

# ANNUAL REPORT 2019

---

INVERCARGILL CITY  
FORESTS LIMITED



## Table of Contents



Company Directory	4
Approval by Directors	5
Executive Report	6
Statutory Information	7
The Year in Review	8
Statement of Financial Position	9
Statement of Comprehensive Income	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	14
Company Statement of Service Performance	31
Auditors' Report	32

# Company Directory

## **Directors**

Mr B Nettleton  
Mrs M Montgomery  
Mrs R Keoghan  
(From 1 November 2018)  
Mr A McKenzie  
(Until 31 October 2018)  
Mr L Pullar  
(Until 31 October 2018)

## **Chief Executive Officer**

Mrs M Montgomery (Acting)

## **Registered Office**

C/- Invercargill City Council  
101 Esk Street  
Invercargill

## **Postal Address**

Private Bag 90104  
Invercargill 9840  
  
Phone (03) 211 1777  
Fax (03) 211 1433

## **Auditor**

Audit New Zealand  
Dunedin

## **Bankers**

BNZ

## **Solicitors**

Cruickshank Pryde  
42 Don Street  
Invercargill

## **Forestry Consultant**

IFS Growth

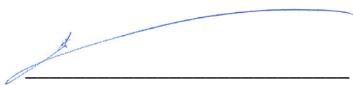


## Approval by Directors

The Directors have approved for issue the financial statements of Invercargill City Forests Limited for the year ended 30 June 2019.



M Montgomery  
Chairperson



B Nettleton  
Director

For and on behalf of the Board of Directors.  
24 September 2019

## Chairperson's Report

It is with pleasure that I pen my first report as Chair of Invercargill City Forests Limited (ICFL).

The year ended 30 June 2019 has been one of significant change for ICFL. In October 2018, two long-serving Directors stood down from our Board - Alastair McKenzie was our most recent Chair and in his honour we re-named one of our forests ICF Alastair McKenzie. Les Pullar also stood down at this time after many years of association with ICFL, and it is with utter sadness that our Board acknowledges Les's recent passing - Les played a significant role in making ICFL what it is today, and we thank him profoundly for his time and dedication.

As has been recently publicised Invercargill City Holdings Limited, has resolved to divest its forestry assets. This creates a complete redirection for ICFL, as the company has for the past years pursued a strategy of growing the estate to create a sustainable dividend to the city, in line with previous shareholder expectations.

We expect there to be wide interest from a range of parties; our primary focus at this time is ensuring that the divestment process maximises the return to our shareholders.

The Financial Reports for the Year Ended 30 June 2019 tell a mixed story. ICFL had an excellent year from an operating perspective, reporting an operating profit of \$1.697 million versus our budget of \$1.1 million. This was largely due to the increased harvesting activity achieved due to excellent export prices and investment in harvesting rights with time restraints for harvesting. Another contributing factor was a year of enhanced cost control throughout which allowed us to maximise operating profit.

The Net Loss for the year however is \$3.794 million. Our annual valuation has had a major impact on our bottom line, with the valuer taking a pessimistic view of the current downturn in export prices and the likely timeline of these returning to the very profitable prices

we have seen in recent times. We note this valuation was prepared for annual reporting purposes and a significantly more involved vendor due diligence process is underway in connection with our divestment strategy.

Despite having purchased 107.74 hectares of capital forest and a further 211.90 hectares of cutting rights during the year, assumptions in this valuation have also resulted in our Total Assets decreasing from \$39.937 million to \$35.805 million, and Equity reducing by \$3.21 million to \$9.652 million.

Our forests continue to be maintained and managed to a high level. We adopt a policy of full silviculture to ensure that trees are presented in a manner that provides multiple options at harvest time. The exception is those forests that will only ever grow timber of a lower grade such that expenditure on thinning and silviculture may not be recovered at time of harvest.

For the coming year, our operations have been scaled back to a maintenance level. The view is that the forests will be presented in optimal condition, but no further capital works will be undertaken. We continue to harvest a forestry right in the Murchison region which will provide sufficient cashflow to see us through this time of uncertainty.

In closing, I wish to thank my fellow Directors - Ben Nettleton and Rebecca Keoghan - for their support in what has been a challenging year, primarily due to change and a scaled-back Board.



M Montgomery  
Chairperson



## Statutory Information

### **REMUNERATION AND OTHER BENEFITS TO DIRECTORS**

#### **Invercargill City Forests Limited**

Mr L Pullar	\$9,333
Mr A McKenzie	\$18,667
Mr B Nettleton	\$28,000
Ms M Montgomery	\$46,667
Mrs R Keohan	\$18,667

#### **Forest Growth Holdings Limited**

Mr A McKenzie	\$12,788
Mr B Nettleton	\$7,658

There was no remuneration or other benefits paid to Directors during the year for any of the following:

- Compensation for loss of office.
- Guarantees given by the Company for debts incurred by a Director.

### **SHAREHOLDINGS BY DIRECTORS**

No Director has an interest in Company shares held, acquired or disposed of during the period.

### **RECOMMENDED DIVIDEND**

There is no dividend recommended.

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Company has insured all its Directors against liabilities to other parties that may arise from their positions.

### **DONATIONS**

The Company has made no donations during the period.

### **AUDITOR'S REMUNERATION**

Auditor's fees of \$22,592 were paid during the year. There were no other fees payable for other services provided by the Auditor.

### **USE OF COMPANY INFORMATION BY DIRECTORS**

During the period the Board received no notice from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise be available to them.

### **INTERESTS IN TRANSACTIONS**

During the period, no Directors had an interest in any transaction or proposed transaction with the Company.

### **REMUNERATION**

No employees received remuneration and other benefits exceeding \$100,000 during the period.

## The Year in Review



Directors have an on-site Health and Safety discussion.



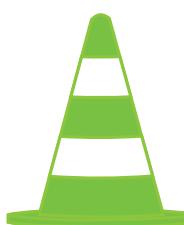
Dividend Paid  
**\$550,000**

Seedlings planted  
**139,600**

Tonnes harvested  
**94,922**



**SALES**  
37% Domestic  
63% Export



### Health and Safety

- 2 Lost time injuries
- 4 Near misses
- 8 Minor injuries



## Statement of Financial Position

As at June 30, 2019

	Note	Group 2019 \$000	Group 2018 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		600	528
Trade and other receivables	7	60	110
Inventories	8	-	4,700
Advance to non-subsidiaries	12	-	626
<b>Total current assets</b>		<u>660</u>	<u>5,964</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	10,576	10,000
Forestry assets	10	24,249	23,965
Intangible assets	11	320	8
<b>Total non-current assets</b>		<u>35,145</u>	<u>33,973</u>
<b>Total assets</b>		<u>35,805</u>	<u>39,937</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	136	173
Tax payable		-	6
<b>Total current liabilities</b>		<u>136</u>	<u>179</u>
<b>Non-current liabilities</b>			
Borrowings	14	22,500	22,231
Deferred tax liability	15	3,518	4,665
<b>Total non-current liabilities</b>		<u>26,018</u>	<u>26,896</u>
<b>Total liabilities</b>		<u>26,154</u>	<u>27,075</u>
<b>Equity</b>			
Share capital	16	2,774	2,774
Retained earnings	16	3,763	6,949
Other reserves	16	3,115	3,139
Total equity attributable to the equity holders of the company		<u>9,652</u>	<u>12,862</u>

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.

# Statement of Comprehensive Income

For the year ended June 30, 2019

	Note	Group 2019 \$'000	Group 2018 \$'000
<b>Income</b>			
Operating revenue	1	15,442	7,614
Other gains	2	(2,522)	2,928
Total income		12,920	10,542
<b>Expenditure</b>			
Cost of sales		4,308	1,890
Employee expenses	4	-	47
Depreciation and amortisation	9	100	105
Biological asset Cost of Goods Sold		3,412	1,355
Forestry costs		6,972	3,874
Administration expenses	3	714	642
Impairment of goodwill		-	641
Total operating expenditure		15,506	8,554
Finance income	5	34	117
Finance expenses	5	1,242	1,045
Net finance expense		(1,208)	(928)
<b>Operating profit/(loss) before tax</b>		(3,794)	1,060
Share of associate profit/(loss)		-	25
<b>Profit/(loss) before tax</b>		(3,794)	1,085
Income tax expense	6	(1,158)	352
<b>Profit/(loss) after tax</b>		(2,636)	733
<b>Other comprehensive income</b>			
Increase/(decrease) in fair value of carbon credits		(24)	-
Increase/(decrease) in fair value of property, plant and equipment - land	16	-	1,592
<b>Total other comprehensive income</b>		(24)	1,592
<b>Total comprehensive income</b>		(2,660)	2,325

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.



## Statement of Changes in Equity

For the year ended June 30, 2019

	<b>Note</b>	<b>Group 2019 \$000</b>	<b>Group 2018 \$000</b>
<b>Balance at 1 July</b>		12,862	11,087
Total Comprehensive Income for the year	<b>16</b>	(2,660)	2,325
<i>Distributions to shareholders</i>			
Dividends paid	<b>16</b>	(550)	(550)
<b>Balance at 30 June</b>		<b>9,652</b>	<b>12,862</b>

*The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.*

# Statement of Cash Flows

For the year ended June 30, 2019

	Note	Group 2019 \$000	Group 2018 \$000
<b>Cash flows from operating activities</b>			
Interest received		36	117
Receipts from customers		15,256	7,682
Payments to suppliers and employees		(7,455)	(4,610)
Interest paid		(1,242)	(1,045)
Income tax (paid) / refund		5	-
Goods and services tax [net]		(4)	(3)
<b>Net cash from operating activities</b>		<b>6,596</b>	<b>2,141</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		-	23
Purchase of biological assets		(6,130)	(2,713)
Purchase of intangible assets		(337)	(8)
Purchase of property, plant and equipment		(426)	(884)
Advances made to non-subsidiaries		650	500
Acquisition of subsidiary, net of cash		-	228
<b>Net cash from investing activities</b>		<b>(6,243)</b>	<b>(2,854)</b>
<b>Cash flows from financing activities</b>			
Proceeds from advance from Invercargill City Holdings Limited		2,400	2,575
Repayment of advance from Invercargill City Holdings Limited		(2,131)	(1,000)
Dividends paid		(550)	(550)
<b>Net cash from financing activities</b>		<b>(281)</b>	<b>1,025</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<b>72</b>	<b>312</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year		<b>528</b>	<b>216</b>
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>		<b>600</b>	<b>528</b>

The GST(net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with, the financial statements.



**Reconciliation of net profit / (loss) to net cash inflows (outflows) from operating activities**

	Group 2019 \$000	Group 2018 \$000
<b>Reconciliation with reported operating surplus</b>		
Net profit after tax	(2,636)	733
<b>Add/(deduct) non-cash items:</b>		
Depreciation	100	104
Net (profit)/loss on sale of fixed assets	-	2
Change in fair value of biological assets	2,521	(2,619)
Change in fair value of loan	(24)	24
Change in fair value of associate	-	(25)
Biological assets - Cost of Goods Sold	3,412	1,354
Increase/(decrease) in deferred taxation	(1,147)	352
Increase/(decrease) in current years tax	(11)	-
Impairment of goodwill	-	641
Net (profit)/loss on sale of shares in associate	-	29
Net (profit)/loss on disposed of investment	294	-
Gain on previously held investment	-	(310)
	5,145	(448)
<b>Add/(less) movements in working capital:</b>		
(Increase)/decrease in receivables	66	66
(Increase)/decrease in prepayments	(2)	-
(Increase/decrease in inventories	4,058	1,890
Increase/(decrease) in accounts payable and accruals	(37)	(98)
Increase/(decrease) in GST/taxation	2	(2)
	4,087	1,856
Net cash inflow (outflow) from operating activities	6,596	2,141

**Reconciliation of changes in liabilities arising from financing activities**

The changes in the liabilities arising from financing activities can be classified as follows:

	Long-term borrowings \$000
1 July 2018	22,231
<b>Cashflows</b>	
Proceeds	2,400
Repayments	(2,131)
30 June 2019	22,500

# Notes to the Financial Statements

For the year ended June 30, 2019

## REPORTING ENTITY

Invercargill City Forests Limited (the Company) is a company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is a wholly owned subsidiary of Invercargill City Holdings Limited.

The Company is a Council Controlled Trading Organisation as defined in Section 6(1) of the Local Government Act 2002. The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, Companies Act 2013 and Financial Reporting Act 1993.

The Company is primarily involved in forestry activities. Accordingly, the Company has designated itself and the group as a profit orientated entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Group are for the year ended 30 June 2019. The financial statements were authorised for issue by the Directors on 24 September 2019. The entities directors do not have the right to amend the financial statements after issue.

## BASIS OF PREPARATION

The financial statements of the Company and Group have been prepared in accordance with the requirements of the Local Government Act 2002, the Financial Reporting Act 2013 and the Companies Act 1993.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

The Group is a Tier 2 for-profit entity and has elected to report in accordance with the NZ IFRS Reduced Disclosure Regime on the basis that it does not have public accountability and is not a large for-profit public sector entity.

The general accounting principles as appropriate for the measurement and reporting of results and financial position under the historical cost method have been followed in preparation of these financial statements. The financial statements have been prepared on a

historical cost basis, modified by the revaluation of land and forestry assets.

The accounting policies that have been applied to these financial statements are based on the External Reporting Board A1, Accounting Standards Framework (For-profit Entities Update). The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$'000). The functional currency of the Group is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange at the reporting date.

## ACCOUNTING POLICIES AND STANDARDS

Accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

## GOING CONCERN BASIS

The financial statements have been prepared on the going concern basis. The shareholder, Invercargill City Holdings Limited has resolved to divest of its interest in the Company.

The timing of the divestment process is uncertain, however it is not anticipated to be completed within the next 12 months due to the geographic spread of the estate and any foreign buyers needing Overseas Investment Office approval. The Company is working with the shareholder to appoint an agent for the sale.

The Directors are therefore of the view that the going concern basis continues to be appropriate for the preparation of the financial statements.



## **SUBSIDIARIES**

The Company consolidates as subsidiaries in the group financial statements all entities where the Company has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity.

This power exists where the Company controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Company or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Group measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

In June 2019 the subsidiary company, Forest Growth Holdings Limited was wound up and an application has been made to the Companies Office to have it removed from the register.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes 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.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

## **GOODS AND SERVICES TAX (GST)**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

## **IMPAIRMENT OF NON-FINANCIAL ASSETS**

Goodwill and indefinite life intangible assets are not subject to amortisation but are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

## **NEW STANDARDS ADOPTED**

The Company has applied the following standards for the first time for the annual reporting period commencing 1 July 2018:

NZ IFRS 9 - Financial Instruments

NZ IFRS 15 - Revenue from Contracts with Customers

The Company has changed its accounting policies to reflect the new standards but the adoption has had no material effects on the financial statements. Accordingly, there has been no change to opening equity.

In accordance with the transition provisions of IFRS 9, comparative figures have not been restated in these financial statements.

The Company has not elected to early adopt any new standards or interpretations that are issued but not yet effective.

### **CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies during the period except for those arising from the adoption of the new standards. All accounting policies have been consistently applied throughout the period covered by these financial statements.



## 1 Operating Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Government grants: NZU's allocated by the Crown represent non-monetary government grants and are initially recognised at nil value. Gains or losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in the Statement of Comprehensive Income.

	<b>Group</b>	<b>Group</b>
	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Rendering of services	43	174
Harvesting income	10,014	5,556
Sale of land and trees	5,385	1,850
Other income	-	34
	<b>15,442</b>	<b>7,614</b>

## 2 Other gains and losses

Change in fair value of biological assets  
Gain on previously held investment

	<b>Group</b>	<b>Group</b>
	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Change in fair value of biological assets	(2,522)	2,618
Gain on previously held investment	-	310
	<b>(2,522)</b>	<b>2,928</b>

**3 Administrative expenses (includes)**

	<b>Group</b> <b>2019</b>	<b>Group</b> <b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Director fees	142	140
Loss on disposal of investment	294	29
Donations	-	30
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	23	33

**4 Employee expenses**

	<b>Group</b> <b>2019</b>	<b>Group</b> <b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Wages and salaries	-	47
Total employee expenses	-	47

**5 Finance income and expense**

	<b>Group</b> <b>2019</b>	<b>Group</b> <b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Finance Income</b>		
Interest income	34	117
Total finance income	34	117
<b>Financial expense</b>		
Interest expense	1,242	1,045
Total financial expenses	1,242	1,045
Net finance costs	(1,208)	(928)



## 6 Income tax expense in the Income Statement

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company and Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

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, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

	Group 2019 \$000	Group 2018 \$000
<b>Current tax expense</b>		
Current period	-	-
Adjustment for prior periods	(11)	-
Total current tax expense	<u>(11)</u>	<u>-</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(1,147)	352
Total deferred tax expense	<u>(1,147)</u>	<u>352</u>
Total income tax expense	<u>(1,158)</u>	<u>352</u>
<b>Reconciliation of effective tax rate</b>		
Profit for the year	(3,794)	1,085
Profit excluding income tax	(3,794)	1,085
Tax at 28%	(1,063)	304
Permanent Differences	-	212
Imputation credits utilised	-	(102)
Change in recognised temporary differences	(14)	105
Loss offset	(70)	(167)
	<u>(1,147)</u>	<u>352</u>
Under/(over) provided in prior periods	(11)	-
Total income tax expense	<u>(1,158)</u>	<u>352</u>

The current tax expense is calculated on the assumption that tax losses of \$0 (2018: \$598,043) with a tax benefit of \$167,452 (2018: \$167,452) have been transferred from Invercargill City Council by way of group loss offset.

## 7 Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method, less any provision for expected credit losses.

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

	<b>Group 2019</b> <b>\$'000</b>	<b>Group 2018</b> <b>\$'000</b>
Trade receivables	19	84
GST receivable	39	26
Prepayment	2	-
	<hr/>	<hr/>
	60	110
Less provision for impairment of receivables	-	-
	<hr/>	<hr/>
	60	110

Trade receivables are non-interest bearing and are generally on terms of 30 days.

As at 30 June, the ageing analysis of trade receivables is, as follows:

	<b>Total</b>	<b>Neither past due nor impaired</b>
2019	19	19
2018	84	84

## 8 Inventories

The cost of logs harvested by the Company and Group is the fair value less costs to sell at the time the logs are harvested which becomes the initial cost. Thereafter inventory is carried at the lower of cost and net realisable value.

	<b>Group 2019</b> <b>\$'000</b>	<b>Group 2018</b> <b>\$'000</b>
Land and trees held for sale	-	4,700
	<hr/>	<hr/>
	4,700	



## **9 Property, plant and equipment**

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Property consists of land and improvements. Land is held in two classes being Land and Roading improvements.

Roading improvements are carried at depreciated historical cost.

Land is revalued to fair value and carried at valuation and is not depreciated. The fair value is determined by independent registered valuers based on the highest and best use of the land. In determining the highest and best use consideration is given as to whether the land has been registered under the New Zealand Emissions Trading Scheme and hence whether there are restrictions on the land use.

Land is revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the Land revaluation will occur every three years, unless circumstances require otherwise.

New Zealand units received from the government are recognised at cost in the financial statements, which is nil value.

### **Additions**

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and Group and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

### **Disposals**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income.

When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

### **Subsequent Costs**

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and Group and the cost of the item can be measured reliably.

### **Depreciation**

Depreciation is provided on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- (a) Forestry Roading Improvements  
6% Diminishing Value
- (b) Plant  
13% - 67% Diminishing Value

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

## 9 Property, plant and equipment

2019 - Group (\$000)

	Cost/ revaluation	Accumulated depreciation	Carrying amount	Current year additions (Cost)	Current year disposals (Cost)
	1 July 2018	1 July 2018	1 July 2018		
Land	8,414	-	8,414	623	-
Plant and equipment	34	20	14	2	-
Roading	2,100	528	1,572	51	-
Total assets	10,548	548	10,000	676	-

2018 - Group (\$000)

	Cost/ revaluation	Accumulated depreciation	Carrying amount	Current year additions (Cost)	Current year disposals (Cost)
	1 July 2017	1 July 2017	1 July 2017		
Land	6,005	-	6,005	818	-
Plant and equipment	31	15	16	3	-
Roading	2,036	428	1,608	64	-
Total assets	8,072	443	7,629	885	-

No depreciation is charged on land and there have been no impairments throughout the period.

Forestry land is revalued with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the land revaluation will occur every three years, unless circumstances require otherwise. The land was valued by Thayer Todd Valuations Ltd (independent valuers) as at 30 June 2018. The fair value was determined on the highest and best use of the land using the market comparable method on sales of comparable land, based on the Valuers sales database. This resulted in a revaluation increase movement of \$1,592,000.

The value of the land owned by Invercargill City Forests Limited, had it been carried at the cost model, would be \$5,868,438 at 30th June 2019 (\$5,245,505 at 30 June 2018).

## 10 Biological assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the Statement of Comprehensive Income.

The costs to maintain the forestry assets are included in the Statement of Comprehensive Income.



Current year disposals - Depreciation	Current year depreciation	Current year revaluation	Cost/ revaluation	Accumulated depreciation	Carrying amount
			<b>30 June 2019</b>	<b>30 June 2019</b>	<b>30 June 2019</b>
-	-	-	9,037	-	9,037
-	5	-	36	25	11
-	95	-	2,151	623	1,528
-	100	-	11,224	648	10,576

Current year disposals - Depreciation	Current year depreciation	Current year revaluation	Cost/ revaluation	Accumulated depreciation	Carrying amount
			<b>30 June 2018</b>	<b>30 June 2018</b>	<b>30 June 2018</b>
-	-	1,592	8,414	-	8,414
-	5	-	34	20	14
-	100	-	2,100	528	1,572
-	105	1,592	10,548	548	10,000

	<b>Group Forestry</b> <b>\$'000</b>
Balance at 1 July 2017	19,867
Additions	2,834
Forest Assets logged at cost	(1,354)
Change in fair value less estimated point-of-sale costs	2,618
Balance at 30 June 2018	23,965
Balance at 1 July 2018	23,965
Additions	6,119
Forest Assets logged at cost	(3,314)
Change in fair value less estimated point-of-sale costs	(2,521)
Balance at 30 June 2019	24,249

At 30 June 2019, standing timber comprised approximately 3,174 hectares of plantations at 16 different locations. At 30 June 2018, standing timber comprised approximately 2,800 hectares of plantations at 12 different locations.

The forests are valued annually effective 30 June. The 2019 and 2018 valuations were performed by Brian Johnson, an independent valuer from Margules Groome. The valuation excludes funding and taxation. The discount rate is based on the implied pre-tax discount rate from actual transactions. The pre-tax discount rate chosen for the 2019 valuations is 6.50% (2018: 6.75%).

The Company is exposed to a number of risks related to its forestry assets.

#### **Pre-1990 Forest:**

Pre-1990 forests are forests that were established before 1 January 1990. NZUs cannot be earned for an increase in the carbon stock (through forest growth) in a pre-1990 forest, but NZU's are allocated based on the size of the forested area in three tranches. Provided that pre-1990 forests are re-established after harvesting (by replanting or regeneration), there are no liabilities or obligations under the ETS. Landowners of pre-1990 forests must surrender NZUs equivalent to the carbon emissions from any deforestation.

#### **Post-1989 Forests:**

Post-1989 forests are exotic or indigenous forests established after 31 December 1989 on land that was not forest land on 31 December 1989. These forests earn credits under the Kyoto Protocol rules. Therefore, they are also known as "Kyoto Protocol-compliant" forests. Participating in the ETS is voluntary for post-1989 forest owners. If they are part of the ETS, then they earn NZUs for the carbon sequestered in the forest from 1 January 2008, but will need to surrender NZUs to the Crown when the carbon held in their trees decreases, whether through harvest or natural causes (such as by fire or storm). Any liability for post-1989 participants is capped at the amount of NZUs previously claimed for that area of forest land.

Invercargill City Forests has harvested a total of 48 hectares of pre-1990 forest that has yet to be replanted. It is Invercargill City Forests Limited's intention to replant all forests.

#### **Supply and Demand Risk**

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. Where possible the Company manages this risk by aligning its harvest volume to market supply and demand.

The Company is exposed to movements in the price of NZU's to the extent that, the Company has insufficient NZU's to offset a deforestation liability and has to purchase NZU's on the market.



Management performs regular industry trend analysis to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

#### **Climate and Other Risks**

The Company's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces.

The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

The Company also insures itself against natural disasters such as fire and lightning.

#### **11 Intangible Assets**

	<b>Carbon Credits</b> <b>\$000</b>
<b>Costs</b>	
Balance at 01 July 2017	-
Balance at 30 June 2018	8
	<hr/>
	8
Balance at 01 July 2018	8
Additions	336
Change in fair value	(24)
Balance at 30 June 2019	<hr/> 320
<b>Amortisation and Impairment charges</b>	
Balance at 01 July 2017	-
Balance at 30 June 2018	-
	<hr/>
	-
Balance at 01 July 2018	-
Impairment losses	-
Balance at 30 June 2019	-
<b>Carrying amounts</b>	
Balance at 01 July 2017	-
Balance at 30 June 2018	8
	<hr/>
	8
At 01 July 2018	8
At 30 June 2019	<hr/> 320

Amortisation and impairment of intangible assets are recognised in the Statement of Comprehensive Income.

#### **Carbon Credits**

Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit for as long as the Emissions Trading Scheme is in place.

As NZUs are an indefinite life intangible asset, they are tested for impairment on an annual basis or when indications of impairment exist.

The unsold units have been valued based on the current market price and recognised in the financial statements.

Carbon units can be sold or surrendered towards the carbon liability generated from harvesting forests.

As at June 2019 there are 13,823 carbon credits units on hand (30 June 2018: 363).

### **12 Loans to other non-subsidiaries**

	<b>Group 2019 \$000</b>	<b>Group 2018 \$000</b>
<b>Current</b>		
Loan to Dan Minehan Family Trust	-	376
Loan to IFS Forestry Group Limited	-	250
<b>Total current loans</b>	<b>-</b>	<b>626</b>

The IFS Forestry Group Limited loan is unsecured with interest payable at 6% and repayable on demand.

An interest free loan of \$900,000 was advanced to the Dan Minehan Family Trust on 30 September 2017. A minimum of \$500,000 was repayable by 30 June 2018 and the balance of \$400,000 was repaid on 30 June 2019.

### **13 Trade and other payables**

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are non-interest bearing and are normally settle within 30 day terms.

	<b>Group 2019 \$000</b>	<b>Group 2018 \$000</b>
<b>Trade payables</b>		
Trade payables	103	60
Accrued expenses	33	113
<b>Total trade and other payables</b>	<b>136</b>	<b>173</b>



## 14 Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowing costs are recognised as an expense in the period in which they are incurred.

	<b>Group</b> <b>2019</b>	<b>Group</b> <b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Non-current</b>		
Shareholder advances	22,500	22,231
Total non-current borrowings	<u>22,500</u>	<u>22,231</u>

The term loan has been advanced by Invercargill City Holdings Limited under its multi-option facility. The current average interest rate payable is 4.63% (2018: 4.7%). The advance and interest rate are renegotiated as required. Therefore, the repayment period for the entire loan is greater than five years from now. The loan is unsecured. The fair value of the loan is also its carrying value.

## 15 Deferred Tax Liabilities/(Assets)

<b>Group (\$000)</b>	<b>1-Jul-17</b>	Recognised			Recognised			<b>30-Jun-19</b>
		Balance	in profit or loss	Recognised in equity	Balance	in profit or loss	Recognised in equity	
Property, plant and equipment	(5)	(2)	-	(7)	(1)	-	(8)	
Biological assets	4,324	424	-	4,748	(912)	-	3,836	
Other items	(6)	4	-	(2)	(4)	-	(6)	
Inventory	-	(74)	-	(74)	74	-	-	
Tax losses	-	-	-	-	(303)	-	(303)	
<b>Total movements</b>	<b>4,313</b>	<b>352</b>	<b>-</b>	<b>4,665</b>	<b>(1,146)</b>	<b>-</b>	<b>3,518</b>	

## 16 Equity

	Share capital	Revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2017</b>	2,774	1,547	6,766	11,087
Profit / (loss)	-	-	733	733
<b>Other comprehensive income</b>				
Increase/(decrease) in fair value of property, plant and equipment - land	-	1,592	-	1,592
<b>Distributions to Shareholders</b>				
Dividends paid	-	-	(550)	(550)
<b>Balance at 30 June 2018</b>	2,774	3,139	6,949	12,862
<b>Balance at 1 July 2018</b>	2,774	3,139	6,949	12,862
Profit / (loss)			(2,636)	(2,636)
<b>Other comprehensive income</b>				
Increase/(decrease) in fair value of property, plant and equipment - land	-	-	-	-
Increase/(decrease) in fair value of carbon credits	-	(24)	-	(24)
<b>Distributions to Shareholders</b>				
Dividends paid	-	-	(550)	(550)
<b>Balance at 30 June 2019</b>	2,774	3,115	3,763	9,652

At 30 June 2019, share capital comprised 2,774,070 ordinary, fully paid up shares with equal rights (2018: 2,774,070).



## 17 Related party transactions

The company is a wholly owned subsidiary of Invercargill City Holdings Limited. During the year, the following transactions took place:

	Group 2019 \$000	Group 2018 \$000
<b>(a) Invercargill City Holdings Limited</b>		
<i>Revenue</i>		
Provision of services	-	-
<i>Expenditure</i>		
Provision of services and interest payments	1,312	1,111
Dividends from Subsidiary to Parent	550	550
Loan balance outstanding to Invercargill City Holdings	22,500	22,231
Outstanding at balance date by Invercargill City Holdings	-	-
Outstanding at balance date to Invercargill City Holdings	-	-
<b>(b) Invercargill City Council</b>		
<i>Revenue</i>		
Provision of services	-	-
<i>Expenditure</i>		
Provision of services	28	110
Outstanding at balance date by Invercargill City Council	-	-
Outstanding at balance date to Invercargill City Council	-	-
Tax loss offset	70	167

Key management personnel include the Directors and Chief Executive. Short-term employment benefits consists of the Chief Executives salary, Executive and Financial Management services.

No related party debts have been written off or were forgiven during the 2019 year (2018:nil).

	Group 2019 \$000	Group 2018 \$000
Key management personnel compensation comprises:		
Short term employment benefits	18	47
Directors Fees	142	140

## 18 Capital and Operating Commitments

There are no commitments contracted for at 30 June 2019 (2018: nil).

## **19 Contingencies**

Invercargill City Forests has harvested a total of 47 hectares of pre-1990 forest (2018: 17 hectares). This harvested land will be replanted but at balance date carried a potential deforestation liability of \$578,182 (2018: \$192,345). It is Invercargill City Forests Limited's intention to replant all forests. Refer note 10.

In May 2019, the Shareholder Invercargill City Holdings Limited announced their intention to sell Invercargill City Forests Limited. Due to this Invercargill City Forests Limited may have potential liabilities in relation to settling ETS liabilities and settling contract provisions but at this point in time these costs are unknown due to the uncertainty of the sale process.

## **20 Events after the Balance Sheet date**

There have been no significant events between the year end and the signing date of the financial statements.

## **21 Financial Instruments**

- ***Receivables***

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses.

- ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value.

- ***Trade and Other Payables***

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.

- ***Borrowings***

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at least 12 months after the balance date.

## **22 Publication of Financial Statements**

Invercargill City Forests Limited is a Council-Controlled Trading Organisation operating under the Local Government Act 2002. The Act requires the Board to deliver to the shareholders and make public the audited annual report within three months of the end of the financial year. This time frame has been met.



# Company Statement of Service Performance

For the year ended June 30, 2019

The performance targets established in the 2019 Statement of Intent for Invercargill City Forests Limited and the results achieved for the year ended 30 June 2019 are as follows:

## **Parent Financial Performance Targets:**

That Invercargill City Forests Limited will achieve a EBIT% - Percentage Earnings before Tax and interest on Assets Employed of 4.86%

- Not achieved
- EBIT% on assets employed is -8.02%

That Invercargill City Forests Limited will achieve a Percentage of Equity to Total Assets of 30.62%

- Not achieved
- Equity to total assets % is 26.17%

## **Parent Non-Financial Performance Targets:**

### *Health and Safety*

The Company continues to have a strong focus on health and safety. There were two lost time injuries, four near misses and eight minor injuries during the year.

### *Tree mortality rates are below 10%*

- Not achieved
- The 2018 plantings at Cairn Peak have had a higher mortality rate (24%) due to wet conditions and lower planting rates. Blanking will be completed at Cairn Peak to increase the stem count.

### *No notifiable environmental incidents*

- Achieved
- There was one environmental incident this year with a fire at the Cairn Peak but this was not required to be notified.

### *Net stocked area remains above 80% of productive area*

- Achieved
- The Company aims to maintain the net stocked area of its forests above 80% to ensure future harvesting success.

### *All silviculture is completed as per agreed work plan*

- Not achieved
- A 4.8 hectare area of Whare Creek has been deferred to the 2019/20 year due to the area requiring chainsaw work and contractor availability.
- The Company is very proud of its forests and continues to ensure standards of silviculture, road/track maintenance, weed and pest control and signage are all maintained at a high level.

## **Group Performance Targets:**

No group performance targets were prepared in the 2018/2019 Statement of Intent.

In June 2019 the subsidiary company, Forest Growth Holdings Limited was wound up and an application has been made to the Companies Office to have it removed from the register.

# Auditor's Report

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of Invercargill City Forests Limited's financial statements and statement of service performance for the year ended 30 June 2019

The Auditor-General is the auditor of Invercargill City Forests Limited (the Company). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the Company on his behalf.

#### Opinion

We have audited:

- the financial statements of the Company on pages 9 to 30, that comprise the statement of financial position as at 30 June 2019, 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 page 31.

In our opinion:

- the financial statements of the Company on pages 9 to 30:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; 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 on page 31 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 2019.

Our audit was completed on 24 September 2019. 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 and statement of service performance that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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

In preparing the financial statements and the statement of service performance, the Board of Directors are 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 there is an intention to liquidate the Company or to cease operations, or there is 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.

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 the 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 performance information within the Company's framework for reporting 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 in our audit.

Our responsibilities arise from the Public Audit Act 2001.



### Other information

The Board of Directors are responsible for the other information. The other information comprises the information included on pages 4 to 8, but does not include the financial statements and 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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Andy Burns  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand



*INVERCARGILL CITY FORESTS LTD*

PRIVATE BAG 90104, INVERCARGILL 9840, NEW ZEALAND  
PHONE 03 211 1777 EMAIL [INFO@ICFL.CO.NZ](mailto:INFO@ICFL.CO.NZ)

