

# **Dunedin City Treasury Ltd**

## **INTERIM REPORT**

**For the six months ended 31 December 2024**

## **Dunedin City Treasury Limited**

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## Dunedin City Treasury Limited

### Directors' report

The Directors of Dunedin City Treasury Limited are pleased to present their report on the activities of the Company for the six months ended 31 December 2024.

### Overview of results

	unaudited 6 months to 31 Dec 2024 \$'000	unaudited 6 months to 31 Dec 2023 \$'000	audited full year to 30 Jun 2024 \$'000
Total income	31,708	27,878	55,519
Profit before tax	(23)	1,319	8
Income tax	12	369	6
Net profit after tax	(35)	950	2
Total assets	1,414,108	1,268,317	1,357,908

### Review of operations

Dunedin City Treasury Ltd ("the Company") experienced a decrease in the cost of funds for the DCC Group, with the average cost of funds reducing to 4.35% from around 4.41% over the six month period, as New Zealand short term wholesale interest rates fell sharply. The Reserve Bank has cut the Official Cash Rate (OCR) from 5.50% to 4.25% currently, as New Zealand CPI has reduced back to within the Reserve Bank's target of between 1-3%, over the medium term.

The Company successfully arranged two new tranches of term debt over the period. In July 2024, the Company arranged a new 3-year Floating Rate Note (FRN) of \$50m which matures 8 July 2027. In October 2024, the Company also arranged a new 9-year Medium Term Note (MTN) of \$60m which matures 10 October 2033. The new MTN effectively refinanced the \$35m 16 October 2024 maturity. The new FRN was issued at a margin of +0.41% over the floating benchmark interest rate and the new MTN was issued at 1.19% over the underlying interest rate swap yield. The MTN has a coupon interest rate of 4.996%.

The new issues arranged outside of the Local Government Funding Agency (LGFA), assisted DCTL to lengthen its maturity profile. DCTL targets having at least 20% of borrowings with maturity dates of greater than five years. As at 31 December 2024, the Company had 23.8% of its debt with maturity dates greater than 5-years compared to 20.6% as at, 30 June 2024.

The Company's Promissory Note programme continues to perform well, achieving an average rate of +0.08% over the New Zealand floating benchmark interest rate, and an average bid coverage of 2.1 times the Promissory Notes tendered. Promissory Note issue margins were a little wider over the half year compared to the previous Financial Year.

The Company has ensured that funding facilities are spread over time to assist with managing refinancing risk. The Company continues to ensure that there is less than \$450 million of funding due to mature in any forward one year period, as required by Dunedin City Council, Treasury Risk Management Policy. The Company also maintained compliance with all other aspects of the Treasury Risk Management Policy. The Company continues to manage funds in the best interests of its borrowers.

The Company experienced a significant reduction in equity during the period. Lower New Zealand interest rate swap yields decreased the positive mark to market of the Company's cash flow hedging arrangements, significantly decreasing the positive value of the Company's Hedge Reserve from \$20.9 million as at, 30 June 2024 to \$0.9 million as at, 31 December 2024.

The Company continues to source borrowings from both the domestic debt capital markets and the LGFA.

Standard & Poor's reaffirmed the AA/Negative/A-1+ ratings of both Dunedin City Treasury Limited and the Dunedin City Council in December 2024. The Outlook was changed to Negative in February 2024.

The Board considers that Dunedin City Treasury Limited continues to provide significant benefit to the DCHL Group, Dunedin City Council, and Dunedin ratepayers through its provision of cost effective funding for the Dunedin City Council Group.

## **Dunedin City Treasury Limited**

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### **Directors' report**

#### **Seasonality**

There is no seasonality of earnings within the Company.

#### **Dividends**

No dividends were paid by the Company during the period.

#### **Events after balance sheet date**

There were no significant events after balance date.

#### **Outlook**

Dunedin City Treasury Ltd 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.

## Dunedin City Treasury Limited

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### Statement of responsibility

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

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

In the opinion of the Directors, the interim financial statements fairly reflect the financial position as at 31 December 2024 and operations for the six months to 31 December 2024 of Dunedin City Treasury Limited.

The Board of Directors of Dunedin City Treasury Limited have pleasure in presenting the interim financial statements, set out on pages 5 to 15, for the six months ended 31 December 2024 and authorises them for issue on 5 February 2025.



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Chair



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Director

## Dunedin City Treasury Limited

### Statement of comprehensive income For the six months ending 31 December 2024

	Unaudited 6 months to 31 Dec 2024 \$'000	Unaudited 6 months to 31 Dec 2023 \$'000	Audited full year to 30 Jun 2024 \$'000
Interest on advances & fees from related parties	30,919	27,365	54,409
Interest on other investments	789	509	1,101
Total financial income	31,708	27,874	55,510
Gain on fair value hedge	-	4	9
Total income	31,708	27,878	55,519
Less expenses:			
Interest to related parties	49	68	141
Interest & fees on term loans	31,197	26,130	54,686
Total financial expenses	31,246	26,198	54,827
Audit fees	-	7	51
Directors remuneration	-	-	-
Management fees to related parties	180	180	360
Other operating expenses	238	174	273
Loss on fair value hedge	67	-	-
Total expenses	31,731	26,559	55,511
<b>Profit (loss) before tax</b>	(23)	1,319	8
Income tax	12	369	6
<b>Net profit (loss) after tax</b>	(35)	950	2
Other comprehensive income:			
Gain (loss) on cash flow hedges taken to equity	(27,750)	(15,977)	(7,685)
Gain (loss) on cash flow hedges to related parties taken to equity	-	-	-
Deferred taxation impact of cash flow hedge movements	7,770	4,474	2,152
Total other comprehensive income	(19,980)	(11,503)	(5,533)
<b>Total comprehensive income/(loss) for the period</b>	(20,015)	(10,554)	(5,531)

## Dunedin City Treasury Limited

### Statement of financial position As at 31 December 2024

	Note	Unaudited 6 months to 31 Dec 2024 \$'000	Unaudited 6 months to 31 Dec 2023 \$'000	Audited full year to 30 Jun 2024 \$'000
<b>Current assets</b>				
Cash and cash equivalents		26,608	1,669	15,650
Investments	4	-	8,000	-
Derivative financial instruments	6	20	1,301	554
Trade and other receivables		10,790	10,068	11,840
Prepayments		523	401	320
Total current assets		37,941	21,439	28,364
<b>Non-current assets</b>				
Investments	4	1,352,935	1,216,591	1,292,439
LGFA Borrower Notes	4	7,250	6,250	7,250
Derivative financial instruments	6	15,982	24,037	29,856
Total non current assets		1,376,167	1,246,878	1,329,545
<b>Total assets</b>		<b>1,414,108</b>	<b>1,268,317</b>	<b>1,357,908</b>
<b>Current liabilities</b>				
Short term borrowings	5	3,039	4,776	3,836
Trade and other payables		10,449	10,536	14,676
Derivative financial instruments	6	194	-	42
Provision for tax		-	-	-
Total current liabilities		13,682	15,312	18,554
<b>Non-current liabilities</b>				
Term borrowings	7	1,377,528	1,207,974	1,288,354
Derivative financial instruments	6	21,267	22,608	21,596
Deferred taxation		293	6,093	8,051
Total non-current liabilities		1,399,088	1,236,675	1,318,001
<b>Total liabilities</b>		<b>1,412,770</b>	<b>1,251,987</b>	<b>1,336,555</b>
<b>Equity</b>				
Share capital		100	100	100
Hedge reserve		924	14,933	20,904
Retained earnings		314	1,297	349
Total equity		1,338	16,330	21,353
<b>Total liabilities and equity</b>		<b>1,414,108</b>	<b>1,268,317</b>	<b>1,357,908</b>

## Dunedin City Treasury Limited

### Statement of changes in equity For the six months ending 31 December 2024

	Share capital \$'000	Hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Unaudited</b>				
Equity as at 1 July 2024	100	20,904	349	21,353
Comprehensive income for the period	-	(19,980)	(35)	(20,015)
Equity as at 31 December 2024	100	924	314	1,338
<b>Unaudited</b>				
Equity as at 1 July 2023	100	26,437	347	26,884
Comprehensive income for the period	-	(11,504)	950	(10,554)
Equity as at 31 December 2023	100	14,933	1,297	16,330
<b>Audited</b>				
Equity as at 1 July 2023	100	26,437	347	26,884
Comprehensive income for the period	-	(5,533)	2	(5,531)
Equity as at 30 June 2024	100	20,904	349	21,353

## Dunedin City Treasury Limited

### Statement of cash flows For the six months ending 31 December 2024

		Unaudited 6 months to 31 Dec 2024 \$'000	Unaudited 6 months to 31 Dec 2023 \$'000	Audited full year to 30 Jun 2024 \$'000
	<i>Note</i>			
<b>Cash flow from operating activities</b>				
<i>Cash was provided from:</i>				
Receipts from customers		103	101	201
Interest received		32,664	26,911	52,676
		32,767	27,012	52,877
<i>Cash was applied to:</i>				
Payments to suppliers		697	357	601
Interest paid		35,452	27,507	51,996
Subvention paid/(received)		-	-	-
		36,149	27,864	52,597
Net cash flow from operating activities	3	(3,382)	(852)	280
<b>Cash flow from investing activities</b>				
<i>Cash was provided from:</i>				
Net decrease in investments		-	-	-
		-	-	-
<i>Cash was applied to:</i>				
Purchase of Software		-	-	-
Net increase in investments		61,360	122,916	191,794
		61,360	122,916	191,794
Net cash flow from investing activities		(61,360)	(122,916)	(191,794)
<b>Cash flow from financing activities</b>				
<i>Cash was provided from:</i>				
Net loans raised		160,700	152,421	197,977
		160,700	152,421	197,977
<i>Cash was applied to:</i>				
Net loans repaid		85,000	36,171	-
		85,000	36,171	-
Net cash flow from financing activities		75,700	116,250	197,977
<b>Net increase/(decrease) in cash and cash equivalents</b>		10,958	(7,518)	6,463
Opening cash and cash equivalents		15,650	9,187	9,187
<b>Closing cash and cash equivalents</b>		26,608	1,669	15,650

### **Notes to the financial statements (unaudited) For the six months ending 31 December 2024**

#### **1 Reporting entity**

The financial statements presented here are for the company Dunedin City Treasury Limited.

Dunedin City Treasury Limited (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 100% owned by Dunedin City Holdings Limited which is wholly owned by the Dunedin City Council.

The registered address of the Company is 50 The Octagon, Dunedin 9016.

The primary objective of the Company is to provide funds management, cost effective funding and treasury management services to entities within the Dunedin City Council Group.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates.

#### **2 Basis of preparation**

The financial statements for the six month period ended 31 December 2024 are unaudited.

The financial statements have been prepared in accordance with New Zealand Equivalents to International Reporting Standards 34, Interim Financial Reporting, and should be read in conjunction with the audited financial statements for the year ended 30 June 2024.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2024.

The judgement, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2024.

**Notes to the financial statements (unaudited)**  
**For the six months ending 31 December 2024**

**3 Reconciliation of operating surplus to net cash flows from operating activities**

	<b>Unaudited 6 months to 31 Dec 2024 \$'000</b>	<b>Unaudited 6 months to 31 Dec 2023 \$'000</b>	<b>Audited full year to 30 Jun 2024 \$'000</b>
Net profit after tax	(35)	950	2
<i>Items not involving cash flows</i>			
Fair value change in SWAPs	67	(4)	(9)
Deferred tax	12	369	6
Amortisation	-	-	-
	44	1,315	(1)
<i>Impact of changes in working capital items</i>			
(Increase)/Decrease in receivables	1,050	(863)	(2,635)
(Increase)/Decrease in prepayments	(203)	4	85
Increase/(Decrease) in trade and other payables	(4,273)	(1,308)	2,831
Increase/(Decrease) in provisions	-	-	-
Net cash inflows from operating activities	(3,382)	(852)	280

## Dunedin City Treasury Limited

### Notes to the financial statements (unaudited) For the six months ending 31 December 2024

#### 4 Investments

	Unaudited as at 31 Dec 2024 \$'000	Unaudited as at 31 Dec 2023 \$'000	Audited as at 30 Jun 2024 \$'000
<b>Current</b>			
Advances to Dunedin City Council	-	-	-
Advances to Dunedin City Holdings Limited Group	-	-	-
Investment at bank	-	8,000	-
	-	8,000	-
<b>Non-current</b>			
Advances to Dunedin City Council	630,500	547,000	590,000
Advances to Dunedin City Holdings Limited Group	722,435	669,591	702,438
LGFA Borrower Notes	7,250	6,250	7,250
	1,360,185	1,222,841	1,299,689
<b>Total investments</b>	1,360,185	1,230,841	1,299,689
A maturity analysis of the company's investments is as follows:			
Maturity within one year	-	8,000	-
Maturity one to five years	-	-	500
Maturity over five years	1,360,185	1,222,841	1,299,189
	1,360,185	1,230,841	1,299,689

The carrying amount of investments approximate their fair value.

There have been no indications of impairment of any investment.

Related party advances are reported at amortised cost at both 31 December 2024 and 31 December 2023. The Company has reviewed the terms of its related party advances and concluded that, at 31 December 2024, the advances are held to collect contractual cash flows and those cash flows are solely payments of principle and interest as defined by NZ IFRS 9 Financial Instruments. However, at 31 December 2023, some cash flows may not have met the definition of 'solely payments of principal and interest' as defined by NZ IFRS 9, which would require reporting at fair value in accordance with NZ IFRS 9.

The directors elected to report related party advances at amortised cost in both periods, on the basis that this will provide greater clarity for users. The Company has made adjustments to its related party lending arrangements so that they meet the requirements of NZ IFRS 9 to record related advances at amortised cost at 31 December 2024 and future reporting periods.

Note 9 to the audited financial statements for the year ended 30 June 2024 contains further disclosure in connection with this matter.

## Dunedin City Treasury Limited

### Notes to the financial statements (unaudited) For the six months ending 31 December 2024

#### 5 Short term borrowings

	Unaudited as at 31 Dec 2024 \$'000	Unaudited as at 31 Dec 2023 \$'000	Audited as at 30 Jun 2024 \$'000
Due to related parties	1,700	3,250	2,400
Other short term deposits	1,339	1,526	1,436
	3,039	4,776	3,836

#### 6 Derivative financial instruments

	Unaudited as at 31 Dec 2024 \$'000	Unaudited as at 31 Dec 2023 \$'000	Audited as at 30 Jun 2024 \$'000
<b>Assets</b>			
Interest rate swaps - cash flow hedges - Bank	12,894	23,384	29,553
Interest rate swaps - fair value hedges - Bank	3,108	1,954	856
	16,002	25,338	30,409
<i>Current</i>			
Interest rate swaps - cash flow hedges - Bank	20	1,301	554
Interest rate swaps - fair value hedges - Bank	-	-	-
	20	1,301	554
<i>Non-current</i>			
Interest rate swaps - cash flow hedges - Bank	12,874	22,083	29,000
Interest rate swaps - fair value hedges - Bank	3,108	1,954	856
	15,982	24,037	29,856
Total Assets	16,002	25,338	30,409
<b>Liabilities</b>			
Interest rate swaps - cash flow hedges - Bank	11,608	2,640	517
Interest rate swaps - fair value hedges - Bank	9,853	19,968	21,121
	21,461	22,608	21,638
<i>Current</i>			
Interest rate swaps - cash flow hedges - Bank	194	-	42
Interest rate swaps - fair value hedges - Bank	-	-	-
	194	-	42
<i>Non-current</i>			
Interest rate swaps - cash flow hedges - Bank	11,414	2,640	475
Interest rate swaps - fair value hedges - Bank	9,853	19,968	21,121
	21,267	22,608	21,596
Total Liabilities	21,461	22,608	21,638

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

## Dunedin City Treasury Limited

### Notes to the financial statements (unaudited) For the six months ending 31 December 2024

#### 7 Term borrowings (secured)

The Company has 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 long dated bonds, floating rate notes or by the issue of promissory notes usually issued for three month terms.

	Unaudited as at 31 Dec 2024 \$'000	Unaudited as at 31 Dec 2023 \$'000	Audited as at 30 Jun 2024 \$'000
<b>Term borrowings</b>			
Promissory notes	259,088	240,864	258,501
Floating rate notes 15/02/24	-	25,000	-
Medium term notes 16/10/24	-	35,000	35,000
Floating rate notes 01/04/25	50,000	50,000	50,000
Floating rate notes 15/10/25	75,000	75,000	75,000
Medium term notes 17/7/25	50,000	50,000	50,000
Medium term notes 15/3/26	50,000	50,000	50,000
Medium term notes 15/4/26*	65,000	65,000	65,000
Medium term notes 15/11/26*	55,000	55,000	55,000
Medium term notes 16/11/26	60,000	60,000	60,000
Medium term notes 18/04/28*	110,000	110,000	110,000
Medium term notes 15/11/28*	60,000	60,000	60,000
Medium term notes 27/11/28*	100,000	100,000	100,000
Floating rate notes 09/02/30	75,000	75,000	75,000
Floating rate notes 09/02/30	25,000	25,000	25,000
Floating rate notes 09/02/30	25,000	25,000	25,000
Floating rate notes 15/05/31	25,000	25,000	25,000
Floating rate notes 15/05/31	100,000	100,000	100,000
Floating rate notes 14/04/33	20,000	-	20,000
Floating rate notes 15/02/27	50,000	-	50,000
Floating rate notes 17/07/25	20,000	-	20,000
Floating rate notes 08/07/27	50,000	-	-
Medium term notes 10/10/33*	60,000	-	-
Fair value impact on bonds (*)	(6,560)	(17,890)	(20,147)
	<b>1,377,528</b>	<b>1,207,974</b>	<b>1,288,354</b>
The repayment period on the term borrowings is as follows:			
Repayable less than one year	454,088	300,864	343,501
Repayable between one to five years	593,440	657,110	674,853
Repayable later than five years	330,000	250,000	270,000
	<b>1,377,528</b>	<b>1,207,974</b>	<b>1,288,354</b>

#### Fair value of borrowings

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

Directors estimate the fair value of the Company's borrowings as at 31 December 2024 as being \$1,370,225,990 (December 2023 \$1,194,916,832).

**Notes to the financial statements (unaudited)**  
**For the six months ending 31 December 2024**

**8 Contingent liabilities**

	<b>Unaudited as at 31 Dec 2024 \$'000</b>	<b>Unaudited as at 31 Dec 2023 \$'000</b>	<b>Audited as at 30 Jun 2024 \$'000</b>
Performance bonds	736	761	761

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.

### Statement of service performance For the six months ending 31 December 2024

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.	Meet at least annually with preferred financial providers.	In progress.
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 meet the investment objective to grow the fund's base value.
8 Maintain a risk management framework to regularly identify, mitigate, and report risks.	Quarterly review by the Board, of the DCHL Risk Register Dashboard.	The DCTL Risk Register Dashboard was reviewed by the Board quarterly.
	Regular reporting to the shareholder of DCTL's top 5 current risks.	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

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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, and achieve and publicly report progress against our 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 and achieve and publicly report progress against our 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.	The company reported this in its 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

Financial forecasts are set in the Statement of Intent for the year ending 30 June 2025. The Company is on track to meet the financial forecasts set.

## **Dunedin City Treasury Limited**

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### **Directory**

#### **Directors**

Timothy DR Loan (Chair)  
Susie J Johnstone  
Greg Anderson  
Christopher Milne

#### **Registered Office**

50 The Octagon  
Dunedin 9016

#### **Bankers**

Westpac Banking Corporation

#### **Solicitors**

Anderson Lloyd

#### **Taxation Advisors**

Deloitte

#### **Auditor**

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