

#### WHAT WE DO

Dunedin City Treasury Limited was established to provide funding and financial services to other entities in the group. The principal role of the company is to fund the group, inclusive of Dunedin City Council, and to identify and manage financial risks. The use of a single, centralised treasury function has maximised financial efficiency and effectiveness. Through the accumulation of group funds, interest rates are being achieved which might not have been otherwise possible.

- > University of Otago Registry.  
The long standing characteristics of many of Dunedin's buildings reflect the solid, conservative southern approach to financial markets.
- >> The idiosyncratic figure located above the Archway represents the university's commerce department.





# Dunedin City Treasury Ltd

<b>FINANCIAL HIGHLIGHTS</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	<b>25,752</b>	20,588
Net surplus for the year	<b>11</b>	15
Shareholder's funds	<b>191</b>	180
Total assets	<b>384,159</b>	312,741

## WHAT WE DID THIS YEAR

The financial markets have remained under severe pressure both here in New Zealand and offshore. Commentators have stopped comparing the current situation with the late 80s and early 90s and now recognise that the global recession is the worst for 75 years. The large western financial markets have required considerable support from government to function and it is clear that they are still far from being able to do so in a fully effective manner.

In this environment credit rating and banking relationships are crucial. For many borrowers, even those with a good credit rating, there is doubt that cash will be available when it is required. In this environment central banks have lowered interest rates but risk premiums and premiums reflecting a general shortage of a supply of cash have climbed markedly. Many public companies have chosen to increase equity capital rather than to attempt to roll over term debt.

Throughout all the market turmoil the DCHL group has never been short of cash or reliant on emergency funding lines. It has continued to operate as "best in class" in the short-term money markets. Bonds that it has issued into the NZ wholesale market have been at premiums lower than others of similar credit ratings.

Each year Standard & Poor's reviews the financial plans of the combined Dunedin City Council and Dunedin City Treasury

Limited. The outcome of the August 2008 review was to confirm our solid AA-(long term)/A1+(short term) rating.

The group's external debt is managed through an appropriate mix of bonds, promissory notes, long-term government forestry debt and interest rate derivatives. As a matter of policy, the proportion of fixed rate debt is higher than variable rate debt. This is because the Council strikes its rates well in advance and then acts to protect its budget for the services that have been pledged for the following year.

A historic benchmark for the company is the relative price at which the company can access funds from the promissory note market on its 90 day borrowing programme. Over the last year it has been a major success to be able to access any funds at all and many borrowers have withdrawn. However, during the year the company secured borrowings at an average of 10.1 percentage points above the 90 day Inter-bank Bid Rate (compared to 0.13 points below last year). Tenders were oversubscribed by, on average, 1.9 times, compared to 2.3 times last year reflecting the significantly lower amount of cash available to lenders.

The company also manages the investment of the Dunedin City Council's Waipori Fund. This year the managers, for the first time in the history of the fund, failed to achieve a positive return and a loss of \$1.6m was recorded. After a \$3.98m payment into the general funds of the Council, the value of the Waipori Portfolio fell from \$72.7m to \$67.0m.

## THE PEOPLE

Directors	R D Liddell (Chairman)
	A J Stephens
	G Dodson
	S M Wilson
	B R N Dodds
Chief executive	M J Knight

**Dunedin City Treasury Limited**  
margin below Inter-bank Bid  
Rates at which debt is raised

