



DUNEDIN CITY HOLDINGS LIMITED

STATEMENT OF INTENT

For the Year Ending 30 June 2025

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1. INTRODUCTION

Dunedin City Holdings Limited (DCHL) is a Council-Controlled Organisation (CCO) owned by Dunedin City Council (the Council).

DCHL oversees eight subsidiary and associate companies that own and manage key city assets and provide benefit to the city. DCHL's portfolio comprises 100% shareholdings in Aurora Energy Ltd, City Forests Ltd, Delta Utility Services Ltd, Dunedin City Treasury Ltd, Dunedin Railways Ltd, Dunedin Stadium Property Ltd and Dunedin Venues Management Ltd. It also owns 50% of Dunedin International Airport Ltd.



This Statement of Intent (SoI) sets out DCHL's planned activities, objectives and financial forecasts for the next three years. It includes performance measures and targets which will be reported against in DCHL's 2025 Annual Report.

2. OBJECTIVES

DCHL's purpose is to achieve the best for Dunedin from its investments. This purpose is supported by more specific strategic objectives and activities, as shown in the company's strategic framework:

To achieve the best for Dunedin from its investments.

STRATEGIC OBJECTIVES

Enhance the value of Council's assets and investment for future generations

Sustainably grow the value of Council's investment portfolio

Provide a sustainable dividend to Council

Contribute to Council's goals for the city

Ensure independence between Council and companies' operations

ACTIVITIES

Monitor performance of DCHL Group companies, and the portfolio as a whole, to ensure performance (financial and other) is optimised

Provide input on DCHL Group companies' medium to long term strategies

Appoint Directors to DCHL Group companies; appoint Chairs of subsidiary companies

Set expectations through annual Letters of Expectation to DCHL Group companies

Review and approve DCHL Group Statements of Intent (Sols)

Seek opportunities to create synergies, leverage experience or expertise across DCHL Group, where appropriate

VALUES

LEADERSHIP

INTEGRITY

STEWARDSHIP

TRANSPARENCY

PRO-ACTIVE

In 2024/2025, DCHL intends to continue to focus on active management of its portfolio, and further development of its long-term strategy to build shareholder value. In this connection, DCHL will:

- Continue to work with the DCC on the possible transition of some Council Controlled Organisations from DCHL to direct DCC investments;
- Continue to work with the DCC in providing forecasts of financial returns and dividends to DCC and ensuring DCHL's dividend policy is appropriate; and
- Continue to provide strategic options, with reference to return on investment and dividends.

DCHL's objectives and targets for the year, as set out in section 4, support this focus.

As a Dunedin City Council Group company, DCHL aims to contribute to the Dunedin City Council's strategic framework and achievement of city objectives.

DCHL has adopted a target to be net zero carbon by 2030, as a contribution to the Council's goal of achieving net carbon neutrality city-wide by 2030. Over the 2025 financial year we will be implementing and building on the roadmap to 2030, developed in 2023. We will engage with our shareholders Dunedin City Council regarding non-controllable emissions and the potential cost of offsetting residual emissions. We will also work with the Dunedin City Council to identify alternative or complementary opportunities to contribute to the Dunedin City Council's goal city-wide net zero carbon goal.

DCHL will continue to promote and administer the Graham Crombie Intern Director Programme. The programme aims to develop governance capability in Dunedin and broaden the city's pool of emerging directors, offering emerging directors the opportunity to gain experience and insight into governance by working alongside an experienced commercial board.

As a CCO, DCHL also has the following objectives, as defined in the Local Government Act 2002:

- a) achieve the objective of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and
- b) be a good employer; and
- c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

DCHL conducts its affairs in accordance with sound business practice.

3. APPROACH TO GOVERNANCE

DCHL is governed by a board of independent directors appointed by the company's shareholder. Directors meet regularly to direct and control DCHL's proceedings.

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

The DCHL board operates in accordance with accepted best practice.

DCHL holds responsibility for appointing directors to the boards of Aurora Energy Ltd, City Forests Ltd, Delta Utility Services Ltd, Dunedin Railways Ltd¹ and Dunedin Venues Management Ltd. DCHL is also responsible for appointing two of the four directors of Dunedin International Airport Ltd, and for appointing the Chair of Dunedin Stadium Property Ltd.

DCHL makes all appointments in accordance with its procedures. This includes giving consideration to a range of factors, including demographic diversity, location, succession planning, stakeholder and

¹ As at 1 July 2020, Dunedin City Council has appointed DCHL directors to the Board of Dunedin Railways Ltd as an interim arrangement. Longer term governance decisions will be made once Council has made further decisions about Dunedin Railways Ltd's future.

community relationships, whether knowledge of tikanga Māori may be relevant, potential actual or perceived conflicts of interest of candidates, and DCHL's objectives for the relevant board.

DCHL are supportive of equal employment opportunities at all levels within the Dunedin City Holdings Ltd Group.

4. NATURE AND SCOPE OF ACTIVITIES

DCHL is responsible for setting the strategic direction of Dunedin City Council's companies as a group, monitoring their operational performance, appointing directors to their boards, providing input to annual planning documents, and providing or withholding approval for transactions where approval is required. These activities are reflected in the company's strategic framework above.

The undertaking by DCHL of any activity of a nature or scope outside of this would be subject to the prior approval of the shareholder.

5. PERFORMANCE TARGETS

The DCHL parent company and/or DCHL group and have the following performance targets:

Strategic Objective	Activity	Target
To encourage and facilitate increased shareholder value of DCHL Group companies	Monitor performance of DCHL Group companies to ensure returns (financial and other) are optimised	- DCHL Board perform a monthly review of DCHL Group companies' operating activities, including financial performance against budget (DIAL quarterly) - DCHL Board monitor DCHL Group companies' progress against their SoI targets quarterly
	Seek opportunities to create synergies, leverage experience or expertise across DCHL Group, where appropriate	Synergies have been made across the DCHL Group
To take a long term and strategic view of the portfolio, and make proposals to Council on strategic issues	Monitor performance of DCHL portfolio as a whole to ensure returns (financial and other) are optimised	- DCHL Board review consolidated DCHL Group financial performance against budget (monthly) - DCHL Board review of DCHL Group companies' rates of return - DCHL Board provide a quarterly update to DCC's Finance and Council Controlled Organisations Committee on the DCHL Group's performance (financial and other)
	Consider strategic issues	- DCHL Board review the ownership and capital structures of the DCHL Group companies (at least annually) - Consider capital expenditure proposals and business cases in accordance with company constitutions and SoIs
	Provide input on DCHL Group companies' medium to long term strategies	- DCHL Board engage with each group company at least annually on strategy - DCHL Board meet with full group of Chairs twice annually
To promote and support DCHL Group companies' contribution to Council's Strategic Framework and Climate Change and Carbon Neutrality initiatives	Review and approve DCHL Group Statements of Intent for consistency with Council's strategic direction	- Review draft SoIs by 1 March 2025 - Approve SoIs by 30 June 2025
	Set expectations through annual Letters of Expectation to DCHL Group companies	Send Letters of Expectation to subsidiary and associate companies by 31 December 2024
	Monitor performance of the DCHL group in measuring, reporting and reducing carbon emissions and waste	Refine and implement DCHL's carbon emissions strategy, and achieve and publicly report progress against our targets for the group

Strategic Objective	Activity	Target
		- Refine and implement DCHL's waste reduction strategy, and achieve and publicly report progress against our targets - Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report for the group
To ensure DCHL Group companies have best practice governance, are good employers, and operate in an environmentally and socially responsible way	Appoint Directors to DCHL Group companies; appoint Chairs to subsidiary companies	Appointments and re-appointments are all completed on time, and in compliance with DCHL and Council policy
	Ensure companies are good employers, and operate in an environmentally and socially responsible way. DCHL expects Group companies to maintain ongoing focus on health and safety as a top priority.	- Ensure DCHL Group companies have appropriate policies and procedures in place - DCHL Board review DCHL Group companies' (including DCHL) ESG disclosures in their Annual Reports.
	Living wage	All direct employees of the company and the group are paid at living wage or above.
	Health and safety	DCHL Board review DCHL Group companies' Health and Safety measures in monthly KPI reporting.
Communicate with the shareholder on a 'no surprises' basis.	Consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes.	- All such matters escalated to the shareholder in a timely manner. - DCHL board provide briefings to Councillors on matters of significance as required.
	Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage.	All such matters reported to the shareholder within 24 hours.

The DCHL board has also identified that the following performance targets of group companies, as set out in their individual Statements of Intent, are significant to the group:

Strategic Objective	Activity	Target
AURORA ENERGY LIMITED		
Manage risks to staff and community through proactive risk management and executing a health safety and wellbeing strategy	Zero serious harm events involving members of the public.	No serious injury events (excluding third party contacts with the network) involving members of the public
	Reduce harm to employees and contractors.	- Total Recordable Injury Frequency Rate (TRIFR) per 200,000 hours worked by Aurora and Contractors - Aurora nil - Contractors <3.25
Develop mature & compliant asset management planning approaches and practices across the business	Effective long-term planning for Aurora Energy's asset portfolio is in place.	Annual and compliant Asset Management Plan is published as per regulatory requirements.

Strategic Objective	Activity	Target
To deliver electricity supplies to consumers on the Aurora network of a reliability standard that meets the service level targets in the Commerce Commission’s decision on Aurora Energy’s Customised Price-Quality Path released 31 March 2021.	SAIDI System Average Interruption Duration Index - Class B Interruptions (Planned)	• Average minutes without electricity per consumer year ended 31 March 2025: ≤ 195.96 minutes
	SAIDI System Average Interruption Duration Index - Class C Interruptions (Unplanned)	• Average minutes without electricity per consumer year ended 31 March 2025: ≤ 124.94 minutes
	SAIFI System Average Interruption Frequency Index - Class B Interruptions (Planned)	• Average frequency of outages per consumer year ended 31 March 2025: ≤ 1.11
	SAIFI System Average Interruption Frequency Index - Class C Interruptions (Unplanned)	• Average frequency of outages per consumer year ended 31 March 2025: ≤ 2.07
CITY FORESTS LIMITED		
To optimise the Net Present Value of the estate in perpetuity with the overall goal of managing the financial returns from the forest on a long-term sustainable basis.	To ensure that the appropriate yield monitoring systems are in place and sufficient forest is available to achieve long term sustainable yield from the forest estate.	• The Company’s annual harvest volumes as detailed in the strategic plan will be within 30% of projected long term sustainable yield.
To be a socially and environmentally responsible corporate citizen and maintain comprehensive environmental and health and safety systems for the Company’s forests and operations.	To minimise lost time accidents, injuries and property damage.	• Lost time accident rates for staff and contractors will be minimised and tracked with a target of less than 15 lost time accidents per 1,000,000 hours worked.
	To maintain Environmental Certification of the Company’s forests. (Currently FSC)	• Forest Stewardship Council Certification of the Forest Estate will be maintained.
DELTA UTILITY SERVICES LIMITED		
Safe and healthy outcomes for our people are expected.	Maintain effective Health and Safety systems and processes supported by positive organisational culture to enable the Company value of Everyone Home Safe, Every Day.	• Total recordable injury frequency rate (TRIFR) per 200,000 hours worked of ≤ 3.50
		• Maintain ISO 45001 Occupational Health and Safety Management System accreditation
DUNEDIN VENUES MANAGEMENT LIMITED		
To increase economic benefit to the Dunedin City and region through major events.	Visitor Marginal Direct Spend target is achieved, determined through a post event patron survey assessed by an independent economist.	• A minimum of \$5m visitor marginal direct spend for Dunedin City per each major event which uses Event Attraction Funding.
		• Achieve minimum 80% satisfaction rating through surveys of all major events (>10,000 pax).
To make safety DVML’s first priority and provide a safe environment.	Report on Safety & Wellness management and provide statistical data at each scheduled Board meeting.	• An Incident Frequency Rate Events (IFRE) < 0.05% of the total number of event attendees across all venues. • Total Incident Rate (TIR) < 6 incidents per 200,000 hours worked. • Total Recordable Incidents (TRI) < 3. • Lost Time Incidents (LTI) < 2.

Strategic Objective	Activity	Target
		Lost Time Incident Frequency Rate (LTIFR) < 17 per 1,000,000 hours worked.
DUNEDIN STADIUM PROPERTY LIMITED		
Forsyth Barr Stadium remains a fit for purpose venue for public and private events	Ensure an Asset Management Plan which enables general use of the stadium, and meets asset warranty and guarantee requirements, is in place.	An Asset Management Plan is in place.
	Ensure assets are appropriately maintained.	A current Building Warrant of Fitness is always maintained for the stadium.
		The Board monitors progress against the Asset Management Plan and material changes to approved budgets.
DUNEDIN RAILWAYS LIMITED		
Provide and efficiently maintain infrastructure to meet the needs of our customers.	Infrastructure maintenance is carried out without affecting train operations. Ensure the future of the company is protected.	- No delays to regular scheduled passenger operations. - Continuation of and further development of the Asset Management Plan.
Ensure health and safety of our people	Reduce harm to employees and contractors.	Lost time incidents are less than two.
DUNEDIN CITY TREASURY LIMITED		
Ensure funds are available to meet obligations.	Manage the liquidity risk of the DCC Group and use a variety of funding sources to achieve appropriate levels of funds as required by the DCC Group.	Zero breaches of DCC Treasury Risk Management Policy's borrowing maturity profile.
Minimise funding costs, while having regards to interest rate risk.	Utilise a portfolio approach to minimise funding costs and manage interest rate risk in accordance with the DCC Treasury Risk Management Policy.	Zero breaches of DCC Treasury Risk Management Policy's interest rate risk policy.
Maximise returns on surplus funds, within acceptable levels of risk.	Securely invest surplus cash available from within the DCC Group, ensuring funds deposited outside the DCC Group are compliant with the DCC Treasury Risk Management Policy.	Zero breaches of DCC Treasury Risk Management Policy's investment management policy.
DUNEDIN INTERNATIONAL AIRPORT LIMITED		
Our infrastructure is fit for purpose now and for the future.	Maintain our assets to ensure no delays caused by DIAL to scheduled passenger operations.	Zero on-time performance (OTP) delays to regular passenger transport (RPT) operations due to airport infrastructure.
Nurture, expand and grow the network.	Optimise and sustainably grow passenger volumes.	Year on year improvement in passenger volumes, with aggregated seat load factors (SLF) in excess of 80%.
We exceed expectations and never compromise on safety.	Strive for 'zero harm' to anyone as a result of our operations.	Nil serious harm to our staff, airport users or contractors.

6. FINANCIAL FORECASTS

This section sets out DCHL Group's financial forecasts for the next three financial years.

The ratio of Shareholder's Funds to Total Assets and the definition of those terms.

	Year ending 30/06/2025	Year ending 30/06/2026	Year ending 30/06/2027
Shareholder's funds to total assets	23%	22%	21%

"Shareholder's Funds" are represented by the paid-up capital, reserves created by the revaluation of specific assets, and retained earnings. "Total Assets" means the aggregate amount of all current and non-current assets.

Estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholder.

	Year ending 30/06/2025 \$'000	Year ending 30/06/2026 \$'000	Year ending 30/06/2027 \$'000
Interest paid to shareholder	5,902	5,902	5,902
Dividend distributions	11,000	11,000	11,000

Other Financial Forecasts – DCHL Group

	Year ending 30/06/2025 \$'000	Year ending 30/06/2026 \$'000	Year ending 30/06/2027 \$'000
EBITDA	130,966	148,305	161,387
Net profit /(loss) after tax	11,898	22,459	28,364
Cash flow from operations	54,419	74,285	84,283
Capital expenditure	103,570	110,032	120,184
Term loans	1,444,487	1,589,487	1,719,487
Shareholder's funds	531,543	548,804	575,410

7. ACCOUNTING POLICIES

General Accounting Policies

The accounting policies recognised by the External Reporting Board (XRB) for the measurement and reporting of financial performance and financial position have been applied on a basis consistent with those used in previous years.

Particular Accounting Policies

The particular accounting policies, which materially affect the measurement and reporting of financial performance and financial position, are consistent across the DCHL group and are fully listed in DCHL's annual report.

8. DIVIDEND POLICY AND FORECAST SHAREHOLDER RETURNS

DCHL's dividend policy is to pay a minimum 60% of the **DCHL parent company's** after-tax profit, subject to the Directors' obligations to act in accordance with their statutory duties and in the best interest of DCHL. The actual level of dividend will be determined by the Directors each year in light of the circumstances that exist at the time.

In arriving at a dividend recommendation, Directors will consider:

- a) DCHL's financial performance, in particular, the cash flows from operations;
- b) The ratio of DCHL's shareholders funds to total assets (equity ratio);
- c) DCHL's future investment plans and profitability thereof;
- d) DCHL's ability to raise loans and the terms thereof;
- e) DCHL's current cost of borrowings; and
- f) The objective to provide a consistent dividend flow to the shareholder.

Any dividend will be paid by 30 June.

This Statement of Intent forecasts dividends to the shareholder of \$11.00m in the 2025 financial year. These dividends will be primarily funded from planned special dividends from City Forests Ltd, rather than based on the after-tax profit of the parent company, as shown below.

DCHL is working with Aurora Energy in relation to the likely timing and quantum of a resumed dividend flow from Aurora to DCHL. We note that dividends payable to DCC are made after meeting interest costs on the Shareholder's Advance (shown below) and term loans, as well as the operating costs of DCHL.

DCHL parent entity financial forecasts

	Year ending 30/06/2025 \$'000	Year ending 30/06/2026 \$'000	Year ending 30/06/2027 \$'000
Key incoming cash			
Dividend income received from subsidiary and associate companies	15,980	11,916	27,700
Capital distribution from City Forests Ltd	-	-	-
Contribution of equity received from Dunedin City Council (for DSPL and DVML)	2,550	2,550	2,550
Key outgoing cash	Year ending 30/06/2025 \$'000	Year ending 30/06/2026 \$'000	Year ending 30/06/2027 \$'000
Contribution of equity made in DSPL and DVML	2,550	2,550	2,550
Interest on shareholder's advance	5,902	5,902	5,902
Dividend distribution to shareholder	11,000	11,000	11,000
Other key financial forecasts	Year ending 30/06/2025 \$'000	Year ending 30/06/2026 \$'000	Year ending 30/06/2027 \$'000
Net profit (loss) after tax	5,930	3,613	19,662
Term loans	25,122	32,619	23,849

Contributions of equity of \$2,550,000 are injected as capital into the DCHL parent, as recommended in the 2015 Stadium Review. It is then injected into Dunedin Stadium Property Limited and Dunedin Venues Management Limited to assist with the operational, capital and debt financing requirements of these companies.

DCHL (parent entity) has funded Dunedin Railways' limited operations by contributions of equity, through FY2022, FY2023 and FY2024, in line with Council directives of May and November 2021. DCHL will continue to fund Dunedin Railways Limited in the amount of \$2m for year ending 30 June 2025.

9. COMMERCIAL VALUE OF THE SHAREHOLDER'S INVESTMENT

The commercial value of the Shareholder's investment in DCHL is considered by the directors to be not less than the Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report. This will be considered annually when the Statement of Intent is completed.

10. TRANSACTIONS WITH RELATED PARTIES

Dunedin City Council is the sole Shareholder of DCHL.

DCHL is the sole Shareholder of Aurora Energy Limited, City Forests Limited, Delta Utility Services Limited, Dunedin City Treasury Limited, Dunedin Railways Ltd, Dunedin Venues Management Limited and Dunedin Stadium Property Limited.

DCHL owns 50% of Dunedin International Airport Limited.

Transactions between the Companies, DCC and other DCC controlled enterprises will be on a wholly commercial basis.

Charges from DCC and its other entities and charges to DCC and its other entities will be made for goods and services provided as part of the normal trading activities of each Company.

Related Party Transactions

Dunedin City Council	Provision of administrative services to DCHL
	Interest on shareholder advance and dividends to DCC
Dunedin City Treasury Limited	Provision of debt funding to DCHL generating interest payments to DCTL
	Provision of management services to DCHL
Group Companies	Subvention and dividends to DCHL

DCHL and its subsidiaries will undertake to obtain all debt funding from DCTL, with exceptions as agreed with the Board of DCHL.

11. OTHER MATTERS AS AGREED BY THE SHAREHOLDER AND THE BOARD

Information to be provided to the shareholder

Information	Quarterly	Half Yearly	Annual
Key financial performance indicators	✓	✓	✓
Statement of Financial Performance		✓	✓
Statement of Financial Position		✓	✓
Statement of Cash Flows		✓	✓
Statement of Movement in Equity		✓	✓
Notes to the Financial Statements		✓	✓
Statement of Service Performance against SoI targets		✓	✓
Directors' Report		✓	✓
Auditors' Report			✓
Draft Statement of Intent			Prior to 1 Mar
Final Statement of Intent			Prior to 30 Jun

Working with the shareholder

DCHL will undertake to keep the shareholder informed of all substantive matters, as set out in the performance targets above. DCHL will work to build a culture of accountability and constructive working practices between DCHL, its subsidiaries and the shareholder. It is expected that any conflicts that may arise will be resolved directly between the shareholder and DCHL, in accordance with appropriate governance practices.

Acquisition / divestment of assets or shares in any company or organisation

DCHL will only invest in the shares of another company or invest in an entity if the investment is considered to be likely to produce added value to DCHL. In order to maximise benefit to the Shareholder, shares or assets may also be sold in response to, or in anticipation of, on-going changes in the marketplace.

If the Directors intend that DCHL or its subsidiaries should acquire assets, they will obtain prior approval of the Shareholder where an investment into the new assets exceeds \$5 million. For the purpose of this section, "asset(s)" includes a group of assets similar in type, cost and useful life that are purchased together and can be identified and maintained as one asset or group of assets following purchase.

If the Directors intend that DCHL or its subsidiaries should subscribe for or otherwise acquire issued capital or an interest in any company or organisation (other than minimum holdings in listed companies in related industries) exceeding a total investment of \$5 million they will obtain prior approval of the Shareholder.

The approval of the Shareholder is required before disposal by DCHL of any segment of its business or shares in a subsidiary or associate company where the value of the asset to be disposed of exceeds the investment delegated authority of \$5 million.

Compensation sought

At the request of the Shareholder, DCHL may undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements would normally be entered into to meet the full commercial cost of undertaking such activities.

At present, DCHL does not have any other activities in respect of which its Board wishes to seek compensation from any local authority.

Group Facility Use

DCHL will undertake "Group" purchasing of goods and services, unless it is demonstrated conclusively to the Shareholder that the total combined cost of such Group purchasing to the Group and Dunedin City Council (including the costs of ceasing any such Group purchasing), is greater than any alternative identified.

Other agreements

DCHL will not accept sponsorship or give naming rights to companies involved in activities deemed to be inconsistent with Dunedin City Council's ethical position. DCHL will work with group companies to develop a sponsorship policy, that aligns with the Council's strategic framework.