	333,138
Comprehensive income for the period	-	(241)	6,526	(929)	5,356
Distributions to equity holders	-	-	-	-	-
Equity as at 31 December 2019	123,589	268	73,026	141,611	338,494
Unaudited					
Equity as at 1 July 2018	121,039	543	80,470	143,072	345,124
Comprehensive income for the period	-	(124)	(5,995)	3,276	(2,843)
Share capital contribution	-	-	-	-	-
Equity as at 31 December 2018	121,039	419	74,475	146,348	342,281
Audited					
Equity as at 1 July 2018	121,039	543	80,470	143,072	345,124
Comprehensive income for the period	-	(34)	(18,722)	4,220	(14,536)
Transfer to reserves	-	-	4,752	(4,752)	-
Share capital contribution	2,550	-	-	-	2,550
Equity as at 30 June 2019	123,589	509	66,500	142,540	333,138

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2019

	<i>Note</i>	Unaudited 6 months to 31 Dec 2019 \$'000	Unaudited 6 months to 31 Dec 2018 \$'000	Audited full year to 30 Jun 2019 \$'000
Current assets				
Cash and cash equivalents		44,967	15,510	17,374
Other current financial assets		-	13,453	1,319
Derivative financial instruments	6	134	359	-
Trade and other receivables		23,661	20,760	29,916
Taxation refund receivable		5,989	2,755	5,678
Inventories		12,808	12,635	10,890
Other current assets		4,692	1,547	-
Prepayments		1,993	1,430	853
Total current assets		94,244	68,449	66,030
Non-current assets				
Term Receivables		10,545	12,468	11,041
Other non-current financial assets		230,502	195,048	218,510
Investments in associate companies		31,737	31,088	31,841
Intangible assets - carbon credits		33,172	29,677	26,894
Intangible assets - other		1,039	879	951
Forestry assets		165,128	150,473	164,010
Property, plant and equipment	4	809,828	781,932	811,702
Right of Use Assets		26,114	-	-
Derivative financial instruments	6	13,015	11,747	14,825
Total non-current assets		1,321,080	1,213,312	1,279,774
Total assets		1,415,324	1,281,761	1,345,804

The accompanying notes form part of these financial statements

Dunedin City Holdings Limited

Statement of financial position As at 31 December 2019

	<i>Note</i>	Unaudited 6 months to 31 Dec 2019 \$'000	Unaudited 6 months to 31 Dec 2018 \$'000	Audited full year to 30 Jun 2019 \$'000
Current liabilities				
Short term borrowings		1,125	438	620
Current Portion of Lease Liability		3,276	-	-
Trade and other payables		31,759	28,401	30,392
Employee entitlements		7,026	5,765	6,405
Accrued expenditure		8,982	3,207	5,041
Derivative financial instruments	6	106	4,143	956
Provision for tax		6,790	3,666	6,934
Current portion of term borrowing	5	-	-	-
Total current liabilities		59,064	45,620	50,348
Non-current liabilities				
Term borrowing	5	739,101	646,584	690,596
Term Portion of Lease Liability		6,933	-	-
Shareholders advance - DCC		112,000	112,000	112,000
Employee entitlements		857	851	986
Other non-current liabilities		474	573	531
Derivative financial instruments	6	40,858	24,146	43,512
Deferred taxation		117,543	109,706	114,693
Total non-current liabilities		1,017,766	893,860	962,318
Total liabilities		1,076,830	939,480	1,012,666
Equity				
Share Capital		123,589	121,039	123,589
Accumulated funds		141,611	146,348	142,540
Minority interest in subsidiaries		268	419	512
Revaluation reserve		16,733	16,779	16,712
Hedging reserve		(34,094)	(18,674)	(36,077)
Forest revaluation reserve		80,165	65,917	80,165
Carbon credit reserve		10,222	10,453	5,697
Total equity		338,494	342,281	333,138
Total liabilities and equity		1,415,324	1,281,761	1,345,804

The accompanying notes form part of these financial statements

Dunedin City Holdings Limited

Statement of cash flows For the six months ending 31 December 2019

	Note	Unaudited 6 months to 31 Dec 2019 \$'000	Unaudited 6 months to 31 Dec 2018 \$'000	Audited full year to 30 Jun 2019 \$'000
Cash flow from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		153,522	121,412	265,987
Interest received		4,407	5,897	11,154
Income tax refund		2,317	-	486
Dividend received		1,186	704	704
		161,432	128,013	278,331
<i>Cash was applied to:</i>				
Suppliers and employees		124,657	85,136	212,612
Finance costs paid		13,238	14,422	32,990
Taxation paid		2,309	1,126	1,917
Net GST paid / (received)		916	(774)	(794)
		141,120	99,910	246,725
Net cash flow from operating activities	3	20,312	28,103	31,606
Cash flow from investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		129	49	327
Carbon credits sold		-	2,145	7,215
		129	2,194	7,542
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		31,223	38,761	81,475
Increase in loans and advances		-	-	-
Increase in investments		9,533	1,076	16,727
		40,756	39,837	98,202
Net cash flow from investing activities		(40,627)	(37,643)	(90,660)
Cash flow from financing activities				
<i>Cash was provided from:</i>				
Call on Capital		-	-	2,550
Loans raised		47,908	23,077	71,905
		47,908	23,077	74,455
Net cash flow from financing activities		47,908	23,077	74,455
Net increase/(decrease) in cash		27,593	13,537	15,401
Opening cash and cash equivalents		17,374	1,973	1,973
Closing cash and cash equivalents		44,967	15,510	17,374

Notes to the financial statements (unaudited) For the six months ending 31 December 2019

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 2019.

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 2019 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 2019.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2019.

Amendments to NZ IAS 16 *Leases* have been incorporated in these interim financial statements. No material changes were required.

The judgement, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2019.

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2019

3 Reconciliation of operating profit to net cash flows from operating

	Unaudited 6 months to 31 Dec 2019 \$'000	Unaudited 6 months to 31 Dec 2018 \$'000	Audited full year to 30 Jun 2019 \$'000
Net profit after tax	(1,191)	1,823	4,186
Share of net profit/(loss) in associated companies	(1,053)	(974)	(1,794)
<i>Items Not Involving Cash Flows</i>			
Depreciation & amortisation	17,202	14,609	29,784
Depletion of forest	4,860	776	8,860
Deferred tax	1,368	189	5,857
Forest revaluation	(4,136)	-	(20,333)
(Increase)/Decrease in cash flow hedge valuation	(1,202)	-	436
Other non-cash items	1,556	7,565	5,889
<i>Impact of Changes in Working Capital Items</i>			
(Increase)/Decrease in trade and other receivables	6,255	9,156	(2,596)
(Increase)/Decrease in other current assets	(4,692)	(1,547)	-
(Increase)/Decrease in inventories	(1,918)	(1,745)	(1,240)
(Increase)/Decrease in prepayments	(1,140)	(577)	325
(Increase) /Decrease in tax refund due	(311)	2,923	(4,737)
Increase /(Decrease) in trade and other payables	1,367	(1,991)	(3,550)
Increase /(Decrease) in provision for tax	(144)	(3,268)	4,065
Increase /(Decrease) in other current liabilities	4,562	(2,474)	5,653
<i>Items Classified as Investing or Financing Activities</i>			
Gain on sale of property, plant and equipment	(42)	(8)	(134)
Loss on sale of property, plant and equipment	302	480	1,492
Investment in Financial Instruments	-	-	(1,773)
Movement in capital creditors	(1,331)	3,166	1,216
Net cash inflows from operating activities	20,312	28,103	31,606

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2019

4 Property, plant and equipment

	Unaudited 6 months to 31 Dec 2019 \$'000	Unaudited 6 months to 31 Dec 2018 \$'000	Audited full year to 30 Jun 2019 \$'000
Additions	30,528	35,494	90,473
Disposals	(429)	(414)	(1,452)
Capital commitments	42,770	22,737	53,905

There have been no material changes in fair value for all property, plant and equipment asset classes between 30 June 2019 and 31 December 2019.

5 Term borrowings

	Unaudited as at 31 Dec 2019 \$'000	Unaudited as at 31 Dec 2018 \$'000	Audited as at 30 Jun 2019 \$'000
Current	-	-	-
Non Current			
Multi-option note facility	739,101	646,584	690,596
	739,101	646,584	690,596
Total term borrowings	739,101	646,584	690,596

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

Dunedin City Holdings Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2019

	Unaudited as at 31 Dec 2019 \$'000	Unaudited as at 31 Dec 2018 \$'000	Audited as at 30 Jun 2019 \$'000
Term borrowings			
Promissory notes	159,399	169,491	159,313
Floating rate notes 15/5/18	-	-	-
Bonds 17/7/18	-	-	-
Bonds 17/12/18	-	-	-
Floating rate notes 15/11/19	-	50,000	50,000
Floating rate notes 16/10/20	45,000	45,000	45,000
Bonds 16/11/20	50,000	50,000	50,000
Bonds 15/4/21	30,000	30,000	30,000
Bonds 25/11/21	70,000	70,000	70,000
Floating rate notes 15/10/22	50,000	50,000	50,000
Floating rate notes 15/02/24	25,000	25,000	25,000
Bonds 15/11/22	45,000	-	-
Bonds 16/10/24	35,000	35,000	35,000
Bonds 17/7/25	50,000	50,000	50,000
Bonds 15/3/26	50,000	-	50,000
Bonds 15/4/26	65,000	65,000	65,000
Bonds 15/11/26	55,000	-	-
Fair value impact on bonds	9,702	7,093	11,283
Total term borrowings	739,101	646,584	690,596
The repayment period on the term borrowings is as follows:			
Repayable less than one year	-	50,000	209,313
Repayable between one to five years	474,101	481,258	275,623
Repayable later than five years	265,000	115,000	205,660
	739,101	646,584	690,596

Fair value of borrowings

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

Directors estimate the fair value of the group's borrowings as at 31 December 2019 as being \$750,328,356 (December 2018 \$653,220,372).

**Notes to the financial statements (unaudited)
For the six months ending 31 December 2019**

6 Derivative financial instruments

	Unaudited as at 31 Dec 2019 \$'000	Unaudited as at 31 Dec 2018 \$'000	Audited as at 30 Jun 2019 \$'000
Assets			
Interest rate swaps	13,149	12,106	14,825
<i>Analysed as:</i>			
Current	134	359	-
Non-Current	13,015	11,747	14,825
	13,149	12,106	14,825
Liabilities			
Interest rate swaps	40,964	28,289	44,468
<i>Analysed as:</i>			
Current	106	4,143	956
Non-Current	40,858	24,146	43,512
	40,964	28,289	44,468

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

7 Financial instruments

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

8 Contingent liabilities

	Unaudited as at 31 Dec 2019 \$'000	Unaudited as at 31 Dec 2018 \$'000	Audited as at 30 Jun 2019 \$'000
Performance bonds	1,142	990	1,119

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

Statement of Service Performance For the six months ending 31 December 2019

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. Several synergy projects are underway across the DCHL Group, including in the areas of health and safety, and environment.
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 2020. No requests for capital expenditure approval have been made in the year to date.
5 Provide input on DCHL Group companies' medium to long term strategies.	Achieved. Several DCHL company engagements and one full Chairs meeting has taken place. All remaining DCHL company engagements will be completed prior to 30 June 2020.
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 2020.
7 Set expectations through annual Letters of Expectation to DCHL Group companies.	Achieved. Annual Letters of Expectation were sent to DCHL Group companies prior to 31 December 2019.
8 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. One director position has been left vacant by agreement with the fellow shareholder.

Statement of Service Performance For the six months ending 31 December 2019

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|-----------|--|--|
| 9 | Ensure companies are good employers, and operate in an environmentally and socially responsible way. | Achieved. An annual review of policies and procedures, and activities to reduce the carbon footprint of the DCHL Group companies will be completed prior to 30 June 2020. |
| 10 | Consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes. | Achieved. DCHL achieved this measure, although a communication regarding Dunedin Railway's Middlemarch business was not advised in advance to DCHL and therefore could not be escalated to the shareholder in December 2019. |
| 11 | 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 2020. The Parent and Group is on track to meet the financial forecasts set.

Dunedin City Holdings Limited

Directory

Directors

Keith T Cooper (Chair)
Christopher C Hopkins
Kathleen E Grant
Linda M Robertson
Quentin C S Hix

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 (72% ownership)

Associate Company

Dunedin International Airport Limited (50% ownership)