
Dunedin City Treasury Limited

Annual Report
2024

Dunedin City Treasury Limited

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Dunedin City Treasury Limited

Directors' report For the year ended 30 June 2024

This report presents Dunedin City Treasury Limited's (the Company's) results for the year ended 30 June 2024.

Principal activities of the Company

The Company's principal activities are to:

- Source debt and on-lend to DCC and its CCO's, and ensure funds are available to meet obligations.
- Minimise funding costs, and maximise return of surplus funds, within agreed acceptable levels of risk.
- Manage financial markets risk and ensure compliance with DCC's Treasury Risk Management Policy.
- Manage financial relationships with third parties.
- Separately, manage the Waipori Fund on behalf of DCC.

Results for the year ended 30 June 2024

	\$'000
Profit before tax	8
Income tax	(6)
Net profit for the year	<u>2</u>

Review of operations

The Company has continued to perform well over the 2023/24 financial year, in what has been an elevated but more stable interest rate environment.

The Company issued five new tranches of term debt over the 2023/24 financial year. The main provider of new term debt was the Local Government Funding Agency or LGFA. In the second half of 2023, the Company arranged LGFA floating rate notes totalling \$125 million for approximate terms of 6 and 7 years. In the first half of 2024, three further tranches of term debt were arranged totalling \$90 million, of which \$50 million was outside of the LGFA. The terms ranged from 1 to 9 years. In July 2024, DCTL arranged another new tranche of term funding of \$50 million for 3 years.

Of the four tranches of new term funding borrowed from the LGFA in the 2024 financial year, three of the new tranches are classified as LGFA's Climate Action Loans. The LGFA Climate Action Loans benefit from a reduced borrowing margin, reflecting progress Dunedin City Council has made toward reducing greenhouse gas emissions.

The Company increased its reliance on Promissory Note funding, increasing the amounts of Promissory Notes on issue from \$203 million as at 30 June 2023, to \$262.5 million as at 30 June 2024. Promissory Note funding is a very cost-effective form of borrowing for the Company. The average rate achieved was +0.059% above the floating benchmark interest rate, increasing from +0.018% in 2023. The average bid coverage ratio was 2.0 times the Promissory Notes tendered, illustrating continued strong investor appetite for DCTL paper although at a higher margin to the floating benchmark interest rate.

Dunedin City Treasury Limited

Directors' report **For the year ended 30 June 2024**

The cost of funds for the Dunedin City Council (DCC) Group increased over the 2023/24 financial year, by 0.31% to 4.50% as at 30 June 2024.

The Company's higher cost of funds in the 2023/24 financial year reflects increased borrowings from the Group at higher prevailing market interest rates compared to previous borrowings conducted by the Company. The RBNZ has left the Official Cash Rate (OCR) unchanged at 5.50% over the financial year but has continued to deliver a hawkish tone over the financial year. Nevertheless, at the time of writing, financial market participants expect the RBNZ will start easing Monetary Policy toward the end of 2024.

The Company's activity is governed by the DCC Treasury Risk Management Policy, which sets out how financial market risks are managed across the Group. The Company maintained compliance with the Policy during the 2024 financial year and continues to manage funds in the best interests of its borrowers.

The Company continues to ensure that funding facilities are spread over time, to help manage funding risk. As at 30 June 2024, the Company had less than \$450 million of outstanding funding due to mature in any forward one-year period.

The Board considers that the Company continues to provide significant benefit to the DCHL Group, DCC and Dunedin ratepayers through its provision of cost-effective funding for the DCC Group.

State of affairs

The Directors are satisfied with the results achieved by the Company and believe that the state of affairs of the Company is satisfactory.

Outlook

The Company is soundly based and conservatively managed. The Board believes that the Company will be able to continue to provide a sound treasury function to the Dunedin City Council Group in the coming years.

Dividends

In line with the Company's dividend policy, the Directors recommend that no dividend be paid.

Financial statements

The audited financial statements for the year ended 30 June 2024 are attached to this report.

Auditors

The Auditor-General has contracted the audit to Audit New Zealand. The total remuneration payable by the Company to the Auditor for the year was \$44,822 (2023: \$36,143).

Dunedin City Treasury Limited

Directors' report For the year ended 30 June 2024

Directors' interests in contracts

No material contracts involving Directors' interests were entered into during the year ended 30 June 2024 or existed at the end of this twelve month period.

Directors' insurance

As allowed by the Company's Constitution, Dunedin City Treasury Limited has arranged policies of Directors' Liability Insurance which, together with a Deed of Indemnity, ensure that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

Directors' benefits

No Director of Dunedin City Treasury Limited has, since the end of the previous financial year, received or become entitled to receive a benefit.

There were no loans from the Company to Directors.

There were no notices from Directors of the Company requesting use of Company information received in their capacity as Directors which would not otherwise have been available to them.

Directors' remuneration

	For the year ended 30 June 2024	For the year ended 30 June 2023
Timothy Loan (Chair, appointed 3 October 2022)	-	-
Richard Thomson (1 July 2020 - 30 June 2024)	-	-
Susan Johnstone (appointed 1 March 2021)	-	-
Christopher Milne (appointed 1 July 2023)	-	-
Greg Anderson (appointed 1 July 2023)	-	-
Keith Cooper (2 May 2015 - 29 February 2024)	-	-
	\$Nil	\$Nil

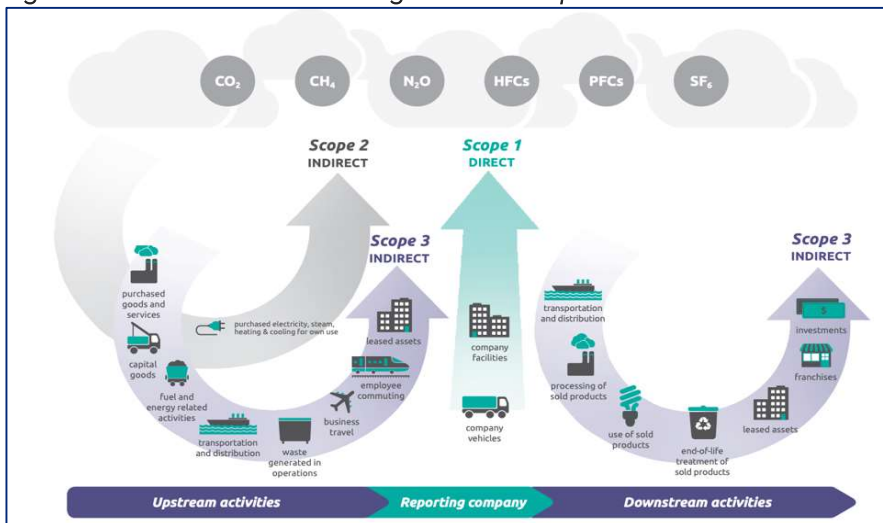
Greenhouse gas emissions summary For the year ended 30 June 2024

During the year we have assessed and measured our Greenhouse Gas (GHG) emissions.

We completed this process in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

We have at this stage focussed on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

Figure 1 Source: GHG Protocol - Figure 1.1 of Scope 3 Standard



Scope 1 emissions are direct emissions that are operationally controlled by DCTL, including:

- Stationary combustion emissions related to LPG heating at DCTL's office.
- Fugitive emissions from refrigerant use within HVAC air conditioning systems at DCTL's office.

Scope 2 emissions are indirect GHG emissions from imported energy, including:

- Purchased electricity that is consumed at DCTL's office.

The Scope 3 emissions: to provide alignment across the Dunedin City Holdings Limited (DCHL) group of companies, a consistent set of Scope 3 emission categories have been applied, which are waste, travel and freight.

Our **Scope 3 emissions** include the following:

- Waste generated at DCTL's office.
- Business travel.

At this stage we have not captured emissions relating to our suppliers and contractors.

We will review which Scope 3 emissions are relevant and appropriate on an ongoing basis, as we continue to measure and report our carbon footprint.

Dunedin City Treasury Limited

Results

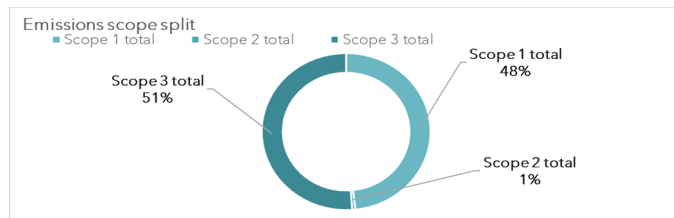
Emissions are reported as tonnes (t) of Carbon Dioxide (CO₂) equivalent (e); or tCO₂-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

DCTL's measured GHG emissions for the year end 30 June 2024 are 1.96 tCO₂-e.

Table 1 Emissions by Scope

Scope	tCO ₂ -e	% of total
Scope 1	0.95	48%
Scope 2	0.01	1%
Scope 3	1.00	51%
Total	1.96	100%

Figure 2 Emissions by Scope



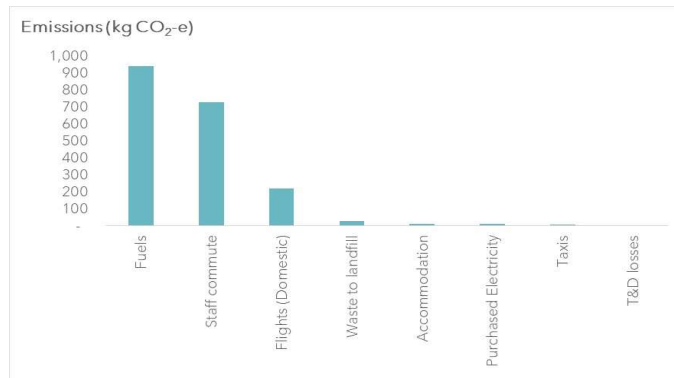
Emissions by Activity

Our top emissions sources are summarised below.

Table 2 Emissions by activity

Category emission source	tCO ₂ -e
Fuels	0.95
Staff Commute	0.73
Flights (domestic)	0.22
Taxis	0.01
Accommodation	0.01
Waste	0.03
Purchased electricity	0.01
Electricity transmission losses	0.00
Total	1.96

Figure 3 Emissions by activity kg CO₂-e



Next Steps

During the coming financial year the Company will be refining its strategy and targets, and continuing its efforts to reduce carbon emissions and waste

The Company has adopted a target to contribute to Dunedin City Council's goal of achieving net carbon neutrality city-wide by 2030. Over the 2025 financial year we will engage with our shareholders DCHL and Dunedin City Council regarding non-controllable emissions and the potential cost of offsetting residual emissions. We will also work with Council to identify alternative or complementary opportunities to contribute to the Dunedin City Council's city-wide net zero carbon goal, as set out in the DCHL Group Carbon Road Map.

Zero carbon

DCHL companies have been directed by the DCC to reduce their organisational footprint. The companies have also committed to working alongside the DCC to support city wide emissions reduction, as set out in the DCHL Carbon Reduction roadmap.

Dunedin City Wide Zero Carbon targets

In 2019, the Council declared a climate emergency and brought forward its climate mitigation targets for the city as a whole. There are two targets as follows:

Dunedin City Treasury Limited

Target 1:

- Net zero carbon by 2030 (excluding biogenic methane):

Net zero carbon means that any greenhouse gases (excluding biogenic methane) emitted into the atmosphere in Ōtepoti Dunedin are in balance with the amount of carbon absorbed out of the atmosphere by trees, also known as sequestration.

Target 2:

- Reduce biogenic methane emissions:

Biogenic methane is methane produced and released from living organisms like plants and animals. In 2021/22, 85% of the Dunedin City Territorial Area biogenic methane was generated by ruminant animals in agriculture, and 15% generated by waste to landfill and wastewater. The city's biogenic *methane reduction targets are the same as the central government targets:*

- 10% reduction from 2017 levels by 2030.
- 24-47% reduction from 2017 levels by 2050.

These two targets apply to the Dunedin City Territorial Area. Emissions are calculated using a predominately production-based methodology- the Global Protocol for Community-Scale Greenhouse Gas Inventories BASIC+. Emissions include those from stationary energy (e.g. electricity, coal, or biomass), transport, waste, industrial processes and product use, and the agriculture and forestry sectors.

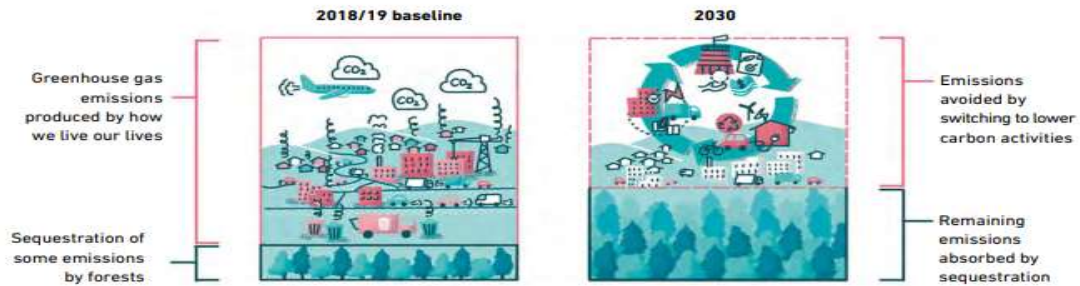
The Global Protocol for Community-Scale Greenhouse Gas Inventories BASIC+ is production-based methodology which means it focusses on the emissions produced within the territorial area (such as petrol vehicles, livestock, and burning LPG in the city). It also includes emissions from electricity use and cross-boundary transport.

Globally produced emissions that relate to consumption in the city are excluded (e.g., embodied emissions relating to products produced elsewhere but consumed within the geographic area, such as imported food products, cars, phones, clothes etc.).

The city's emission footprint is calculated every three years, with the most recent footprint being calculated for the 2021/2022 financial year. The next scheduled footprint calculation will be completed for 2024/25.

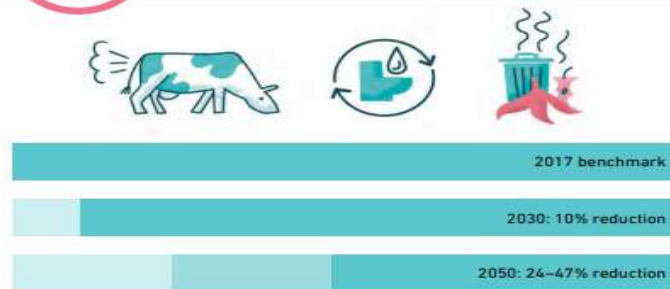
1 Net Zero Carbon by 2030

Dunedin can achieve net zero carbon (excluding biogenic methane) through reducing its total emissions by 40% and increasing its carbon sequestration by 64% upon 2018/19 levels. This would require significant reductions in emissions from transport, stationary energy, agriculture, and industrial processes and product use.



Net zero carbon means that any greenhouse gases (excluding biogenic methane) we emit into the atmosphere in Dunedin are in balance with the amount of carbon absorbed out of the atmosphere by trees, also known as sequestration.

2 Reduce biogenic methane emissions



Dunedin's biogenic methane reduction targets are the same as the central government targets

The **Zero Carbon Plan** sets out how Dunedin can achieve these two targets if everyone works together across the city.

The good news is, people and businesses in Dunedin have already been taking action.

Addressing climate change will take all of us. Work is underway at all levels - from international agreements, to national and city-level action, to organisations and households.

Dunedin City Treasury Limited

Directors' declarations of interest For the year ended 30 June 2024

Director	Responsibilities	Declarations of Interests
Keith T Cooper 02.02.15 - 29.02.24 (Chair 26.02.19 - 29.02.24) (Interests listed as at 29.02.2024)	Non-Executive Director / Chair	Director & Chair, Dunedin City Holdings Limited Director & Chair, Dunedin City Treasury Limited Director & Chair, Dunedin Railways Limited Director, Dunedin Stadium Property Limited Chair, Upper Clutha A&P Society Owner/Director, Littlebrook Farm Limited
Timothy D R Loan 03.10.22 - Present (Chair 29.02.24 - present)	Non-Executive Director / Chair	Director & Chair, Dunedin City Holdings Limited Director & Chair, Dunedin City Treasury Limited Director & Chair, Dunedin Railways Limited Director, Dunedin Stadium Property Limited Director & Shareholder, Abbot Insurance Brokers Southern Ltd Director, Finance Now Ltd (including subsidiary companies: TW Financial Services Operations Ltd, The Warehouse Financial Services Ltd and SBS Money Ltd Director & Shareholder, LWB Holdings Ltd Director, Presbyterian Support Southland Holding Company Ltd Director, Presbyterian Support Southland Retirement Villages Ltd Chair, H&J Smith Holdings Ltd (including subsidiary companies: H&J Smith Ltd, H&J Smith Parking Building Ltd, Outdoor World Ltd, Outdoor Adventures Ltd (dormant), H&J's Hardware Ltd (dormant), Southern Department Stores Ltd (dormant), Shotover Hardware Ltd, Symphony Retailing Ltd, Cross Roads Properties Ltd, H&J.'s Electrical Ltd, H&J's Properties Ltd, H&J Smith Corporate Ltd, H&J Smith Finance Ltd)
Richard J Thomson 1.07.20 - 30.06.24 (Interests listed as at 20.06.2024)	Non-Executive Director	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director & Shareholder, Thomson & Cessford Ltd (T/A Acquisitions) Deputy Chair, Hawksbury Community Living Trust (and subsidiary entities) Trustee, Healthcare Otago Charitable Trust Director, Central Otago Health Services Limited
Susie J Johnstone 1.03.21 - present	Non-Executive Director	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director & Shareholder, Shand Thomson Chartered Accountants Director & Shareholder Johnstone Afforestation Trustee, Dunedin Diocese Trust Board Trustee, Clutha Community Foundation Trustee of various client trusts through Shand Thomson & Abacus Nominee Companies

Dunedin City Treasury Limited

Directors' declarations of interest For the year ended 30 June 2024

Director	Responsibilities	Declarations of Interests
Chris Milne 01.07.24 - present	Non-Executive Director	<p>Director, Dunedin City Holdings Limited</p> <p>Director, Dunedin City Treasury Limited</p> <p>Director, Dunedin Stadium Property Limited</p> <p>Director, Dunedin Railways Limited</p> <p>Director & Shareholder, Murray & Company Limited</p> <p>Chair, CSO Foundation Trust</p>
Greg Anderson 01.07.24 - present	Non-Executive Director	<p>Director, Dunedin City Holdings Limited</p> <p>Director, Dunedin City Treasury Limited</p> <p>Director, Dunedin Stadium Property Limited</p> <p>Director, Dunedin Railways Limited</p> <p>Director, Holmes GP Products Limited (including related entities: Switchback GP Limited, Whoosh GP Limited, Whoosh Hold GP Limited)</p> <p>Director & Shareholder, Northington Partners Limited (including subsidiary companies Northington Agricapital Limited, NPL Investments Limited & NPL No.1 Holdco Limited)</p> <p>Director & Shareholder, Cultivate Ventures GP Limited (including related entity NPL No. 2 LP Limited)</p> <p>Director & Shareholder, NZ Drinks Holdings Limited (including subsidiary NZ Drinks Limited)</p> <p>Director & Shareholder, Hedgebook Limited</p> <p>Director & Shareholder, Stirling Sports Limited</p> <p>Director & Shareholder, Reliable Foundations Holdings Limited (including subsidiary companies and related entities: Reliable Foundations NZ Limited, Reliable Foundations (South Island) Limited, RFL Earthworks NZ Limited, RFL Earthworks (South Island) Limited, Reliable Foundations GP Limited, NPL No.1 LP Limited)</p> <p>Director & Shareholder, Agri Realty Limited</p> <p>Director & Shareholder, Ra Tuatahi No. 1 Limited</p> <p>Trustee, St Margaret's College Foundation</p>

Dunedin City Treasury Limited

Statement of responsibility For the year ended 30 June 2024

The Board of Dunedin City Treasury Limited accept responsibility for the preparation of the annual financial statements and the judgements used in them;

The Board of Dunedin City Treasury Limited 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 Board of Dunedin City Treasury Limited, the annual financial statements for the financial year ended 30 June 2024 fairly reflect the financial position and operations of Dunedin City Treasury Limited.



Chair
26 September 2024



Director
26 September 2024

Dunedin City Treasury Limited

Trend statement

	2024	2023	2022	2021	2020	2019
Financial assets managed by the Company (\$ millions)						
Dunedin City Treasury Limited	1,292	1,105	911	802	733	668
Dunedin City Council Waipori Fund	103	98	95	100	94	93
Total financial assets managed	1,395	1,203	1,006	902	827	761

Dunedin City Treasury Limited

Statement of comprehensive income For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Financial income	1	55,510	39,578
Gain on fair value hedge		9	-
Total income		55,519	39,578
Less Expenses:			
Financial expenses	2	54,827	38,580
Operating expenses	3	684	786
Loss on fair value hedge		-	166
Total expenditure		55,511	39,532
Profit / (loss) before tax		8	46
Income tax	4	6	13
Net profit after tax		2	33
Other comprehensive income:			
Gain/(loss) on cash flow hedges taken to equity		(7,685)	10,681
Gain/(loss) on cash flow hedges to related parties taken to equity		-	(20)
Deferred taxation impact of net cash flow hedge gains		2,152	(2,985)
Total other comprehensive income, net of tax		(5,533)	7,676
Total comprehensive income for the year		(5,531)	7,709

The accompanying notes and accounting policies form an integral part of these financial statements.

Dunedin City Treasury Limited

Statement of changes in equity For the year ended 30 June 2024

	Share Capital \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Equity as at 1 July 2023	100	26,437	347	26,884
Total comprehensive income	-	(5,533)	2	(5,531)
Equity as at 30 June 2024	100	20,904	349	21,353
Equity as at 1 July 2022	100	18,761	314	19,175
Total comprehensive income	-	7,676	33	7,709
Equity as at 30 June 2023	100	26,437	347	26,884

The accompanying notes and accounting policies form an integral part of these financial statements.

Dunedin City Treasury Limited

Statement of financial position As at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Current assets			
Cash and cash equivalents	10	15,650	9,187
Trade and other receivables	11	11,840	9,205
Derivative financial instruments	7	554	585
Prepayments		320	405
Total current assets		28,364	19,382
Non-current assets			
Related Party Advances	5	1,292,439	1,104,770
LGFA Borrower Notes	5	7,250	3,125
Derivative financial instruments	7	29,856	36,596
Total non-current assets		1,329,545	1,144,491
Total assets		1,357,908	1,163,873
Current liabilities			
Short term borrowings	6	3,836	1,802
Accruals	12	14,676	11,845
Derivative financial instruments	7	42	830
Total current liabilities		18,554	14,477
Non-current liabilities			
Term borrowings	6	1,288,354	1,083,813
Derivative financial instruments	7	21,596	28,503
Deferred taxation	4	8,051	10,197
Total non-current liabilities		1,318,001	1,122,513
Total liabilities		1,336,555	1,136,989
Equity			
Share capital	13	100	100
Retained earnings and reserves	14	21,253	26,784
Total equity		21,353	26,884
Total liabilities and equity		1,357,908	1,163,873

The accompanying notes and accounting policies form an integral part of these financial statements.

Dunedin City Treasury Limited

Statement of cash flows For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		201	245
Interest received		52,676	35,183
		<u>52,877</u>	<u>35,428</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		601	789
Interest paid		51,996	31,858
Subvention paid / (received)		<u>52,597</u>	<u>32,647</u>
Net cash inflow/(outflow) from operating activities	21	<u>280</u>	<u>2,781</u>
Cash flow from investing activities			
<i>Cash was provided from:</i>			
Net investments realised		-	-
		<u>-</u>	<u>-</u>
<i>Cash was applied to:</i>			
Net purchase of investments		191,794	197,305
		<u>191,794</u>	<u>197,305</u>
Net cash inflow/(outflow) from investing activities		<u>(191,794)</u>	<u>(197,305)</u>
Cash flow from financing activities			
<i>Cash was provided from:</i>			
Proceeds from borrowings		197,977	196,830
		<u>197,977</u>	<u>196,830</u>
<i>Cash was applied to:</i>			
Repayment of borrowings		-	5,278
		<u>-</u>	<u>5,278</u>
Net cash inflow/(outflow) from financing activities	22	<u>197,977</u>	<u>191,552</u>
Net increase/(decrease) in cash		<u>6,463</u>	<u>(2,972)</u>
Opening cash and cash equivalents		9,187	12,159
Closing cash and cash equivalents	10	<u>15,650</u>	<u>9,187</u>

The accompanying notes and accounting policies form an integral part of these financial statements.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2024

Reporting entity

The financial statements presented here are for the reporting entity Dunedin City Treasury Limited (the Company).

The Company is a Council Controlled Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is a subsidiary of Dunedin City Holdings Ltd which is wholly owned by Dunedin City Council.

The primary objective of the Company is to manage the funding of the Dunedin City Council and its Council Controlled Organisations.

The registered address of the Company is 50 The Octagon, Dunedin.

The financial statements of the Company are for the year ended 30 June 2024.

The Company is a profit-oriented entity.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993. These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates.

Statement of compliance

The Company is a Tier 1 for-profit entity as defined by the External Reporting Board and has reported in accordance with Tier 1 For-profit Accounting standards. These annual financial statements are general purpose financial reports which have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to for-profit orientated entities.

The financial statements were authorised for issue by the Directors on 26 September 2024.

Basis of accounting

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purposes of complying with the NZ GAAP the entity is a for-profit entity.

The financial statements have been prepared on the historic cost basis, except for the revaluation of derivative financial instruments, financial instruments classified as available for sale and financial instruments held for trading.

The cash flows arising from advances held to Dunedin City Council and other Dunedin City Holdings Limited Group entities are presented on a net basis, as either net investments realised or net purchase of investments in the cash flow statement.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. Commitments and contingencies are disclosed exclusive of GST.

Notes to the financial statements For the year ended 30 June 2024

Changes in accounting policy

There have been no changes in accounting policy during the financial period. All accounting policies have been applied consistently to all periods in these financial statements.

Critical judgements and estimates in applying accounting policies

In the application of NZ IFRS the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These are based on historical experience and other various factors and are reviewed on an on-going basis.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year include: the carrying value of the deferred tax liability (note 4), and the valuation of derivative financial instruments (note 7).

The Directors believe that, as at the date of these financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes. However, they do make estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results.

Standards amended or issued during the year

Amendments to NZ IAS 1 – Disclosure of Accounting Policies are effective for annual reporting periods beginning on or after 1 January 2023. This amendment requires entities to disclose their material accounting policy information rather than their significant accounting policies. The amendment has been adopted by the Company.

Standards issued but not yet effective

NZ IFRS 18 - Presentation and Disclosure in Financial Statements issued in May 2024, is effective for the annual reporting periods beginning on or after 1 January 2027, and entities can early adopt this account standard. NZ IFRS 18 sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses. The Company is yet to assess NZ IFRS 18's full impact. The Company will first apply the standard to 30 June 2028 financial statements.

Other new accounting standards have been issued but are not yet compulsory have not been applied to this set of accounts. These standards are to be applied to future financial statements. The impact of the new standards has been assessed as minimal.

**Notes to the financial statements
For the year ended 30 June 2024****1. Financial income****Accounting policy**

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

	2024	2023
	\$'000	\$'000
Interest on advances to related parties	54,212	38,735
Fees from related parties	197	190
Interest on other investments	1,101	653
Total financial income	<u>55,510</u>	<u>39,578</u>

2. Financial expenses**Accounting policy**

All borrowing costs are recognised in the statement of comprehensive income using the effective interest rate method.

	2024	2023
	\$'000	\$'000
Interest and fees - related parties	141	74
Interest and fees - term loans	54,686	38,506
Total financial expenses	<u>54,827</u>	<u>38,580</u>

3. Operating expenses**Accounting policy**

Operating expenses are disclosed by nature below.

Operating expenses are recognised on an accrual basis in the period to which they relate.

	2024	2023
	\$'000	\$'000
Audit fees - for audit of financial statements	44	36
Audit fees - cost recovery from last year's audit	7	-
Related party management fees	360	360
Amortisation	-	-
Other expenses	280	390
Total operating expenses	<u>684</u>	<u>786</u>

**Notes to the financial statements
For the year ended 30 June 2024****4. Taxation****Accounting policy**

Income tax expense includes components relating to both current and deferred tax.

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

Income tax	2024 \$'000	2023 \$'000
Net profit / (loss) before tax	8	46
Tax thereon at 28%	3	13
<i>Plus / (less) the tax effect of differences</i>		
(Revenue)/expenditure not liable for taxation	-	-
Deferred tax adjustment	-	-
Under / (over) tax provision in prior years	3	-
Tax effect of differences	3	-
Tax expense	6	13
The taxation charge is represented by:		
Current tax	-	-
Prior period adjustment - current tax	-	-
Prior period adjustment - deferred tax	3	-
Deferred tax	3	13
Tax expense	6	13

Accounting policy

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2024

Deferred tax liability	Derivatives \$'000	Tax losses \$'000	Total \$'000
Balance as at 30 June 2023	10,246	(49)	10,197
Charge to surplus / (loss)	3	3	6
Charge to other comprehensive income	(2,152)	-	(2,152)
Balance as at 30 June 2024	8,096	(46)	8,051

5. Related Party Advances & LGFA Borrower Notes

Accounting policy

Related Party Advances & LGFA Borrower Notes are recognised and derecognised on a trade date and are measured at cost.

	2024 \$'000	2023 \$'000
<i>Current</i>		
Advances to DCC	-	-
Total current	-	-
<i>Non-current</i>		
Advances to DCC	590,000	459,800
Advances to DCHL Group	702,439	644,970
LGFA Borrower Notes	7,250	3,125
Total non-current	1,299,689	1,107,895
Total Related Party Advances & LGFA Borrower Notes	1,299,689	1,107,895

Maturity analysis

	2024 \$'000	2023 \$'000
The following is a maturity analysis of the Company's advances & borrower notes.		
Maturity within one year	-	-
Effective interest rate	-	-
Maturity one to five years	500	-
Effective interest rate	0.10%	-
Maturity over five years	1,299,189	1,107,895
Effective interest rate	4.53%	3.87%
Total Related Party Advances & LGFA Borrower Notes	1,299,689	1,107,895
Effective interest rate	4.63%	3.87%

The advances are evergreen and the carrying amount approximates their fair value. There have been no indications of impairment relating to any of the advances.

**Notes to the financial statements
For the year ended 30 June 2024****6. Financial Liabilities****Borrowings****Accounting policy**

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

	2024 \$'000	2023 \$'000
<i>Current</i>		
Short term borrowing	1,436	1,502
Related parties	2,400	300
Total current borrowing	3,836	1,802
<i>Non-current</i>		
Promissory notes issued	258,501	202,558
Medium term notes issued	1,029,853	881,255
Total term borrowing	1,288,354	1,083,813
Total borrowings	1,292,190	1,085,615

As at 30 June 2024, the Company had a \$1,600 million multi option instrument issuance facility which is secured against certain assets and undertakings of the Dunedin City Council Group. Debt is raised by issuing medium term notes, floating rate notes or by the issue of promissory notes. In addition, the Company also borrows funds from the New Zealand Local Government Funding Agency.

Three independent banks have provided committed facilities to the amount of \$220 million (2023: \$220 million).

The amount of unamortised premium or (discount) on medium term notes on issue at 30 June 2024 is nil (2023: nil).

The tender of promissory notes under the multi-option facility generally raises debt for a term of three months before being re-tendered. In addition to this, the issue of floating rate notes under the multi-option facility also raises floating rate debt. This type of borrowing is executed at the floating rate at the date of borrowing drawdown or at the start of the floating rate reset and exposes the group to cash flow interest rate risk. Interest rate derivatives are taken out to manage that risk. Floating rate debt is also created by converting fixed rate bond issuance from fixed to floating using interest rate swaps. The credit risk from each derivative is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Borrower notes are subordinated convertible debt instruments that the Company subscribes for an amount equal to 2.5% of the total long-term borrowings from LGFA. LGFA will redeem borrower notes when the Company's related borrowings are repaid or no longer owed to LGFA. At 30 June 2024 the Company had subscribed to \$7.25m of borrower notes. (2023: \$3.125m)

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2024

Term borrowings		2024 \$'000	2023 \$'000
	Interest Rate		
Promissory notes		258,501	202,558
Medium term notes 16/10/23	Coupon rate 0.36%	-	50,000
Floating rate notes 15/02/24	65bp over BKBM	-	25,000
Medium term notes 16/10/24	Coupon rate 3.79%	35,000	35,000
Floating rate notes 01/04/25	30bp over BKBM	50,000	50,000
Medium term notes 17/7/25	Coupon rate 3.61%	50,000	50,000
Floating rate notes 15/10/25	47bp over BKBM	75,000	75,000
Medium term notes 15/4/26	Coupon rate 3.98%	65,000	65,000
Medium term notes 15/3/26	Coupon rate 2.90%	50,000	50,000
Medium term notes 15/11/26	Coupon rate 2.09%	55,000	55,000
Medium term notes 16/11/26	Coupon rate 0.676%	60,000	60,000
Medium term notes 18/04/28	Coupon rate 1.93%	110,000	110,000
Medium term notes 15/11/28	Coupon rate 5.55%	60,000	60,000
Medium term notes 27/11/28	Coupon rate 3.22%	100,000	100,000
Floating rate notes 09/02/30	67bp over BKBM	75,000	75,000
Floating rate notes 09/02/30	78.1bp over BKBM	25,000	25,000
Floating rate notes 15/05/31	75.8bp over BKBM	25,000	25,000
Floating rate notes 15/05/31	92bp over BKBM	100,000	-
Floating rate notes 09/02/30	82.1bp over BKBM	25,000	-
Floating rate notes 14/04/33	99bp over BKBM	20,000	-
Floating rate notes 15/02/27	56bp over BKBM	50,000	-
Floating rate notes 17/02/25	32bp over BKBM	20,000	-
Fair value impact on medium term notes		(20,147)	(28,745)
		<u>1,288,354</u>	<u>1,083,813</u>

Contractual maturity analysis of term borrowings

The following is a maturity analysis of the Company's term borrowings:

Less than one year	343,501	276,728
Effective interest rate	5.57%	4.75%
Later than one year but not more than five	674,853	530,444
Effective interest rate	3.62%	3.33%
Later than five years	270,000	276,641
Effective interest rate	6.45%	5.13%
	<u>1,288,354</u>	<u>1,083,813</u>

While these are the contractual maturities of the Company's term borrowings, the Company expects and has the discretion to refinance term borrowings under the multi option instrument issuance facility. As per the face of the accounts, the Company has therefore determined that all term borrowings are non-current as per the provisions of NZ IAS1.

Fair value of borrowings

Accounting policy

Debt instruments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

Directors estimate the fair value of the Company's borrowings at year end to be as follows:

	2024 \$'000	2023 \$'000
Total borrowings	1,279,506	1,064,422

**Notes to the financial statements
For the year ended 30 June 2024**

7. Derivative financial instruments and hedge accounting

Accounting policy

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company uses interest rate swap contracts to hedge these exposures.

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

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

Derivative financial instruments are recognised at fair value on the date the derivative is entered into and are subsequently re-measured to their fair value. The fair value on initial recognition is the transaction price. Subsequent fair values are based on independent prices quoted in active markets as provided to us from Thomson Reuters data.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The fair value of interest rate swaps is calculated based on pricing using Thomson Reuters data. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The gain or loss from re-measuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or loss. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or loss over the period to maturity.

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

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

Notes to the financial statements
For the year ended 30 June 2024

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

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

Derivative financial instruments	2024 \$'000	2023 \$'000
Assets:		
Interest rate swaps- cash flow hedges - DCC	-	-
Interest rate swaps- cash flow hedges - Bank	29,553	36,722
Interest rate swaps- fair value hedges - Bank	856	459
	<u>30,409</u>	<u>37,181</u>
Liabilities:		
Interest rate swaps- cash flow hedges - Bank	517	-
Interest rate swaps- fair value hedges - Bank	21,121	29,332
	<u>21,638</u>	<u>29,332</u>

The ineffective portion recognised in the statement of comprehensive income that arises from fair value hedges amounts to a gain of \$9 thousand (2023: loss of \$166 thousand). This represents the current year net movement in the value of the fair value hedge swaps of \$8.608 million (gain) and fair value hedge adjustment to debt of \$8.598 million (loss).

8. Interest rate swaps	2024 \$'000	2023 \$'000
The notional principal outstanding with regard to the interest rate swaps is:		
Counterparties outside the group:		
Maturing in less than one year	290,000	117,500
Maturing in between one and five years	610,000	610,000
Maturing after five years	390,000	610,000
	<u>1,290,000</u>	<u>1,337,500</u>
	2024 \$'000	2023 \$'000
Counterparties within the Dunedin City Council group:		
Maturing in less than one year	-	-
Maturing in between one and five years	-	-
Maturing after five years	-	-
	<u>-</u>	<u>-</u>

**Notes to the financial statements
For the year ended 30 June 2024****9. Categories of financial assets and liabilities****Accounting policy**

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

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

Under NZ IFRS 9, all the financial assets and liabilities are measured at amortised cost, fair value through profit or loss, or fair value through Other Comprehensive Income on the basis of the Company's business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

The Company enters into derivative financial instruments to manage its exposure to interest rate risks. There was no change of classification in relation to derivatives, these continue to be measured at fair value through profit or loss.

The Company's Related Party Advances & LGFA Borrower Notes are measured at amortised cost in accordance with IFRS 9.

The Company's other financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables, accruals, short term borrowings, and term borrowings are measured at amortised cost as they meet the conditions under IFRS 9.

Under NZ IFRS 9, the impairment model requires the recognition of impairment provisions based on expected credit losses. It applies to financial assets classified at amortised cost. For trade and other receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the assessment undertaken, no transition adjustment was required.

The carrying amount of financial assets and liabilities in each of the NZ IFRS 9 categories is as follows:

	2024	2023
	\$'000	\$'000
Financial assets measured at amortised cost:		
Cash and cash equivalents (note 10)	15,650	9,187
Trade and other receivables (note 11)	11,840	9,205
Related Party Advances & LGFA Borrower Notes (note 5)	1,299,689	1,107,895
Total financial assets measured at amortised cost	<u>1,327,179</u>	<u>1,126,287</u>
Financial assets at fair value through profit and loss:		
Derivative financial instruments assets (note 7)	<u>30,409</u>	<u>37,181</u>
Financial liabilities measured at amortised cost:		
Accruals (note 12)	14,676	11,845
Borrowings (note 6)	1,292,190	1,085,615
Total financial liabilities measured at amortised cost	<u>1,306,866</u>	<u>1,097,460</u>
Financial liabilities at fair value through profit and loss:		
Derivative financial instrument liabilities (note 7)	<u>21,638</u>	<u>29,332</u>

Notes to the financial statements For the year ended 30 June 2024

The Company has historically held related party advances at amortised cost on the basis that advances are held to collect contractual cash flows and those cash flows are solely payments of principal and interest. The Company has reviewed the terms of its related party advances and concluded that, due to the structure of the interest charge and the annual interest rate adjustment, some cash flows may not meet the definition of 'solely payments of principal and interest' as defined by NZ IFRS 9 Financial Instruments, and therefore advances should be recorded at fair value.

It has been determined that if the Company were to report related party advances at fair value it would have recognised an unrealised fair value gain of \$18.5m in profit and loss in the year ended 30 June 2024 (2023: fair value loss of \$9.9m).

The directors have elected to report related party advances at amortised cost on the basis that:

- This will provide greater clarity for users of the financial statements of the Company as recognising unrealised gains or losses on fair value would give rise to significant volatility year on year. These gains or losses would never be realised since all advances are held to collect and there are no foreseeable circumstances in which they would be sold.
- Since balance date, the Company has made adjustments to its related party lending arrangements so that they meet the requirements of NZ IFRS 9 to record related party advances at amortised cost.

Fair Value Hierarchy Disclosures

Accounting policy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2024

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Carrying Value	Fair Value	Valuation Technique		
			Quoted market price \$000	Observable inputs \$000	Non- observable inputs \$000
30 June 2024					
Cash and cash equivalents	15,650	15,650	-	15,650	-
Trade and other receivables	11,840	11,840	-	-	11,840
Related Party Advances & LGFA Borrower Notes	1,299,689	1,299,689	-	1,299,689	-
Derivative financial assets	30,409	30,409	-	30,409	-
Accruals	14,676	14,676	-	-	14,676
Borrowings	1,292,190	1,279,506	-	1,279,506	-
Derivative financial liabilities	21,638	21,638	-	21,638	-
30 June 2023					
Cash and cash equivalents	9,187	9,187	-	9,187	-
Trade and other receivables	9,205	9,205	-	-	9,205
Related Party Advances & LGFA Borrower Notes	1,107,895	1,107,895	-	1,107,895	-
Derivative financial assets	37,181	37,181	-	37,181	-
Accruals	11,845	11,845	-	-	11,845
Borrowings	1,085,615	1,064,422	-	1,064,422	-
Derivative financial liabilities	29,332	29,332	-	29,332	-

10. Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise of cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

	2024 \$'000	2023 \$'000
Cash at Bank	15,650	9,187
Short term deposits	-	-
	<u>15,650</u>	<u>9,187</u>

The carrying amount of these assets approximates their fair value.

The weighted average effective interest rate for cash at bank is 5.50% (2023: 4.04%).

Notes to the financial statements For the year ended 30 June 2024

11. Trade and other receivables

Accounting policy

Trade and other receivables are financial instruments that are measured at amortised cost using the effective interest method.

	2024	2023
	\$'000	\$'000
Interest due from related parties - DCHL Group	3,671	3,425
Interest and fees due from related parties - DCC	5,607	3,891
Other current receivables	2,562	1,888
	<u>11,840</u>	<u>9,205</u>

The Directors consider that the carrying amount of the trade and other receivables approximates their fair value. There have been no indicators of impairment.

No accounts receivable at balance date are past due.

12. Accruals

Accounting policy

Accruals are stated at cost.

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

	2024	2023
	\$'000	\$'000
Due to related parties	2,313	1,793
Accruals	12,363	10,052
	<u>14,676</u>	<u>11,845</u>

The Directors consider that the carrying amount of accruals approximates their fair value.

13. Equity - share capital

	2024	2023
	\$'000	\$'000
Issued capital - 100,000 ordinary shares	100	100

On incorporation, Dunedin City Treasury Limited issued 100,000 ordinary shares in favour of the Dunedin City Holdings Limited.

All shares have a par value of \$1.

**Notes to the financial statements
For the year ended 30 June 2024**

14. Retained earnings and reserves

	2024	2023
	\$'000	\$'000
Retained earnings at the beginning of the year	347	314
Net profit after tax for the year	2	33
Balance at the end of the year	349	347
Hedge reserve at the beginning of the year	26,437	18,761
Gain / (loss) of cash flow hedges taken to equity	(7,685)	10,681
Gain / (loss) of cash flow hedges to related parties taken to equity	-	(20)
Deferred taxation impact of net cash flow hedge gains	2,152	(2,985)
Balance at the end of the year	20,904	26,437
Total retained earnings & reserves	21,253	26,784

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

15. Financial instrument risks

Accounting policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In the normal course of business the Company is exposed to a variety of financial risks. The Company is risk averse and seeks to minimise exposure from its treasury activities. Dunedin City Council has established a Treasury Risk Management Policy covering both investment and borrowing policies, that the Company is required to comply with. This policy does not allow any transactions to be entered into that are speculative in nature.

Risk	Exposure arising from	Monitoring	Management
Market/Interest Rate risk	Interest bearing liabilities at floating rates	Cash flow forecasting	Interest rate derivatives to achieve specific fixed rate maturity profile
Credit risk	Loss that could accrue from the non-settlement of financial transactions	Regular external credit limit reviews	Individual and maximum counterparty credit limits. Specific limit calculations for individual financial instruments recognising potential changes in fair value of the instrument
Liquidity risk	Unforeseen events that may curtail cash flows	Cash flow forecasting Management reporting on maturity profile	Regular cash flow forecasting Ensuring sufficient size of underwriting facilities No more than \$450,000,000 to mature in any single year. Spreading of underwriting facilities, floating rate and fixed rate note issues

Notes to the financial statements For the year ended 30 June 2024

Risk	Exposure arising from	Monitoring	Management
Liquidity risk (cont'd)		Management reporting on percentage of funding beyond specific term	a target of at least 20% of debt must mature greater than five years

Market Risk

The interest rates on the Company's Related Party Advances & LGFA Borrower Notes are disclosed in note 5 and on the Company's borrowings in note 6.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits, at fixed interest rates and derivatives at fixed interest rates.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cash flow interest rate risk. The Company manages the interest rate risk by using derivatives to convert floating interest to fixed interest.

Interest Rate Risk

Nature of the risk

Interest rate risk is the risk that fluctuations in interest rates impact the Company's financial performance or the fair value of its holding of financial instruments.

Risk Management

The Company has exposure to interest rate risk. The Company maintains the Fixed Rate Maturity Profile outlined in the Dunedin City Council Treasury Risk Management Policy.

Exposure

Each Company with material debt within the Dunedin City Council group previously had its own interest rate risk management policy approved by its own board or Council.

Under the Dunedin City Council Treasury Risk Management Policy, the Company utilises a portfolio approach to manage interest rate risk for the group. Other group companies and the Council are precluded from entering into financial transactions with external counterparties.

Notes to the financial statements For the year ended 30 June 2024

Sensitivity Analysis

As at 30 June 2024 if interest rates moved by plus or minus 1% across the yield curve the impact on the profit and loss would be nil and the movement in equity would also be nil. This is because the impact of any interest rate movements from third parties is reflected in the interest rates charges to members of the Dunedin City Council Group.

Credit Risk

Nature of the risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

Risk Management

The Company has processes in place to review the credit quality of borrowers prior to the granting of credit. The Company also has processes in place to review the credit quality of counterparty banks to ensure they maintain an investment grade rating.

Exposure

The Company's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 10), Related Party Advances & LGFA Borrower Notes (note 5) and trade receivables (note 11). The credit risk on liquid funds and derivative financial instruments is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies.

Exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is spread among the approved counterparties.

Contracts have been entered into with various counterparties that have approved and satisfactory credit ratings, and in accordance with dollar limits set in the Dunedin City Council Treasury Risk Management Policy.

Industry and product concentrations are determined by the activities within the Dunedin City Council Group.

There is no security held over cash equivalents, trade receivables and related party loans.

Maximum exposure to credit risk

The Company's maximum credit risk exposure for each class of financial instrument is as follows:

	2024 \$'000	2023 \$'000
Cash & cash equivalents	15,650	9,187
Trade and other receivables	11,840	9,205
Related party loans & LGFA Borrower Notes	1,299,689	1,107,895
Derivative financial assets	30,409	37,181
Total credit risk	1,357,588	1,163,468

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2024

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings.

	AA+ \$'000	AA \$'000	AA- \$'000	No rating \$'000
Current year 30 June 2024				
<i>Counterparties with credit ratings</i>				
Cash and cash equivalents AA-			15,650	
Trade & other receivables – related parties AA		5,607		
Trade & other receivables AA-			2,562	
LGFA Borrower Notes	7,250			
Derivative financial instruments – related parties AA		-		
Derivative financial instruments AA-			30,409	
Loans to related parties AA		590,000		
<i>Counterparties without credit ratings</i>				
Trade & other receivables - related parties				3,671
Loans to related parties				702,439
Derivative financial instruments - related parties				-
Last year 30 June 2023				
<i>Counterparties with credit ratings</i>				
Cash and cash equivalents AA-			9,187	
Trade & other receivables – related parties AA		3,891		
Trade & other receivables AA-			1,888	
LGFA Borrower Notes	3,125			
Derivative financial instruments – related parties AA		-		
Derivative financial instruments AA-			37,181	
Loans to related parties AA		459,800		
<i>Counterparties without credit ratings</i>				
Trade & other receivables - related parties				3,425
Loans to related parties				644,970
Derivative financial instruments - related parties				-

There have been no defaults during the year from counterparties without credit rating (2023: nil).

Liquidity Risk

Nature of the risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due.

Risk Management

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available. The Company has committed bank lines available that can be drawn of \$220 million (2023: \$220 million).

Notes to the financial statements For the year ended 30 June 2024

Exposure

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and includes interest receipts.

Where the amount payable is not fixed, the amount disclosed in the analysis below is determined by reference to the conditions existing at balance date. The swap settlement rate as at 30 June 2024 was 5.630% (2023: 5.705%).

Contractual maturity analysis of financial assets

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	No maturity
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
2024 year							
Cash & cash equivalents	15,650	15,650	15,650	-	-	-	-
Trade & other receivables	11,840	11,840	11,840	-	-	-	-
Derivative financial assets	30,409	(31,146)	(10,486)	(6,346)	(8,277)	(6,037)	-
Related Party Advances & LGFA Borrower Notes	1,299,689	1,299,689	-	500	-	6,750	1,292,439
Total	1,357,588	1,296,033	17,004	(5,846)	(8,277)	713	1,292,439
2023 year							
Cash & cash equivalents	9,187	9,187	9,187	-	-	-	-
Trade & other receivables	9,205	9,205	9,205	-	-	-	-
Derivative financial assets	37,181	(41,053)	(13,818)	(9,143)	(9,812)	(8,279)	-
Related Party Advances & LGFA Borrower Notes	1,107,895	1,107,895	-	-	-	3,125	1,104,770
Total	1,163,468	1,085,234	4,574	(9,143)	(9,812)	(5,154)	1,104,770

Contractual maturity analysis of financial liabilities

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	No maturity
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
2024 year							
Accruals	14,676	14,676	14,676	-	-	-	-
Derivative financial liabilities	21,638	17,057	7,649	4,636	4,833	(60)	-
Borrowings	1,292,190	979,092	289,491	203,221	461,389	24,991	-
Total	1,328,504	1,010,825	311,815	207,857	466,222	24,931	-
2023 year							
Accruals	11,845	11,845	11,845	-	-	-	-
Derivative financial liabilities	29,332	25,056	8,920	6,288	9,451	397	-
Borrowings	1,085,615	983,369	290,847	66,228	448,285	178,009	-
Total	1,126,792	1,020,270	311,612	72,516	457,736	178,406	-

The maturity profiles of the Company's interest bearing Related Party Advances & LGFA Borrower Notes and borrowings are disclosed in notes 5 and 6 respectively.

Notes to the financial statements For the year ended 30 June 2024

Currency Market Risk

The Company has no currency market risk. The Company does not invest or borrow in foreign currencies.

Capital Management

The Company's capital is its equity, which comprises issued capital and retained surpluses. Equity is represented by net assets.

The Company's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

16. Imputation credit account

	2024 \$'000	2023 \$'000
Imputation credits available for use in subsequent periods	103	103

17. Contingent liabilities

	2024 \$'000	2023 \$'000
Performance bonds	761	402

The performance bonds issued are 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.

18. Contingent assets

The Company has no contingent assets (2023: nil).

19. Commitments

The Company has no capital expenditure commitments (2023: nil).

The Company has no non-cancellable operating leases (2023: nil).

The level of committed facilities undrawn at 30 June 2024 amounts to \$220.0 million (2023: \$220.0 million).

20. Related party transactions

Dunedin City Treasury Ltd is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

Dunedin City Treasury Limited undertakes transactions with Dunedin City Holdings Limited Group and Dunedin City Council. The Company provided services to the Group in respect of the following transactions:

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2024

	2024 \$'000	2023 \$'000
Sales of services to the Group:		
Interest income - DCC	24,204	15,540
Interest income - DCHL	939	670
Interest income - Aurora Energy Ltd	23,023	17,649
Interest income - City Forests Ltd	1,645	1,083
Interest income - Delta Utility Services Ltd	523	542
Interest income - Dunedin Stadium Property Ltd	3,880	3,251
Financial services - DCC	197	190
Subvention receipt - DCHL Group entities	-	-
	<u>54,409</u>	<u>38,925</u>
Purchases of services from the Group:		
Interest - DRL	1	21
Interest - DVML	193	97
Interest - DCHL	2	9
Interest - Aurora Energy Ltd	16	13
Interest - City Forests Ltd	40	25
Interest - Delta Utility Services Ltd	12	14
Interest - Dunedin Stadium Property Ltd	4	8
Administration and office services - DCHL	360	360
	<u>628</u>	<u>547</u>
Advances provided to the Group:		
Opening balance	1,104,770	910,590
Plus additional advances	357,189	362,889
Less repayments	(169,520)	(168,709)
Balance at end of year (see entity breakdown below)	<u>1,292,439</u>	<u>1,104,770</u>
Deposits held on behalf of DVML:		
Opening balance	-	2,300
Plus additional advances	9,500	6,100
Less repayments	(7,100)	(8,400)
Balance at end of year	<u>2,400</u>	<u>-</u>
Deposits held on behalf of DRL:		
Opening balance	300	-
Plus additional advances	-	900
Less repayments	(300)	(600)
Balance at end of year	<u>-</u>	<u>300</u>
At year end, the following amounts were receivable from related parties in the Group:		
	2024 \$'000	2023 \$'000
Dunedin City Council	594,605	462,998
Dunedin City Holdings Limited	20,121	19,280
Aurora Energy Limited	540,043	496,160
Delta Utility Services Limited	7,891	11,771
City Forests Limited	50,705	36,038
Dunedin Stadium Property Limited	86,066	84,075
Dunedin Railways Limited	-	-
At year end, the following amounts were payable to related parties in the Group:		
Dunedin Venues Management Limited	2,429	29
Dunedin Railways Limited	-	300

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2024

Compensation of key management personnel

A management agreement is in place between the Dunedin City Council and Dunedin City Holdings Limited to provide management resources to Dunedin City Treasury Limited.

Governance is provided by the Directors of Dunedin City Treasury Limited. As the Directors are also the Directors of Dunedin City Holdings Limited, there are no directors' fees for Dunedin City Treasury Limited.

21. Reconciliation of net profit for the year to cash flows from operating activities	2024 \$'000	2023 \$'000
Net profit for the year after tax	2	33
<i>Items not involving cash flows</i>		
Fair value change in derivatives	(9)	166
Amortisation	-	-
Deferred tax	6	13
	<u>(1)</u>	<u>212</u>
<i>Impact of changes in working capital items</i>		
(Increase) / decrease in receivables	(2,635)	(4,177)
(Increase) / decrease in prepayments	85	150
Increase / (decrease) in accruals	2,831	6,596
Increase / (decrease) in provisions	-	-
Net cash inflow/(outflow) from operating activities	<u>280</u>	<u>2,781</u>

22. Reconciliation of liabilities from financing activities

	Non-cash changes				
	2023 \$'000's	Cash flows \$'000's	Foreign exchange movement \$'000's	Fair value changes \$'000's	2024 \$'000's
2024 year					
Long term borrowings	1,083,813	195,943	-	8,598	1,288,354
Short term borrowings	1,802	2,034	-		3,836
Derivative financial instruments	28,503	-	-	(6,907)	21,596
Short term derivative financial instruments	830	-	-	(788)	42
Assets held to hedge					
Long term borrowings	(37,181)	-	-	6,772	(30,409)
Total liabilities from financing activities	<u>1,077,767</u>	<u>197,977</u>	<u>-</u>	<u>7,675</u>	<u>1,283,419</u>
	Non-cash changes				
	2022 \$'000's	Cash flows \$'000's	Foreign exchange movement \$'000's	Fair value changes \$'000's	2023 \$'000's
2023 year					
Long term borrowings	891,178	193,545	-	(910)	1,083,813
Short term borrowings	3,797	(1,995)	-		1,802
Derivative financial instruments	27,717	-	-	786	28,503
Short term derivative financial instruments	663	-	-	167	830
Assets held to hedge					
Long term borrowings	(26,645)	-	-	(10,536)	(37,181)
Total liabilities from financing activities	<u>896,710</u>	<u>191,550</u>	<u>-</u>	<u>(10,493)</u>	<u>1,077,767</u>

**Notes to the financial statements
For the year ended 30 June 2024**

23. Events after balance date

There have been no significant events since balance date.

Dunedin City Treasury Limited

Statement of service performance For the year ended 30 June 2024

The Company's primary activity is to provide treasury management services to entities within the Dunedin City Council Group.

Objective	Performance targets	Performance targets achieved
1 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.	There were no breaches of DCC Treasury Risk Management Policy's borrowing maturity profile.
2 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.	There were no breaches of DCC Treasury Risk Management Policy's interest rate risk policy.
3 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.	There were no breaches of DCC Treasury Risk Management Policy's investment management policy.
4 Manage the issuance of securities as and when required.	Successfully fill any issues brought to the market during the year.	Filled all issues brought to the market during the year.
5 Maintain financial relationships with preferred financial providers.	Maintain funding lines with ANZ, BNZ and Westpac.	Funding lines with ANZ, BNZ and Westpac have been maintained during the year.
6 Maintain a benchmarking system to measure DCTL's performance.	Regular reporting of the Company's achievement against defined benchmarks.	Reporting achievements against defined benchmarks are provided to the Board monthly and quarterly.
7 Manage the 'Waipori Fund' fully in accordance with policy and objectives set by Council to achieve the investment objectives.	Management of the fund and meeting the investment objectives set by Council in the Statement of Investment Policy and Objectives.	The fund did not meet the investment objective to grow the fund's base value, due to current market conditions. The fund recorded a return for the year of 5.6%.
8 Maintain a risk management framework to regularly identify, mitigate, and report risks.	Quarterly review by the Board, of the DCTL Risk Register Dashboard. Regular reporting to the shareholder of DCTL's top 5 current risks.	The DCTL Risk Register Dashboard was reviewed by the Board quarterly. DCTL's top 5 current risks were reported to the shareholder quarterly.
9 Comply with the DCC Treasury Risk Management Policy.	No breaches of policy. Where breaches have occurred, there are no breaches that have not been reported to the Chief Financial Officer within 1 business day and as per requirements of the policy.	There were no breaches of policy that were required to be reported to the shareholder.
10 Consult with the shareholder in a timely manner on DCTL strategic or operational matters which could compromise the Council's community outcomes.	No such matters that were not escalated to the shareholder in a timely manner.	There were no matters requiring escalation to the shareholder.

Dunedin City Treasury Limited

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.	No such matters that were not reported to the shareholder within 24 hours.	There were no matters of substance to report to the shareholder.
12	Contribute to Council's Carbon Neutrality initiatives.	Refine and implement DCTL's carbon emissions strategy developed in 2022, and achieve and publicly report progress against our FY2024 targets.	DCTL continues to implement its strategy and is tracking carbon emissions. DCTL will continue to refine this strategy to reduce carbon emissions in line with the target to contribute to Dunedin City Council's goal of achieving net carbon neutrality city-wide by 2030.
		Refine and implement DCTL's waste reduction strategy developed in 2022, and achieve and publicly report progress against our FY2024 targets.	DCTL continues to implement its strategy and is tracking waste emissions. DCTL will continue to refine this strategy in its efforts to reduce waste in line with the target to contribute to Dunedin City Council's goal of achieving net carbon neutrality city-wide by 2030.
		Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report.	As reported in this Annual Report.
		Ensure that all direct employees are paid at living wage or above.	DCTL does not employ any staff directly.
13	Maintain a credit rating equal to that of the Dunedin City Council where the rating agency used applies the same credit rating to both entities.	Credit rating equal to that of Dunedin City Council.	Obtained a credit rating of AA/Negative/A-1+; equal to that of Dunedin City Council.

Financial forecasts

	\$'000	Achievement	\$'000
Net profit after tax	7	Net profit after tax	2
Cash flow from operations	3,191	Cash flow from operations	280
Capital expenditure	-	Capital expenditure	-
Term loans	1,289,320	Term loans	1,288,354
Shareholder's funds to total assets	2.3%	Shareholder's funds to total assets	1.6%

Dunedin City Treasury Limited

Directory As at 30 June 2024

Directors

Timothy Loan
Susie Johnstone
Richard Thomson
Greg Anderson
Chris Milne

Registered Office

50 The Octagon
Dunedin 9016

Bankers

Westpac Banking Corporation

Solicitors

Anderson Lloyd

Taxation advisers

Deloitte

Auditor

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

Independent Auditor's Report

To the readers of Dunedin City Treasury Limited's financial statements and statement of service performance for the year ended 30 June 2024

The Auditor-General is the auditor of Dunedin City Treasury Limited (the company). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on his behalf.

We have audited:

- the financial statements of the company on pages 13 to 38, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 39 to 40.

Opinion

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the *Basis for our opinion* section of our report:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2024; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Unmodified opinion on the statement of service performance

In our opinion:

- the statement of service performance of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets

and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2024.

Our audit was completed on 26 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis for our opinion

Financial statements: Related party advances were not measured at fair value in accordance with NZ IFRS 9

The company has related party advances of \$1,292,439 (2023: \$1,104,770).

The company has concluded that its related party advances do not meet the requirements in NZ IFRS 9 *Financial Instruments* to be measured at amortised cost. These assets should instead be measured at fair value through profit or loss.

As explained in note 9, the company has continued to measure these assets at amortised cost which is a departure from the requirements of NZ IFRS 9. The fair value of the related party advances is expected to materially differ from amortised cost in the current and prior years.

Any fair value adjustment to these advances would affect the carrying value of related party advances, the net profit after tax, and opening and closing retained earnings in the current and comparative financial years.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

For the performance targets reported in the financial statements and the statement of service performance, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported statement of service performance within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 12 and page 41 but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact..

As described in the *Basis for our qualified opinion* section above, we could not obtain adequate evidence over the carrying value the related party advances. Accordingly, we are unable to conclude whether the other information that includes financial information about the company is materially misstated with respect to these matters.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

A handwritten signature in dark ink, appearing to read 'Rudie Tomlinson', with a stylized circular mark to the left.

Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand