



Annual Report 2023

ICPL


INVERCARGILL CITY PROPERTY LTD

Table of Contents

Approval by Directors	1
Company Directory	2
Statutory Information	3
Chairman's Report	4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Statement of accounting policies	9
Notes to the Financial Statements	11
Statement of Service Performance	18
Audit Report	19

Approval by Directors

The Directors have approved for issue the financial statements of Invercargill City Property Limited for the year ended 30 June 2023.

A stylized, handwritten signature in grey ink, appearing to be 'P Carnahan', positioned above a horizontal line.

P Carnahan

Chairman

A handwritten signature in black ink, appearing to be 'John Schol', positioned above a horizontal line.

J Schol

Director

For and on behalf of the Board of Directors.

02 October 2023

Company Directory

Directors who Held Office During the Year Ended 30 June 2023

P Carnahan - Chairman

J Schol

L Robertson (from 03 November 2022)

M English

J Bestwick (until 31 October 2022)

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

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

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.

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 \$27,810 for the year ended 30 June 2023, refer to Note 1.

RECOMMENDED DIVIDEND

There is no dividend recommended.

DONATIONS

No donations have been made

DIRECTORS' INTERESTS

Invercargill City Holdings Limited maintains an interests register in which particulars of certain transactions and matters involving the directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register during the year ended 30 June 2023:

	Invercargill City Holdings
Director	
Peter Carnahan	•
John Schol	•
Mervyn English	•
Linda Robertson (from 1 November 2022)	•
Jenny Bestwick (until 31 October 2022)	•


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.

Chairman's Report

I am pleased to provide the 2023 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.

A handwritten signature in grey ink, appearing to be 'P Carnahan', written over a horizontal line.

P Carnahan

Chairman

Invercargill City Properties Limited

Statement of Financial Position

As at 30 June 2023

	Note	2023 \$000	2022 \$000
Assets			
Current assets			
Cash and cash equivalents		5	4
Total current assets		5	4
Non-current assets			
Deferred tax asset	6	-	-
Investment in associate	7	-	-
Financial asset – fair value through profit or loss	8	646	2,293
Total non-current assets		646	2,293
Total assets		651	2,297
Liabilities			
Current liabilities			
Trade and other payables	4	28	23
Borrowings	5	4,043	5,305
Total current liabilities		4,071	5,328
Non-current liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		4,071	5,328
Equity			
Share capital	9	-	-
Retained earnings	9	(3,420)	(3,031)
Total equity attributable to the equity holders of the company		(3,420)	(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.

Invercargill City Properties Limited
Statement of Comprehensive Income
For the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
Income			
Gain on financial assets at fair value through profit or loss	8	-	204
Total income		-	204
Expenditure			
Loss on financial assets at fair value through profit or loss	8	169	-
Other expenses	1	35	23
Total operating expenditure		204	23
Finance expenses	2	(185)	(181)
Net finance income (expense)		(185)	(181)
Operating surplus/(deficit) before tax		(389)	-
Share of associate surplus/(deficit)	7	-	-
Surplus/(deficit) before tax		(389)	-
Income tax expense	3	-	-
Surplus/(deficit) after tax		(389)	-
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income (loss)		(389)	-

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.

Invercargill City Properties Limited
Statement of Changes in Equity
For the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
Balance at 1 July		(3,031)	(3,031)
Total Comprehensive Income (loss) for the year		(389)	-
Balance at 30 June	9	<u>(3,420)</u>	<u>(3,031)</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.

Invercargill City Properties Limited

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
Cash flows from operating activities			
Payments to suppliers and employees		(31)	(23)
Interest Paid		(79)	(562)
Net cash from operating activities		<u>(110)</u>	<u>(585)</u>
Cash flows from investing activities			
Advances repaid by associates		1,478	1,249
Net cash from investing activities		<u>1,478</u>	<u>1,249</u>
Cash flows from financing activities			
Repayment of borrowings		(1,367)	(665)
Net cash from financing activities		<u>(1,367)</u>	<u>(665)</u>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		<u>1</u>	<u>(1)</u>
Cash, cash equivalents and bank overdrafts at the beginning of the year		4	5
Cash, cash equivalents and bank overdrafts at the end of the year		<u>5</u>	<u>4</u>

RECONCILIATION OF NET SURPLUS TO CASHFLOWS FROM OPERATING ACTIVITIES

	2023 \$000	2022 \$000
Net surplus (Loss) after tax	(389)	-
Add/(deduct) non-cash items:		
(Gain)/loss on financial assets at fair value through profit or loss	169	(204)
Add/(less) movements in working capital:		
(Decrease)/Increase in Trade and Other Payables	5	(381)
(Decrease)/Increase in interest payable*	105	-
Net cash inflow (outflow) from operating activities	<u>(110)</u>	<u>(585)</u>

*Interest payable is accrued within Borrowings presented in the Statement of Financial Position

Changes in liabilities arising from financing activities

	Long-term borrowings \$000
1 July 2022	5,305
Cash flows	
Loan repayments	(1,367)
Non cash transactions	
Total accrued interest*	<u>105</u>
30 June 2023	<u>4,043</u>

Invercargill City Properties Limited

Statement of Accounting Policies

For the year ended 30 June 2023

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 2023 were approved and authorised for issue by the Board of Directors on 02 October 2023. 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 except for the loan to HWCP Management Limited which is classified as a financial asset held at fair value through profit and loss.

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 2023. 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 the customer.

BORROWINGS

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost 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.

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 15.22% (2022: 12.44%) was used to reflect the unsecure loan including the credit margin;
- The forecast cash flows reflect a sale of the remaining assets in 2029 ; and
- The value of the assets sold in 2029 are deemed to reflect the market value as at 30 June 2023. No adjustment has been made with regards the increase or decrease in market value of these assets to the point of forecasted realisation in 2029.

For further information on the assumptions used in determining fair value see note 8.

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.

Invercargill City Properties Limited
Notes to the Financial Statements
For the year ended 30 June 2023

1. OTHER EXPENSES (INCLUDES)

	2023 \$000	2022 \$000
Auditor's remuneration to Audit New Zealand comprises:		
- audit of financial statements	28	23
- audit fee recovery for prior year audit	7	-

2. FINANCE EXPENSES

	2023 \$000	2022 \$000
Financial expense		
Interest expense	185	181
Total finance expense	185	181

3. 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.

	2023 \$000	2022 \$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	-	-
	2023 \$000	2022 \$000
RECONCILIATION OF EFFECTIVE TAX RATE		
Profit (Loss) for the year	(389)	-
Permanent differences	169	(204)
Profit excluding income tax	(220)	(204)
Tax at 28%	(62)	(57)
Under/(over) provided in prior periods	-	-
Tax losses recognized	-	-
Tax loss not recognised	(62)	(57)
Total income tax expense	-	-
Effective Tax Rate	0%	0%

4. 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.

	2023 \$000	2022 \$000
Accrued expenses	28	23
Total trade and other payables	28	23

5. 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.

	2023 \$000	2022 \$000
CURRENT		
Invercargill City Holdings Limited	4,043	5,305
Total current borrowings	4,043	5,305

Invercargill City Holdings Limited (ICHL), the shareholder, provides all loan facilities for companies in the ICHL Group including Invercargill Property Limited. ICHL holds short and long term borrowing facilities with New Zealand Local Governments Funding Agency Limited.

Included within the loan balance as at 30 June 2023 is interest payable amounting to \$105,508. There was no interest payable for the year ended 30 June 2022.

The term loan has been advanced by Invercargill City Holdings Limited. The current effective interest rate is 3.58% (2022: 3.47%). The loan is unsecured and has a termination date of 29 June 2027. 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.

6. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax asset has not been recognized in relation to tax losses of \$115,591 (2022: \$169,438) and temporary differences of \$27,810 (2022: \$23,593).

7. 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
		2023	2022	
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.

	2023 \$000	2022 \$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. The loss for the year ended 30 June 2023 of 550,389 has 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 2023 of nil (2022: nil).

8. 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.

	2023 \$000	2022 \$000
Loan - HWCP Management Limited	\$646	2,293

The fair value of the loan to HWCP Management Limited was determined using discounted cashflow methodology. This resulted in loss of \$169,174 on financial assets at fair value through profit or loss.

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

- A discount rate of 15.22% (2022: 12.44%) 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.
- The value of the assets sold in 2029 are deemed to reflect the market value as at 30 June 2023. No adjustment has been made with regards the increase or decrease in market value of these assets to the point of forecasted realisation 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 RATE	REALISATION YEAR FOR FINAL CASH FLOW				
	2027	2028	2029	2030	2031
-2%	919,572	812,199	717,364	633,602	494,277
-1%	887,789	777,262	680,496	595,776	456,666
0%	857,367	744,113	645,819	560,510	422,209
1%	828,237	712,646	613,187	527,609	390,617
2%	800,334	682,762	582,463	496,897	361,629

9. EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
	\$000	\$000	\$000
Balance at 1 July 2021	-	(3,031)	(3,031)
Profit/(loss)) after tax	-	-	-
Contributions from Shareholders			
Shares issued and paid up	-	-	-
Balance at 30 June 2022	-	(3,031)	(3,031)
Balance at 1 July 2022	-	(3,031)	(3,031)
Profit/(loss) after tax	-	(389)	(389)
Contributions from Shareholders			
Shares issued and paid up	-	-	-
Balance at 30 June 2023	-	(3,420)	(3,420)

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

10. RELATED PARTY TRANSACTIONS

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

	2023 \$000	2022 \$000
(a) Invercargill City Holdings Limited		
Loan repayments and advances		
Total loan repayments to ICHL	1,367	665
Expenditure		
Provision of services and interest payments	185	181
Outstanding at balance date by the Company		
Shareholder advance outstanding to Invercargill City Holdings Limited	4,043	5,305
(b) HWCP Management Limited		
Loan repayments and advances		
Total loan repayments to ICPL	1,478	1,249
Revenue		
Provision of services and interest charges	273	315
Outstanding at balance date to the Company	141	156
Expenditure		
Outstanding at balance date by the Company	646	2,293

The loan to HWCP Management has been adjusted to fair value. The face value of the loan is \$4,060,000 (2022: \$5,250,000).

Key management personnel compensation comprises:

Short term employment benefits	-	-
--------------------------------	---	---

11. COMMITMENTS

There are no capital or operating commitments contracted for at 30 June 2023 (2022: Nil).

12. CONTINGENCIES

There are no contingent liabilities or assets at 30 June 2023 (2022: Nil).

13. EVENTS AFTER THE BALANCE SHEET DATE

On 26 September 2023, the Directors of Invercargill City Property Limited signed a resolution to amend the terms of the loan agreement between Invercargill City Property Limited and the HWCP Management Limited.

In 2017 HWCP Management Limited (the Borrower) and Invercargill City Property Limited (the Lender) entered into a loan agreement (the Agreement). The Agreement was for a facility of \$5,000,000 as varied in accordance with the terms of the Agreement. Currently the facility has been drawn by the Borrower in the amount of \$4,201,488

comprising loan and interest repayments as at 30 June 2023. As disclosed in note 8, this loan is recorded in the Company's financial statements at a fair value of \$645,819 as at the year then ended. The parties have agreed to vary the loan agreement on the terms set out below.

Clause 4.4 is deleted and replaced with the following new clause 4.4

4.4 The Borrower must pay to the lender either:

4.4.1 the funds available from the sale of land held by the Borrower (for the avoidance of doubt sale price less the costs of disposal); or

4.4.2 all amount owing under the Agreement in relation to the Facility on the Termination Date.

Whichever is the lesser of those two amounts. Upon sale of the Borrower's assets the Lender agrees to forgive the balance of the amount owing (if any).

14. FINANCIAL INSTRUMENTS

- **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 8 for the valuation techniques and key assumptions used in the valuation.

Invercargill City Properties Limited
Statement of Service Performance
For the year ended 30 June 2023

The Statement of Service Performance for Invercargill City Property Limited prepared for the year ended 30 June 2023 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 2023 \$000	Target 2023 \$000	Actual 2022 \$000	Target 2022 \$000
Net Profit (loss) before Tax (NPBT)	(389)	(27)	-	(23)
Interest expense (net)	(185)	-	(181)	-
Net Profit (loss) before Interest and tax (NPBIT)	(204)	(27)	181	(23)
Total Assets	651	2	2,297	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.

Investment property owned by HWCP Management Limited for the year end 30 June 2023 is held at fair value amounting to \$1,975,000. There are currently no plans to market these properties in the short term.

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 2023

The Auditor-General is the auditor of Invercargill City Property Limited (the company). The Auditor-General has appointed me, Yvonne Yang, 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 5 to 17, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of accounting policies for the year ended on that date and the notes to the financial statements that include other explanatory information; and
- the statement of service performance of the company on page 18.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of service performance presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 02 October 2023. 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 10, and Note 8 on page 14 to 15. 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 2023. 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 a statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

For the performance targets reported in the statement of service performance, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported statement of service performance within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 4 but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2023 and subsequently, the Director of the Board of Directors of the company is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as a member of the Auditor-General's Audit and Risk Committee (when acting in this capacity) has no involvement in, or influence over, the audit of the company.

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

A handwritten signature in blue ink that reads "Yvonne Yang". The signature is written in a cursive, flowing style.

Yvonne Yang
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand