



Annual Report 2022

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INVERCARGILL CITY PROPERTY LTD



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Approval by Directors

The Directors have approved for issue the financial statements of Invercargill City Property Limited for the year ended 30 June 2022.

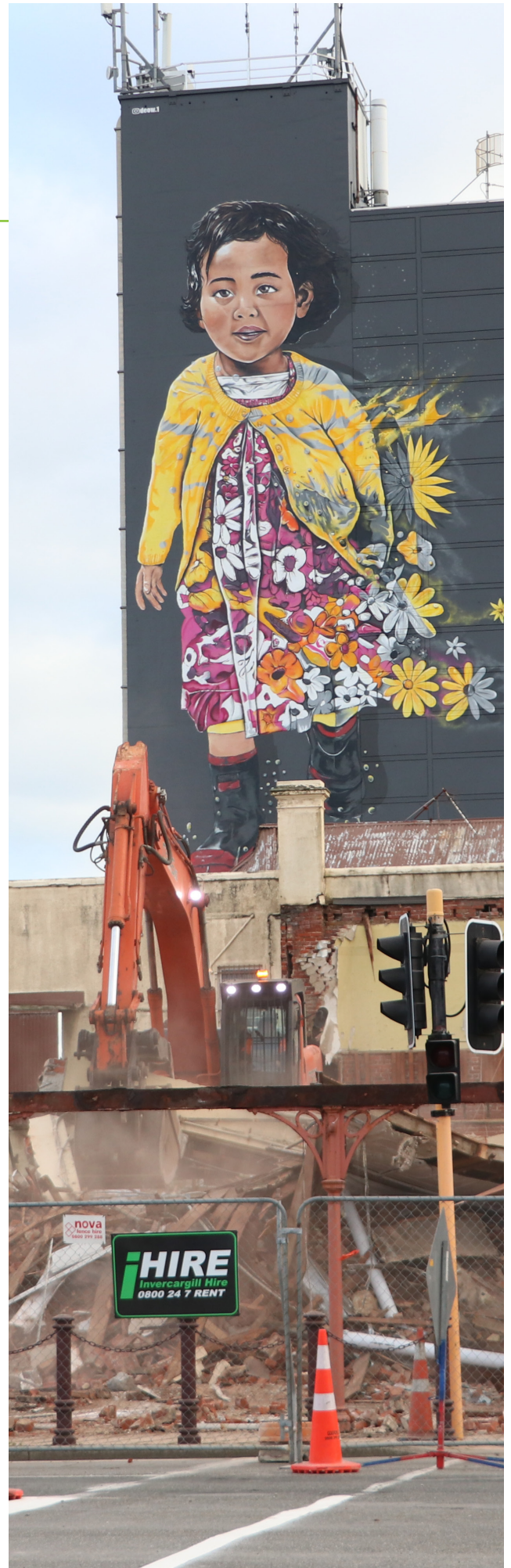


P Carnahan
Chairman

For and on behalf of the Board of Directors.
20 December 2022



J Schol
Director



Company Directory

Directors who Held Office During the Year Ended 30 June 2022

P Carnahan - Chairman

J Schol

J Bestwick

M English

Registered Office

C/- Invercargill City Council

101 Esk Street, Invercargill 9840

Physical Address

101 Esk Street, Invercargill

Phone (03) 211 1777

Fax (03) 211 1433

Postal Address

Private Bag 90104, Invercargill 9840

Auditor

Audit New Zealand, Dunedin

Bankers

BNZ

Solicitors

Preston Russell Law

45 Yarrow Street, Invercargill 9810



Statutory Information

DIRECTORS' REMUNERATION

INVERCARGILL CITY PROPERTY LTD \$

P Carnahan	-
J Bestwick	-
J Schol	-
M English	-

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.

DIRECTORS' INTERESTS

Except for Related Parties disclosures in note 10 of the notes to the financial statements, during the year, no Directors had an interest in any transaction or proposed transaction with the Company.

USE OF COMPANY INFORMATION BY DIRECTORS

No Director of the Company has disclosed, used or acted on information that would not otherwise be available to a Director.

SHAREHOLDING BY DIRECTORS

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

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

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

EMPLOYEES' REMUNERATION

No employees received remuneration and other benefits of \$100,000 or greater during the year.

AUDITORS' REMUNERATION

Audit fees for the Company totalled \$23,093. Details of fees payable are contained in Note 1.

RECOMMENDED DIVIDEND

There is no dividend recommended.

DONATIONS

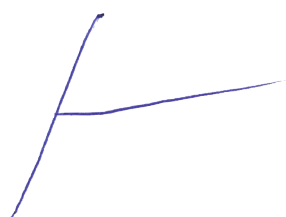
No donations have been made.

Chairman's Report

I am pleased to provide the 2022 Annual Report for Invercargill City Property Limited.

Invercargill City Property Limited has an investment in HWCP Management Limited and has advanced funds to HWCP Management Limited.

HWCP Management Limited still retains some land. The Board's objective is to recover its investment in HWCP Management Limited through the sale of this land.



P Carnahan
Chairman

Statement of Financial Position

AS AT JUNE 30, 2022

			2022	RESTATED*
			\$000	2021
		NOTE		\$000
ASSETS				
Current assets				
Cash and cash equivalents			4	5
Total current assets			4	5
Non-current assets				
Investment in associate		8	-	-
Financial assets at fair value through profit or loss		9	2,293	3,338
Total non-current assets			2,293	3,338
Total assets			2,297	3,343
LIABILITIES				
Current liabilities				
Trade and other payables		5	23	404
Borrowings		6	5,305	5,970
Total current liabilities			5,328	6,374
Total liabilities			5,328	6,374
EQUITY				
Share capital		10	-	-
Retained earnings		10	(3,031)	(3,031)
Total equity attributable to the equity holders of the company			(3,031)	(3,031)

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.

* The prior period comparative numbers have been restated as set out in Note 1.

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2022

	NOTE	2022 \$000	RESTATED* 2021 \$000
INCOME			
Gain on financial assets at fair value through profit or loss		204	3,338
Total income		204	3,338
EXPENDITURE			
Other expenses	2	23	25
Total operating expenditure		23	25
Finance income	3	-	-
Finance expenses	3	181	237
Net finance income		(181)	(237)
OPERATING PROFIT/(LOSS) BEFORE TAX		-	3,076
Share of associate profit/(loss)	8	-	-
SURPLUS PROFIT/(LOSS) BEFORE TAX		-	3,076
Income tax expense	4	-	-
Profit/(loss) after tax		-	3,076
Total comprehensive income		-	3,076

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.

* The prior period comparative numbers have been restated as set out in Note 1.

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2022

			RESTATED*
		2022	2021
	NOTE	\$000	\$000
BALANCE AT 1 JULY		(3,031)	(6,107)
Total Comprehensive Income for the year		-	3,076
Balance at 30 June	10	(3,031)	(3,031)

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.

** The prior period comparative numbers have been restated as set out in Note 1.*

Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2022

	NOTE	2022 \$000	RESTATED* 2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(23)	(19)
Interest paid		(562)	-
Net cash from operating activities		(585)	(19)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances repaid by associates		1,249	-
Net cash from investing activities		1,249	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from advance from Invercargill City Holdings Limited		-	22
Repayment of borrowings		(665)	-
Net cash from financing activities		(665)	22
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(1)	3
Cash, cash equivalents and bank overdrafts at the beginning of the year		5	2
Cash, cash equivalents and bank overdrafts at the end of the year		4	5
RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES			
Reconciliation with reported operating surplus			
Net profit after tax		-	(3,076)
Add/(deduct) non-cash items:			
Gain on financial assets at fair value through profit or loss		(204)	(3,338)
Add/(less) movements in working capital:			
Increase/(decrease) in accounts payable and accruals		(381)	243
		(381)	243
Net cash inflow (outflow) from operating activities		(585)	(19)

* The prior period comparative numbers have been restated as set out in Note 1.

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 2021	5,970
Cashflows	
Proceeds	-
Repayments	(665)
30 June 2022	5,305

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2022

REPORTING ENTITY

Invercargill City Property 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 primary objective of the Company is to indirectly via an associate company, own and manage Commercial Property Investments. Accordingly, the Company has designated itself as a profit orientated entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 20 December 2022. The entities directors do not have the right to amend the financial statements after issue.

BASIS OF PREPARATION

The financial statements of the Company 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 Company 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 financial statements have been prepared on a historical cost basis.

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 financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$'000), except when otherwise indicated.

The functional currency of the Company is New Zealand dollars.

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. To address uncertainty over going concern due to the Company's negative equity, the Directors of the Company have received a letter of support from Invercargill City Holdings Limited. The letter confirms that Invercargill City Holdings Limited will continue to support the Company in its capacity as sole shareholder and financier of the Company. Specifically, Invercargill City Holdings Limited has undertaken not to demand its existing and any future advance facilities within 12 months from the date of the signing of the Company's financial statements for the year ending 30 June 2022. Invercargill City Holdings Limited has also undertaken to support the operating costs of Invercargill City Property Limited.

The Directors of the Company consider the letter of support from Invercargill City Holdings Limited provides reasonable assurance that the Company will have adequate resources to continue to operate for a period of at least 12 months following the signing of the Company's financial statements.

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

REVENUE

Revenue is recognised as the amount of consideration expected to be received in exchange for transferring promised goods or services to a customer.

Interest income is recognised using the effective interest method.

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.

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.

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

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.

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.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates, assumptions and critical judgements in applying accounting policies

that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Determination of the fair value of the loan to HWCP Management Limited

The following major assumptions were adopted:

- A discount rate of 12.44% was used to reflect the unsecured loan including the credit margin
- The forecast cash flows reflect a sale of the remaining assets in 2029

For further information on the assumptions used in determining fair value see note 9.

NEW STANDARDS ADOPTED

There have been no new standards adopted during the financial year.

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. RESTATEMENT OF FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

The loan to HWCP Management Limited for the 2021 year has been restated. The treatment of the loan was reconsidered during the year. The loan was historically treated as a financial asset at amortised cost. However, on reassessment it was determined that the loan should be measured at fair value through profit or loss as there are characteristics of the loan agreement that are additional to a business model which is solely to collect payments of principal and interest.

The following tables summarise the impact of the incorrect accounting treatment on the financial statements in the prior period. There has been no impact on cashflows:

30 JUNE 2021			
	PREVIOUS AMOUNT \$000	ADJUSTMENT \$000	RESTATED AMOUNT \$000
Statement of Financial Position (extract)			
Financial asset at fair value through profit or loss	-	3,338	3,338
Retained earnings	(6,369)	3,338	(3,031)
Statement of Comprehensive Income (extract)			
Gain on financial assets at fair value through profit or loss	-	3,338	3,338
Total income	-	3,338	3,338
Profit/(loss) before tax	(262)	3,338	3,076
Profit/(loss) after tax	(262)	3,338	3,076

Details of related party transactions with HWCP Management Limited are contained in Note 11.

2. OTHER EXPENSES (INCLUDES)

	2022 \$000	2021 \$000
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	23	23

3. FINANCE INCOME

	2022 \$000	2021 \$000
Finance Income		
Interest income	-	-
Total finance income	-	-
Financial expense		
Interest expense	181	237
Total finance expense	181	237
Net finance costs	(181)	(237)

4. 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.

	RESTATED*	
	2022	2021
	\$000	\$000
CURRENT TAX EXPENSE		
Current period	-	-
Adjustment for prior periods	-	-
Total current tax expense	-	-
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	-	-
Adjustment for prior periods	-	-
Total deferred tax expense	-	-
Total income tax expense	-	-
	2022	2021
	\$000	\$000
RECONCILIATION OF EFFECTIVE TAX RATE		
Profit for the year	-	3,076
Permanent differences	(204)	(3,338)
Profit excluding income tax	(204)	(262)
Tax at 28%	(57)	(73)
Under/(over) provided in prior periods	-	-
Tax loss not recognised	(57)	(73)
Total income tax expense	-	-
Effective Tax Rate	0%	0%

5. 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 settled within 30 day terms.

	2022	2021
	\$000	\$000
Accrued expenses	23	404
Total trade and other payables	23	404

6. BORROWINGS

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

Borrowings are included as non-current liabilities except for those with maturities less than 12 months from the reporting date, which are classified as current liabilities.

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

	2022 \$000	2021 \$000
CURRENT		
Invercargill City Holdings Limited	5,305	5,970
Total current borrowings	5,305	5,970

Invercargill City Holdings Limited (ICHL), the shareholder, provides all loan facilities for companies in the ICHL Group including Invercargill Property Limited. ICHL's facility has a revolving three year term.

The term loan has been advanced by Invercargill City Holdings Limited. The current effective interest rate is 3.47% (2021: 3.86%). The loan is unsecured. The fair value of the loan is also its carrying value.

The ICHL loan agreement contains the covenants:

- Interest cover ratio is not less than 1.2 times; and
- Shareholders funds are not less than 150% of total liabilities

These covenants were breached for the year and the loan is shown as a current liability. The breach has not been remedied.

Shareholder's undertaking:

The Directors of Invercargill City Property Limited have received a letter of support from Invercargill City Holdings Limited. The letter confirms that Invercargill City Holdings Limited will continue to support the Company in the capacity as sole shareholder and financier of the Company. Specifically, Invercargill City Holdings Limited undertakes not to demand its existing and any future advance facilities within 12 months from the date of the signing of the financial statements.

7. DEFERRED TAX ASSETS AND LIABILITIES

A deferred tax asset has not been recognised in relation to tax losses of \$169,438 (2021: \$279,765) and temporary differences of \$23,593 (2021: \$18,416).

8. INVESTMENT IN ASSOCIATES

The Company accounts for an investment in an associate in the financial statements using the equity method. An associate is an entity over which the Company has significant influence and is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of the profit or loss of the associate after the date of acquisition. The Company's share of the profit or loss of the associate is recognised in the Company's Statement of Comprehensive Income. Distributions received from an associate reduce the carrying amount of the investment. The Company's share in the associate's profit or loss resulting from unrealised gains on transactions between the Company and its associates are eliminated.

ASSOCIATE COMPANIES	Country of Incorporation	Percentage Held by Group		Balance date
		2022	2021	
HWCP Management Limited	NZ	49.99%	49.99%	30 June

HWCP Management Limited was incorporated on 29 March 2017.

The Company holds 200,699 ordinary shares that have been fully paid. The shares have equal voting rights.

	2022 \$000	2021 \$000
Investment in associates	-	-
Total investment in associates	-	-

The initial investment of \$200,000 has been reduced to nil after the share of losses have been recognised. Further losses of \$551,968 have not been recognised for the investment in HWCP Management Limited as Invercargill City Property Limited's share of the losses exceeds its interest in the associate.

The HWCP Management Limited associate has contingent liabilities as at 30 June 2022 of nil (2021: nil).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets can be classified in the following categories: financial assets at fair value through profit or loss, fair value through other comprehensive income (OCI) and amortised cost. The classification depends on financial assets contractual cashflow characteristics and the company's business model for managing them.

Currently the company only has financial assets classified at fair value through profit or loss in relation to the Company's loans and advances to HWCP Management Limited. They have been classified as fair value through profit or loss as there are characteristics of the loan agreement that are additional to a business model which is solely to collect payments of principal and interest.

For loans and advances measured at fair value through profit or loss, transaction costs are expensed as incurred. Subsequently, these loans are measured at fair value through profit or loss with any realised and unrealised gains or losses recognised in profit or loss in the statement of comprehensive income.

Fair value is the amount for which the loans could be exchanged between knowledgeable, willing parties on an arm's-length basis and is calculated using a valuation technique. Loans and advances classified at fair value through profit or loss are not assessed for impairment as their fair value reflects the credit quality of the instruments. Changes in fair value are recognised in profit or loss in the statement of comprehensive income, net gains or net losses on items at fair value through profit or loss includes interest income.

	RESTATED*	
	2022	2021
	\$000	\$000
Loan - HWCP Management Limited	2,293	3,338
Total advance to associates	2,293	3,338

The fair value of the loan to HWCP Management Limited was determined using discounted cashflow methodology. This resulted in a fair value movement of \$203,955.

The valuation is based on forecast free cashflows to 2029. The following assumptions were adopted:

- A discount rate of 12.44% (2021: 10.97%) was used to reflect the unsecure loan including the credit margin of 2.6%
- The forecast cashflows reflect a realisation of the remaining assets in 2029

Changes in the discount rate and the final cashflow have an impact on the fair value of the loan. The table below illustrates the sensitivity of the fair value of the loan to changes in the discount rate and final cashflow:

DISCOUNT	REALISATION YEAR FOR FINAL CASH FLOW				
	Rate	2027	2028	2029	2030
12.3%	2,721,473	2,500,484	2,303,769	2,128,663	1,972,971
12.4%	2,711,912	2,490,318	2,293,240	2,117,967	1,962,085
12.8%	2,674,149	2,450,252	2,251,832	2,075,990	1,920,157
13.3%	2,628,012	2,401,486	2,201,622	2,025,281	1,869,695
13.8%	2,583,027	2,354,136	2,153,072	1,976,452	1,821,305
14.3%	2,539,158	2,308,152	2,106,118	1,929,423	1,774,887

10. EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	SHARE CAPITAL \$000	RETAINED EARNINGS \$000	TOTAL \$000
Balance at 1 July 2020	-	(6,107)	(6,107)
Profit/(loss)) after tax	-	(3,076)	(3,076)

Contributions from Shareholders

Shares issued and paid up

Balance at 30 June 2021

-	-	-
-	(3,031)	(3,031)

Balance at 1 July 2021

Profit/(loss)) after tax

-	(3,031)	(3,031)
-	-	-

Contributions from Shareholders

Shares issued and paid up

Balance at 30 June 2022

-	-	-
-	(3,031)	(3,031)

The Company has 1,000,000 ordinary shares that have been issued. The shares do not have a par value.

11. RELATED PARTY TRANSACTIONS

The Company is 100% owned by Invercargill City Holdings Limited and its ultimate parent is the Invercargill City Council.

RESTATED

2022
\$000

2021
\$000

(a) Invercargill City Holdings Limited

Revenue

Provision of services

-

Expenditure

Provision of services and interest payments

181

Outstanding at balance date by the Company

-

Shareholder advance outstanding to Invercargill City Holdings Limited

5,305

5,970

(b) HWCP Management Limited

Revenue

Provision of services and interest charges

315

Outstanding at balance date to the Company

156

1,090

Expenditure

Provision of services

-

Outstanding at balance date by the Company

2,293

3,338

The loan to HWCP Management has been adjusted to fair value. The face value of the loan is \$5,250,000 (2021: \$5,250,000)

Key management personnel compensation comprises:

Short term employment benefits

-

12. COMMITMENTS

There are no capital or operating commitments contracted for at 30 June 2022 (2021: Nil).

13. CONTINGENCIES

There are no contingent liabilities or assets at 30 June 2022 (2021: Nil).

14. EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after balance date.

15. 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 Statement of Comprehensive Income 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.

- **Loans to HWCP Management Limited**

Loans to HWCP Management Limited are measured at fair value through profit or loss, transaction costs are expensed as incurred. Subsequently, these loans are measured at fair value through profit or loss with any realised and unrealised gains or losses recognised in profit or loss in the statement of comprehensive income. Refer to Note 9 for the valuation techniques and key assumptions used in the valuation.

16. IMPACT OF COVID-19

COVID-19 had no significant impact on the Company.

17. PUBLICATION OF FINANCIAL STATEMENTS

Invercargill City Property 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 five months of the end of the financial year.

This deadline was not met for the year ended 30 June 2022. The annual report was adopted on 20 December 2022.

Statement of Service Performance

FOR THE YEAR ENDED JUNE 30, 2022

The Statement of Service Performance for Invercargill City Property Limited prepared for the year ended 30 June 2022 set a number of financial performance measures. The targets and the Company's achievement, as reported under IFRS, in relation to those targets are set out in the following table.

FINANCIAL:

	Actual 2022 \$000	Target 2022 \$000	Restated Actual 2021 \$000	Target 2021 \$000
Net Profit before Tax (NPBT)	-	(23)	3,076	(22)
Interest (net)	(181)	-	(237)	-
Net Profit before Interest and tax (NPBIT)	181	(23)	3,313	(22)
Total Assets	2,297	2	3,343	2

The Company has loans to HWCP Management Limited which still retains some land. While sales of those parcels have not been finalised at this time, the Directors objective is to recover its loans to HWCP Management Limited when those transactions are completed. The Company continues to incur interest costs on funds borrowed from Invercargill City Holdings Limited to on-lend to HWCP Management Limited.

Non Financial:

The Company will receive regular reports on the status of its investment in HWCP Management Limited (HWCP).

NOT ACHIEVED

The Company has received infrequent reports from HWCP due to limited activity during the year.

HWCP holds the balance of the land purchased and not sold to Invercargill Central Limited. HWCP has a sale of the land on the corner of Esk and Dee Streets. HWCP holds separate parcels of land on the corner of Dee and Tay Streets and the corner of Tay and Kelvin Streets. HWCP will work with Invercargill Central Limited to realise the value in those parcels. Progression of sales has been hindered by a delay in the creation of new titles. There was a significant number of separate titles, of varying ages, with numerous rights of way and easements. This has made the resolution of all issues on the titles complicated and timely. New titles were issued during June 2022.

Audit Report

Independent Auditor's Report

To the readers of Invercargill City Property Limited's financial statements and statement of service performance for the year ended 30 June 2022

The Auditor-General is the auditor of Invercargill City Property Limited (the Company). The Auditor-General has appointed me, Chris Genet, 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 7 to 18, that comprise the statement of financial position as at 30 June 2022, 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 19.

In our opinion:

- the financial statements of the Company on pages 7 to 18:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; 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.
- the statement of service performance of the Company on page 19 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 2022.

Our audit was completed on 20 December 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the key judgements and assumptions applied by the Company in estimating the fair value of a loan. 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.

Emphasis of matter – Key judgements and assumptions in estimating the fair value of a loan

Without modifying our opinion, we draw attention to the critical accounting estimates and assumptions disclosure within the accounting policies on page 12, and Note 9 on page 16. These disclosures describe the key judgements and assumptions applied by the Company in estimating the fair value of its loan to HWCP Management Limited as at 30 June 2022. We specifically draw your attention to the sensitivity of the loan to changes in the timing of the final cash flow and application of the discount rate.

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 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.

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 3 to 6, 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 issued by the New Zealand Auditing and Assurance Standards Board.

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



Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

