

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.



Dunedin City Treasury Ltd

FINANCIAL HIGHLIGHTS	2010	2009
	\$'000	\$'000
Revenue	32,181	25,752
Net surplus for the year	7	11
Shareholder's funds	198	191
Total assets	511,297	384,159

WHAT WE DID THIS YEAR

For yet another year the financial markets have been under severe pressure both here in New Zealand and offshore. Some international markets have required considerable support from groups of governments to function and it is clear that some markets are still far from being able to operate in a fully effective manner. Credit is in short supply and threatened tight banking regulations are creating uncertainty and a general reluctance to invest.

In such conditions credit rating and banking relationships are crucial. In this environment central banks have maintained low interest rates but risk premiums, and premiums reflecting a general shortage of a supply of cash, continue to climb. The New Zealand central bank has changed its regulations for banks to force them to borrow more of their funds for longer periods at higher interest rates and the cost of this policy has been passed on to the market.

We have operated in this volatile environment now for over two years. DCHL group, however, 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 it has issued into the New Zealand wholesale market have been at a very sharp premium.

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

Limited. The outcome of the 25 November 2009 review was to confirm our AA-(long term)/A1-(short term) rating.

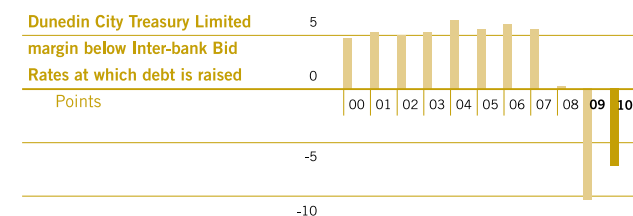
The group's external debt is managed through an appropriate mix of bonds, promissory notes, long-term government forestry debt and interest rate derivatives. As a matter of policy, the proportion of fixed rate debt is higher than variable rate debt. This is because the Council strikes its rates well 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 funds in this way as the size of the market remains quite small and our margins have bettered our peers. During the year the company secured borrowings at an average of 7 percentage points above the 90 day Inter-bank Bid Rate (compared to 10 points above last year). Tenders were oversubscribed by, on average, 2.9 times, compared to 1.9 times last year.

The company also manages the investment of the Dunedin City Council's Waipori Fund. This year a positive return of \$4.8m was achieved compared to a loss of \$1.6m last year. After a \$4.07m payment (\$3.98m last year) into the general funds of the Council, the value of the Waipori Portfolio improved to \$67.6m from \$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



> The majestic top of Dunedin Railway Station.

>> Dunedin CBD skyline.