
Dunedin City Treasury Limited

Annual Report
2023

Dunedin City Treasury Limited

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Dunedin City Treasury Limited

Directors' report For the year ended 30 June 2023

This report presents Dunedin City Treasury Limited's (the Company's) results for the year ended 30 June 2023.

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 2023

	\$'000
Profit before tax	46
Income tax	(13)
Net profit for the year	<u>33</u>

Review of operations

The Company has continued to perform well over the 2022/23 financial year, in what has been another challenging interest rate environment.

The Company issued five new tranches of term debt over the 2022/23 financial year. In October 2022, the Company issued a new Floating Rate Note (FRN) of \$75 million for a term of 3 years priced at a margin of +0.47% to the floating benchmark interest rate. In November 2022, the Company issued a new Medium Term Note (MTN) of \$60 million for a term of 6 years priced at a margin of +0.70% relative to the underlying interest rate swap yield.

In November 2022, the Company successfully added the LGFA to its borrowing programme. Three new tranches of term funding were borrowed from LGFA between February and May 2023 totalling \$125 million. The new term funding arranged from LGFA was for periods of between 7-8 years.

The Company successfully applied to become part of the LGFA's Climate Action Loan borrowing programme and all three new tranches of LGFA debt have been classified as Climate Action Loans. The new LGFA Climate Action Loans enabled a reduced borrowing margin, reflecting progress Dunedin City Council has made toward reducing greenhouse gas emissions.

The Company had \$203 million of Promissory Notes on issue as at 30 June 2023, compared to \$175 million as at the same time in the prior year. The average rate achieved was +0.0171% above the 3-month benchmark interest rate. The average bid coverage ratio was 2.1 times the Promissory Notes tendered, illustrating continued strong investor appetite for DCTL paper.

Dunedin City Treasury Limited

Directors' report For the year ended 30 June 2023

The cost of funds for the Dunedin City Council (DCC) Group increased over the 2022/23 financial year, by 1.02% to 4.19% as at 30 June 2023.

The Company's higher cost of funds in the 2022/23 financial year follows the continued aggressive tightening of monetary policy by the RBNZ. The RBNZ increased the Official Cash Rate (OCR) seven times over the financial year, taking the OCR from 2.00% in May 2022 to 5.50% by May 2023. The RBNZ adopted a very hawkish approach in November 2022 when the OCR was increased by 0.75%.

The Company's activity is governed by the DCC Treasury Risk Management Policy, which is designed to manage risk across a range of areas. The Company maintained compliance with the Policy during the 2023 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 2023, the Company had less than \$350 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 2023 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 \$36,143 (2022: \$29,144).

Dunedin City Treasury Limited

Directors' report For the year ended 30 June 2023

Directors' interests in contracts

No material contracts involving Directors' interests were entered into during the year ended 30 June 2023 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 2023	For the year ended 30 June 2022
Keith Cooper (Chair, appointed 2 May 2015)	-	-
Richard Thomson (appointed 1 July 2020)	-	-
Susan Johnstone (appointed 1 March 2021)	-	-
Timothy Loan (appointed 3 October 2022)	-	-
Linda Robertson (17 October 2013 - 17 October 2022)	-	-
	\$Nil	\$Nil

Dunedin City Treasury Limited

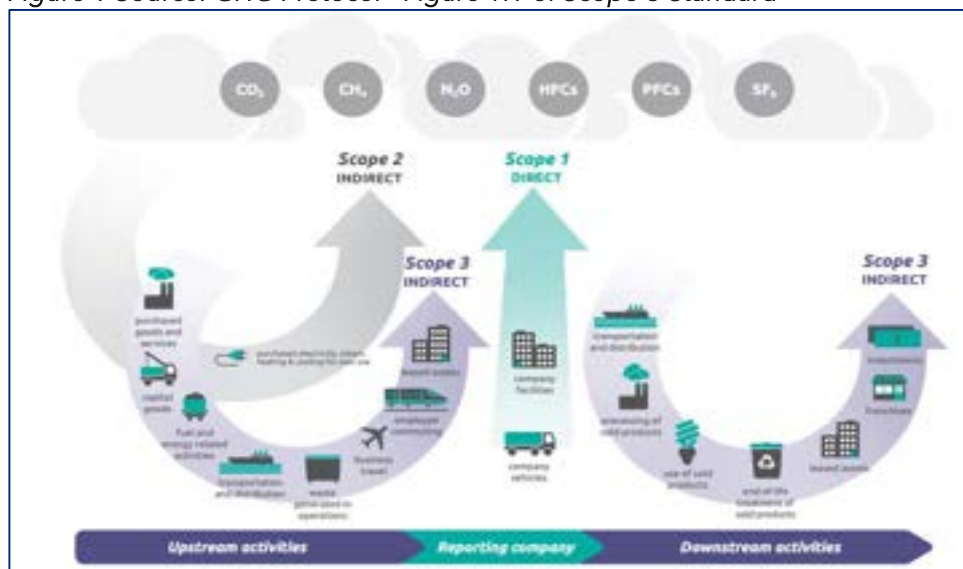
Greenhouse gas emissions summary For the year ended 30 June 2023

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 2023 are 2.25 tCO₂-e.

Table 1 Emissions by Scope

Scope	tCO ₂ -e	% of total
Scope 1	0.95	42%
Scope 2	0.01	1%
Scope 3	1.29	57%
Total	2.25	100%

Figure 2 Emissions by Scope



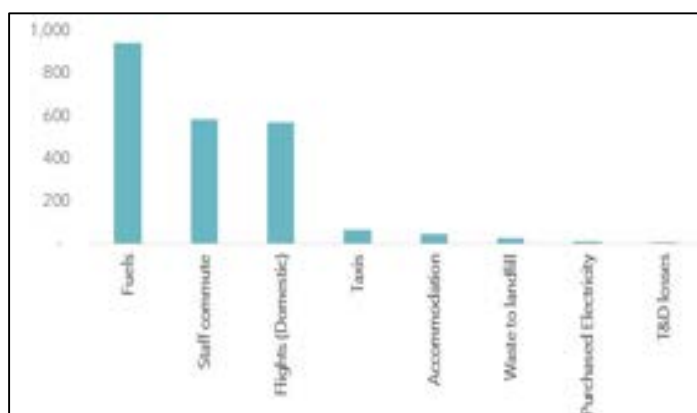
Emissions by Activity

Our top emissions sources are summarised below.

Table 2 Emissions by activity

Category emission source	tCO ₂ -e
Fuels	0.95
Staff Commute	0.58
Flights (domestic)	0.57
Taxis	0.06
Accommodation	0.05
Waste	0.03
Purchased electricity	0.01
Electricity transmission losses	0.00
Total	2.25

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 be net zero carbon by 2030, as a contribution to Dunedin City Council's goal of achieving net carbon neutrality city-wide by 2030. Over the 2024 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.

Dunedin City Treasury Limited

Directors' declarations of interest For the year ended 30 June 2023

Director	Responsibilities	Declarations of Interests
Keith T Cooper 02.02.15 - present (Chair 26.02.19 - 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, Miller Creative Group Limited - Ceased 23 June 2023 Owner/Director, Littlebrook Farm Limited
Linda M Robertson 17.10.13 - 16.10.22 (Interests listed as at 16.10.2022)	Non-Executive Director	Chair, Audit and Risk Committee, Central Otago District Council Chair, Central Lakes Trust Chair, Crown Irrigation Investments Limited Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director, NZ Local Government Funding Agency Director, Alpine Energy Limited Director, Central Lakes Direct Limited Director and Shareholder, RML Consulting Limited Member, Risk and Audit Committee, The Treasury Member, Capital Markets Advisory Committee, The Treasury Kiwi Wealth companies comprising of: Kiwi Wealth Management Ltd, Kiwi Wealth Investments General Partnership Ltd, Kiwi Investment Management Ltd, Kiwi Wealth Ltd, Portfolio Custodial Nominees Ltd Member, Audit and Risk Committee, Office of the Auditor-General and Audit New Zealand
Timothy D R Loan 03.10.22 - Present	Non-Executive Director	Director, Dunedin City Holdings Limited - Appointed 3 October 2022 Director, Dunedin City Treasury Limited - Appointed 3 October 2022 Director, Dunedin Stadium Property Limited - Appointed 3 October 2022 Director, Dunedin Railways Limited - Appointed 3 October 2022 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 Trustee, Presbyterian Support Southland - Ceased 7 December 2022 Director, Presbyterian Support Southland Holding Company Ltd Director, Presbyterian Support Southland Retirement Villages Ltd Chair, Audit & Risk Committee, Southsure Assurance (T/A SBS Insurance) Director, 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)

Dunedin City Treasury Limited

Directors' declarations of interest For the year ended 30 June 2023

Director	Responsibilities	Declarations of Interests
Richard J Thomson 1.07.20 - present	Non-Executive Director	Director, Dunedin City Holdings Limited Director, Dunedin City Treasury Limited Director, Dunedin Stadium Property Limited Director, Dunedin Railways Limited Director and Shareholder, Thomson & Cessford Ltd (T/A Acquisitions) 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

Statement of responsibility For the year ended 30 June 2023

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 2023 fairly reflect the financial position and operations of Dunedin City Treasury Limited.



Chair
29 September 2023



Director
29 September 2023

Dunedin City Treasury Limited

Trend statement

	2023	2022	2021	2020	2019	2018
Financial assets managed by the Company (\$ millions)						
Dunedin City Treasury Limited	1,105	911	802	733	668	609
Dunedin City Council Waipori Fund	98	95	100	94	93	87
Total financial assets managed	1,203	1,006	902	827	761	696

Dunedin City Treasury Limited

Statement of comprehensive income For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Financial income	1	39,578	23,690
Gain on fair value hedge		-	326
Total income		39,578	24,016
Less Expenses:			
Financial expenses	2	38,580	23,376
Operating expenses	3	786	701
Loss on fair value hedge		166	-
Total expenditure		39,532	24,077
Profit / (loss) before tax		46	(61)
Income tax	4	13	(97)
Net profit after tax		33	36
Other comprehensive income:			
Gain/(loss) on cash flow hedges taken to equity		10,681	58,820
Gain/(loss) on cash flow hedges to related parties taken to equity		(20)	(1,459)
Deferred taxation impact of net cash flow hedge gains		(2,985)	(7,297)
Total other comprehensive income, net of tax		7,676	50,064
Total comprehensive income for the year		7,709	50,100

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 2023

	Share Capital \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Equity as at 30 June 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
Equity as at 30 June 2021	100	(31,303)	278	(30,925)
Total comprehensive income	-	50,064	36	50,100
Equity as at 30 June 2022	100	18,761	314	19,175

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 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	10	9,187	12,159
Trade and other receivables	11	9,205	5,029
Derivative financial instruments	7	585	560
Prepayments		405	555
Total current assets		19,382	18,303
Non-current assets			
Related Party Advances	5	1,104,770	910,590
LGFA Borrower Notes	5	3,125	-
Derivative financial instruments	7	36,596	26,085
Total non-current assets		1,144,491	936,675
Total assets		1,163,873	954,978
Current liabilities			
Short term borrowings	6	1,802	3,797
Accruals	12	11,845	5,249
Derivative financial instruments	7	830	663
Total current liabilities		14,477	9,709
Non-current liabilities			
Term borrowings	6	1,083,813	891,178
Derivative financial instruments	7	28,503	27,717
Deferred taxation	4	10,197	7,199
Total non-current liabilities		1,122,513	926,094
Total liabilities		1,136,989	935,803
Equity			
Share capital	13	100	100
Retained earnings and reserves	14	26,784	19,075
Total equity		26,884	19,175
Total liabilities and equity		1,163,873	954,978

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 2023

	Note	2023 \$'000	2022 \$'000
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		245	95
Interest received		35,183	21,709
		<u>35,428</u>	<u>21,804</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		789	721
Interest paid		31,858	23,050
Subvention paid / (received)			30
		<u>32,647</u>	<u>23,801</u>
Net cash inflow/(outflow) from operating activities	21	<u>2,781</u>	<u>(1,997)</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		197,305	108,770
		<u>197,305</u>	<u>108,770</u>
Net cash inflow/(outflow) from investing activities		<u>(197,305)</u>	<u>(108,770)</u>
Cash flow from financing activities			
<i>Cash was provided from:</i>			
Proceeds from borrowings		196,830	174,154
		<u>196,830</u>	<u>174,154</u>
<i>Cash was applied to:</i>			
Repayment of borrowings		5,278	70,985
		<u>5,278</u>	<u>70,985</u>
Net cash inflow/(outflow) from financing activities	22	<u>191,552</u>	<u>103,169</u>
Net increase/(decrease) in cash		<u>(2,972)</u>	<u>(7,598)</u>
Opening cash and cash equivalents		12,159	19,757
Closing cash and cash equivalents	10	<u>9,187</u>	<u>12,159</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 2023

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 2023.

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 financial statements of the Company comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS (RDR)").

The Company qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public sector entity. The Company has elected to apply NZ IFRS (RDR) and has applied disclosure concessions.

The financial statements were authorised for issue by the Directors on 29 September 2023.

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 2023

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 issued but not yet effective

A number of accounting standards have been issued but as they are not yet compulsory they 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.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

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.

	2023 \$'000	2022 \$'000
Interest on advances to related parties	38,735	23,379
Fees from related parties	190	203
Interest on other investments	653	108
Total financial income	<u>39,578</u>	<u>23,690</u>

2. Financial expenses

Accounting policy

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

	2023 \$'000	2022 \$'000
Interest and fees - related parties	74	22
Interest and fees - term loans	38,506	23,354
Total financial expenses	<u>38,580</u>	<u>23,376</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.

	2023 \$'000	2022 \$'000
Audit fees - for audit of financial statements	36	29
Related party management fees	360	360
Amortisation	-	-
Other expenses	390	312
Total operating expenses	<u>786</u>	<u>701</u>

**Notes to the financial statements
For the year ended 30 June 2023**

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	2023 \$'000	2022 \$'000
Net profit / (loss) before tax	46	(61)
Tax thereon at 28%	13	(17)
<i>Plus / (less) the tax effect of differences</i>		
(Revenue)/expenditure not liable for taxation	-	-
Deferred tax adjustment	-	(81)
Under / (over) tax provision in prior years	-	1
Tax effect of differences	-	(80)
Tax expense	13	(97)
 The taxation charge is represented by:		
Current tax	-	-
Prior period adjustment - current tax	-	1
Prior period adjustment - deferred tax	-	(81)
Deferred tax	13	(17)
Tax expense	13	(97)

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 2023

Deferred tax liability	Derivatives \$'000	Tax losses \$'000	Total \$'000
Balance as at 30 June 2022	7,307	(108)	7,199
Charge to surplus / (loss)	(46)	59	13
Charge to other comprehensive income	2,985	-	2,985
Balance as at 30 June 2023	10,246	(49)	10,197

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.

	2023 \$'000	2022 \$'000
<i>Current</i>		
Advances to DCC	-	-
Total current	-	-
<i>Non-current</i>		
Advances to DCC	459,800	333,800
Advances to DCHL Group	644,970	576,790
LGFA Borrower Notes	3,125	-
Total non-current	1,107,895	910,590
Total Related Party Advances & LGFA Borrower Notes	1,107,895	910,590

Maturity analysis

	2023 \$'000	2022 \$'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	-	-
Effective interest rate	-	-
Maturity over five years	1,107,895	910,590
Effective interest rate	3.87%	2.71%
Total Related Party Advances & LGFA Borrower Notes	1,107,895	910,590
Effective interest rate	3.87%	2.71%

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.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

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.

	2023 \$'000	2022 \$'000
<i>Current</i>		
Short term borrowing	1,502	1,497
Related parties	300	2,300
Total current borrowing	1,802	3,797
<i>Non-current</i>		
Promissory notes issued	202,558	174,013
Medium term notes issued	881,255	717,165
Total term borrowing	1,083,813	891,178
Total borrowings	1,085,615	894,975

As at 30 June 2023, the Company had a \$1,200 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 (2022: \$200 million).

The amount of unamortised premium or (discount) on medium term notes on issue at 30 June 2023 is nil (2022: 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 2023 the Company had subscribed to \$3.125m of borrower notes.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

Term borrowings		2023 \$'000	2022 \$'000
	Interest Rate		
Promissory notes		202,558	174,013
Floating rate notes 15/10/22	56bp over BKBM	-	50,000
Medium term notes 15/11/22	Coupon rate 1.51%	-	45,000
Medium term notes 16/10/23	Coupon rate 0.36%	50,000	50,000
Floating rate notes 15/02/24	65bp over BKBM	25,000	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	-
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	-
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	-
Floating rate notes 09/02/30	78.1bp over BKBM	25,000	-
Floating rate notes 15/05/31	75.8bp over BKBM	25,000	-
Fair value impact on medium term notes		(28,745)	(27,835)
		<u>1,083,813</u>	<u>891,178</u>

Contractual maturity analysis of term borrowings

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

Less than one year	276,728	268,667
Effective interest rate	4.75%	2.18%
Later than one year but not more than five	530,444	434,433
Effective interest rate	3.33%	2.46%
Later than five years	276,641	188,078
Effective interest rate	5.13%	3.11%
	<u>1,083,813</u>	<u>891,178</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:

	2023 \$'000	2022 \$'000
Total borrowings	1,064,422	874,498

**Notes to the financial statements
For the year ended 30 June 2023**

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.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

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	2023 \$'000	2022 \$'000
Assets:		
Interest rate swaps- cash flow hedges - DCC	-	20
Interest rate swaps- cash flow hedges - Bank	36,722	26,625
Interest rate swaps- fair value hedges - Bank	459	-
	<u>37,181</u>	<u>26,645</u>
Liabilities:		
Interest rate swaps- cash flow hedges - Bank	-	584
Interest rate swaps- fair value hedges - Bank	29,332	27,796
	<u>29,332</u>	<u>28,380</u>

The ineffective portion recognised in the statement of comprehensive income that arises from fair value hedges amounts to a loss of \$166 thousand (2022: gain of \$326 thousand). This represents the current year net movement in the value of the fair value hedge swaps of \$1.077 million (loss) and fair value hedge adjustment to debt of \$911 thousand (gain).

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

8. Interest rate swaps

	2023 \$'000	2022 \$'000
The notional principal outstanding with regard to the interest rate swaps is:		
Counterparties outside the group:		
Maturing in less than one year	117,500	315,000
Maturing in between one and five years	610,000	412,500
Maturing after five years	610,000	640,000
	<u>1,337,500</u>	<u>1,367,500</u>
	2023 \$'000	2022 \$'000
Counterparties within the Dunedin City Council group:		
Maturing in less than one year	-	10,000
Maturing in between one and five years	-	-
Maturing after five years	-	-
	<u>-</u>	<u>10,000</u>

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.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

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

	2023 \$'000	2022 \$'000
Financial assets measured at amortised cost:		
Cash and cash equivalents (note 10)	9,187	12,159
Trade and other receivables (note 11)	9,205	5,029
Related Party Advances & LGFA Borrower Notes (note 5)	1,107,895	910,590
Total financial assets measured at amortised cost	1,126,287	927,778
Financial assets at fair value through profit and loss:		
Derivative financial instruments assets (note 8)	37,181	26,645
Financial liabilities measured at amortised cost:		
Accruals (note 12)	11,845	5,249
Borrowings (note 6)	1,085,615	894,975
Total financial liabilities measured at amortised cost	1,097,460	900,224
Financial liabilities at fair value through profit and loss:		
Derivative financial instrument liabilities (note 8)	29,332	28,380

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 2023

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	Observable inputs	Non- observable inputs
	\$'000	\$'000	\$'000	\$'000	\$'000
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	-
30 June 2022					
Cash and cash equivalents	12,159	12,159	-	12,159	-
Trade and other receivables	5,029	5,029	-	-	5,029
Related Party Advances & LGFA					
Borrower Notes	910,590	910,590	-	910,590	-
Derivative financial assets	26,645	26,645	-	26,645	-
Accruals	5,249	5,249	-	-	5,249
Borrowings	894,975	874,498	-	874,498	-
Derivative financial liabilities	28,380	28,380	-	28,380	-

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.

	2023 \$'000	2022 \$'000
Cash at Bank	9,187	2,159
Short term deposits	-	10,000
	<u>9,187</u>	<u>12,159</u>

The carrying amount of these assets approximates their fair value.

The weighted average effective interest rate for cash at bank is 4.04% (2022: 1.59%).

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

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.

	2023	2022
	\$'000	\$'000
Interest due from related parties - DCHL Group	3,425	2,510
Interest and fees due from related parties - DCC	3,891	2,358
Other current receivables	1,888	161
	<u>9,205</u>	<u>5,029</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.

	2023	2022
	\$'000	\$'000
Due to related parties	1,793	-
Accruals	10,052	5,249
	<u>11,845</u>	<u>5,249</u>

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

13. Equity - share capital

	2023	2022
	\$'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.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

14. Retained earnings and reserves

	2023 \$'000	2022 \$'000
Retained earnings at the beginning of the year	314	278
Net profit after tax for the year	33	36
Balance at the end of the year	347	314
Hedge reserve at the beginning of the year	18,761	(31,303)
Gain / (loss) of cash flow hedges taken to equity	10,681	58,820
Gain / (loss) of cash flow hedges to related parties taken to equity	(20)	(1,459)
Deferred taxation impact of net cash flow hedge gains	(2,985)	(7,297)
Balance at the end of the year	26,437	18,761
Total retained earnings & reserves	26,784	19,075

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 \$350,000,000 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 2023

Risk	Exposure arising from	Monitoring	Management
Liquidity risk (cont'd)		Management reporting on percentage of funding beyond specific term	More than 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.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

Sensitivity Analysis

As at 30 June 2023 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:

	2023 \$'000	2022 \$'000
Cash & cash equivalents	9,187	12,159
Trade and other receivables	9,205	5,029
Related party loans & LGFA Borrower Notes	1,107,895	910,590
Derivative financial assets	37,181	26,645
Total credit risk	1,163,468	954,423

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

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 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				9,205
Loans to related parties				644,970
Derivative financial instruments - related parties				-
Last year 30 June 2022				
<i>Counterparties with credit ratings</i>				
Cash and cash equivalents AA-			12,159	
Trade & other receivables – related parties AA		2,358		
Trade & other receivables AA-			161	
Derivative financial instruments – related parties AA		20		
Derivative financial instruments AA-			26,625	
Loans to related parties AA		333,800		
<i>Counterparties without credit ratings</i>				
Trade & other receivables - related parties				2,510
Loans to related parties				576,790
Derivative financial instruments - related parties				-
There have been no defaults during the year from counterparties without credit rating (2022: 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 (2022: \$200 million).

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

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 2023 was 5.705% (2022: 2.86%).

Contractual maturity analysis of financial assets

	Carrying amount \$000's	Contractual cash flows \$000's	Less than 1 year \$000's	1 to 2 years \$000's	2 to 5 years \$000's	More than 5 years \$000's	No maturity \$000's
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	-	-	-	-	1,107,895
Total	1,163,468	1,085,234	4,574	(9,143)	(9,812)	(8,279)	1,107,895
2022 year							
Cash & cash equivalents	12,159	12,159	12,159	-	-	-	-
Trade & other receivables	5,029	5,029	5,029	-	-	-	-
Derivative financial assets	26,645	(35,130)	(3,320)	(5,097)	(12,344)	(14,369)	-
Related Party Advances & LGFA Borrower Notes	910,590	910,622	10,032	-	-	-	900,590
Total	954,423	892,680	23,900	(5,097)	(12,344)	(14,369)	900,590

Contractual maturity analysis of financial liabilities

	Carrying amount \$000's	Contractual cash flows \$000's	Less than 1 year \$000's	1 to 2 years \$000's	2 to 5 years \$000's	More than 5 years \$000's	No maturity \$000's
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	-
2022 year							
Accruals	5,249	5,249	5,249	-	-	-	-
Derivative financial liabilities	28,380	24,003	4,910	5,348	9,365	4,379	-
Borrowings	894,975	995,039	290,416	90,573	397,097	216,953	-
Total	928,604	1,024,291	300,575	95,921	406,462	221,332	-

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.

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

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	2023	2022
	\$'000	\$'000
Imputation credits available for use in subsequent periods	103	103

17. Contingent liabilities	2023	2022
	\$'000	\$'000
Performance bonds	402	377

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 (2022: nil).

19. Commitments

The Company has no capital expenditure commitments (2022: nil).

The Company has no non-cancellable operating leases (2022: nil).

The level of committed facilities undrawn at 30 June 2023 amounts to \$220.0 million (2022: \$200.0 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 2023

	2023 \$'000	2022 \$'000
Sales of services to the Group:		
Interest income - DCC	15,540	8,553
Interest income - DCHL	670	586
Interest income - Aurora Energy Ltd	17,649	11,167
Interest income - City Forests Ltd	1,083	434
Interest income - Delta Utility Services Ltd	542	365
Interest income - Dunedin Stadium Property Ltd	3,251	2,275
Financial services - DCC	190	203
Subvention receipt - DCHL Group entities	-	-
	<u>38,924</u>	<u>23,583</u>
Purchases of services from the Group:		
Interest - DRL	21	2
Interest - DVML	97	20
Interest - DCHL	9	-
Interest - Aurora Energy Ltd	13	-
Interest - City Forests Ltd	25	-
Interest - Delta Utility Services Ltd	14	-
Interest - Dunedin Stadium Property Ltd	8	-
Administration and office services - DCHL	360	360
Subvention payment - DCHL Group entities	-	30
	<u>547</u>	<u>412</u>
Advances provided to the Group:		
Opening balance	910,590	801,820
Plus additional advances	362,889	314,615
Less repayments	(168,709)	(205,845)
Balance at end of year (see entity breakdown below)	<u>1,107,895</u>	<u>910,590</u>
Deposits held on behalf of DVML:		
Opening balance	2,300	3,300
Plus additional advances	6,100	3,800
Less repayments	(8,400)	(4,800)
Balance at end of year	<u>-</u>	<u>2,300</u>
Deposits held on behalf of DRL:		
Opening balance	-	-
Plus additional advances	900	-
Less repayments	(600)	-
Balance at end of year	<u>300</u>	<u>-</u>
At year end, the following amounts were receivable from related parties in the Group:		
	2023 \$'000	2022 \$'000
Dunedin City Council	462,998	336,177
Dunedin City Holdings Limited	19,280	20,358
Aurora Energy Limited	496,160	439,932
Delta Utility Services Limited	11,771	13,034
City Forests Limited	36,038	20,641
Dunedin Stadium Property Limited	84,075	85,336
Dunedin Railways Limited	-	-
At year end, the following amounts were payable to related parties in the Group:		
Dunedin Venues Management Limited	29	2,300
Dunedin Railways Limited	300	-

Dunedin City Treasury Limited

Notes to the financial statements For the year ended 30 June 2023

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	2023 \$'000	2022 \$'000
Net profit for the year after tax	33	36
<i>Items not involving cash flows</i>		
Fair value change in derivatives	166	(326)
Amortisation	-	-
Deferred tax	13	(98)
	<u>212</u>	<u>(388)</u>
<i>Impact of changes in working capital items</i>		
(Increase) / decrease in receivables	(4,177)	(1,886)
(Increase) / decrease in prepayments	150	34
Increase / (decrease) in accruals	6,596	272
Increase / (decrease) in provisions	-	(29)
Net cash inflow/(outflow) from operating activities	<u>2,781</u>	<u>(1,997)</u>

22. Reconciliation of liabilities from financing activities

			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>
			Non-cash changes		
	2021 \$000's	Cash flows \$000's	Foreign exchange movement \$000's	Fair value changes \$000's	2022 \$000's
2022 year					
Long term borrowings	818,992	104,154	-	(31,968)	891,178
Short term borrowings	4,782	(985)	-	-	3,797
Derivative financial instruments	36,204	-	-	(8,487)	27,717
Short term derivative financial instruments	1,165	-	-	(502)	663
Assets held to hedge					
Long term borrowings	(9,915)	-	-	(16,730)	(26,645)
Total liabilities from financing activities	<u>851,228</u>	<u>103,169</u>	<u>-</u>	<u>(57,687)</u>	<u>896,710</u>

**Notes to the financial statements
For the year ended 30 June 2023**

23. COVID-19

The pandemic has not had a significant direct effect on the Company. As lender to the Dunedin City Council Group, the Company remains in constant communication with the Group entities regarding their borrowing needs and ensuring appropriate levels of cash reserves are maintained.

There is no perceived increased risk of default by borrowers in the Group.

Throughout the period the Company maintained compliance with all Treasury Risk Management Policy requirements and there was no change in the Company's credit rating.

24. Events after balance date

On 8 September 2023, Dunedin City Treasury Ltd increased the amount which it can borrow under its Multi-Option Instrument Issuance Agreement from \$1.2 billion to \$1.6 billion.

Dunedin City Treasury Limited

Statement of service performance For the year ended 30 June 2023

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

Performance targets

- 1 Zero breaches of DCC Treasury Risk Management Policy's borrowing maturity profile.
- 2 Zero breaches of DCC Treasury Risk Management Policy's interest rate risk policy.
- 3 Zero breaches of DCC Treasury Risk Management Policy's investment management policy.
- 4 Successfully fill any issues brought to the market during the year.
- 5 Maintain funding lines with ANZ, BNZ and Westpac.
- 6 Regular reporting of the Company's achievement against defined benchmarks.
- 7 Management of the fund and meeting the investment objectives set by Council in the Statement of Investment Policy and Objectives.
- 8 Quarterly review by the Board, of the DCHL Risk Register Dashboard.
- 9 Regular reporting to the shareholder of DCTL's top 5 current risks.
- 10 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.
- 11 No such matters that were not escalated to the shareholder in a timely manner.

Performance targets achieved

- Achieved. There were no breaches of DCC Treasury Risk Management Policy's borrowing maturity profile.
- Achieved. There were no breaches of DCC Treasury Risk Management Policy's interest rate risk policy.
- Achieved. There were no breaches of DCC Treasury Risk Management Policy's investment management policy.
- Achieved. Filled all issues brought to the market during the year.
- Achieved. Funding lines with ANZ, BNZ and Westpac have been maintained during the year.
- Achieved. Reporting achievements against defined benchmarks are provided to the Board monthly and quarterly.
- Not achieved. 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 5.9%.
- Achieved. The DCTL Risk Register Dashboard was reviewed by the Board quarterly.
- Achieved. DCTL's top 5 current risks were reported to the shareholder quarterly.
- Achieved. There were no breaches of policy that were required to be reported to the shareholder.
- Achieved. There were no matters requiring escalation to the shareholder.

Dunedin City Treasury Limited

12	No such matters that were not reported to the shareholder within 24 hours.	Achieved. There were no matters of substance to report to the shareholder.
13	Implement DCTL's carbon emissions strategy developed in the 2022 financial year and achieve our FY2023 targets.	The 2022 strategy was implemented. DCTL is tracking carbon emissions and will continue to refine this strategy to reduce carbon emissions in line with their target to be net zero carbon by 2030.
14	Implement DCTL's waste reduction strategy developed in the 2022 financial year and achieve our FY2023 targets.	The 2022 strategy was implemented. DCTL is tracking waste emissions and will continue to refine this strategy in its efforts to reduce waste in line with the target to be net zero carbon by 2030
15	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.
16	Ensure that all direct employees are paid at living wage or above.	Achieved. DCTL does not employ any staff directly.
17	Credit rating equal to that of Dunedin City Council.	Achieved. Obtained a credit rating of AA/Stable/A-1+; equal to that of Dunedin City Council.

Financial forecasts	\$'000	Achievement	\$'000
Net profit after tax	4	Net profit after tax	33
Cash flow from operations	(391)	Cash flow from operations	2,781
Capital expenditure	-	Capital expenditure	-
Term loans	1,032,710	Term loans	1,083,813
Shareholder's funds to total assets	2.1%	Shareholder's funds to total assets	2.3%

Dunedin City Treasury Limited

Directory **As at 30 June 2023**

Directors

Keith T Cooper
Richard J Thomson
Timothy D R Loan
Susie J Johnstone

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 2023

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.

Opinion

We have audited:

- the financial statements of the company on pages 11 to 36, that comprise the statement of financial position as at 30 June 2023, 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 37 to 38.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 Reduced Disclosure Regime; and
- 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 2023.

Our audit was completed on 29 September 2023. 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

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 the 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 statement of service performance, our procedures were limited to checking that these 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 10 and page 39 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. We have nothing to report in this regard.

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.

A Board member of the company was a member of the Auditor-General's Audit and Risk Committee until October 2022. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the members of the Auditor-General's Audit and Risk Committee have no involvement in, or influence over, the audit of the company.

Other than the audit, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with or interests in, the company.

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

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