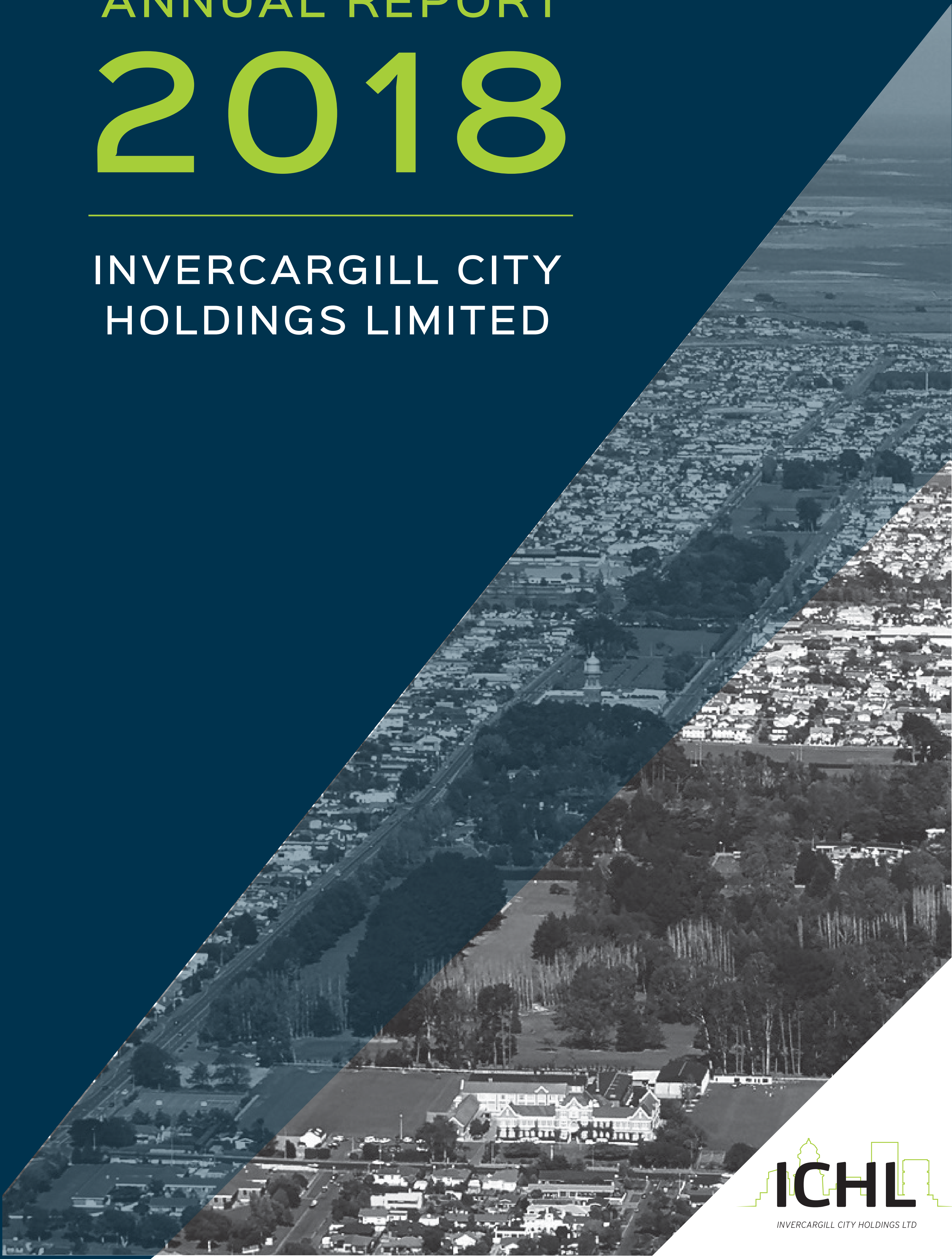
ANNUAL REPORT 2018

INVERCARGILL CITY HOLDINGS LIMITED



ICHL
INVERCARGILL CITY HOLDINGS LTD

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Approval by Directors

The Directors have approved for issue the financial statements of Invercargill City Holdings Limited for the year ended 30 June 2018.

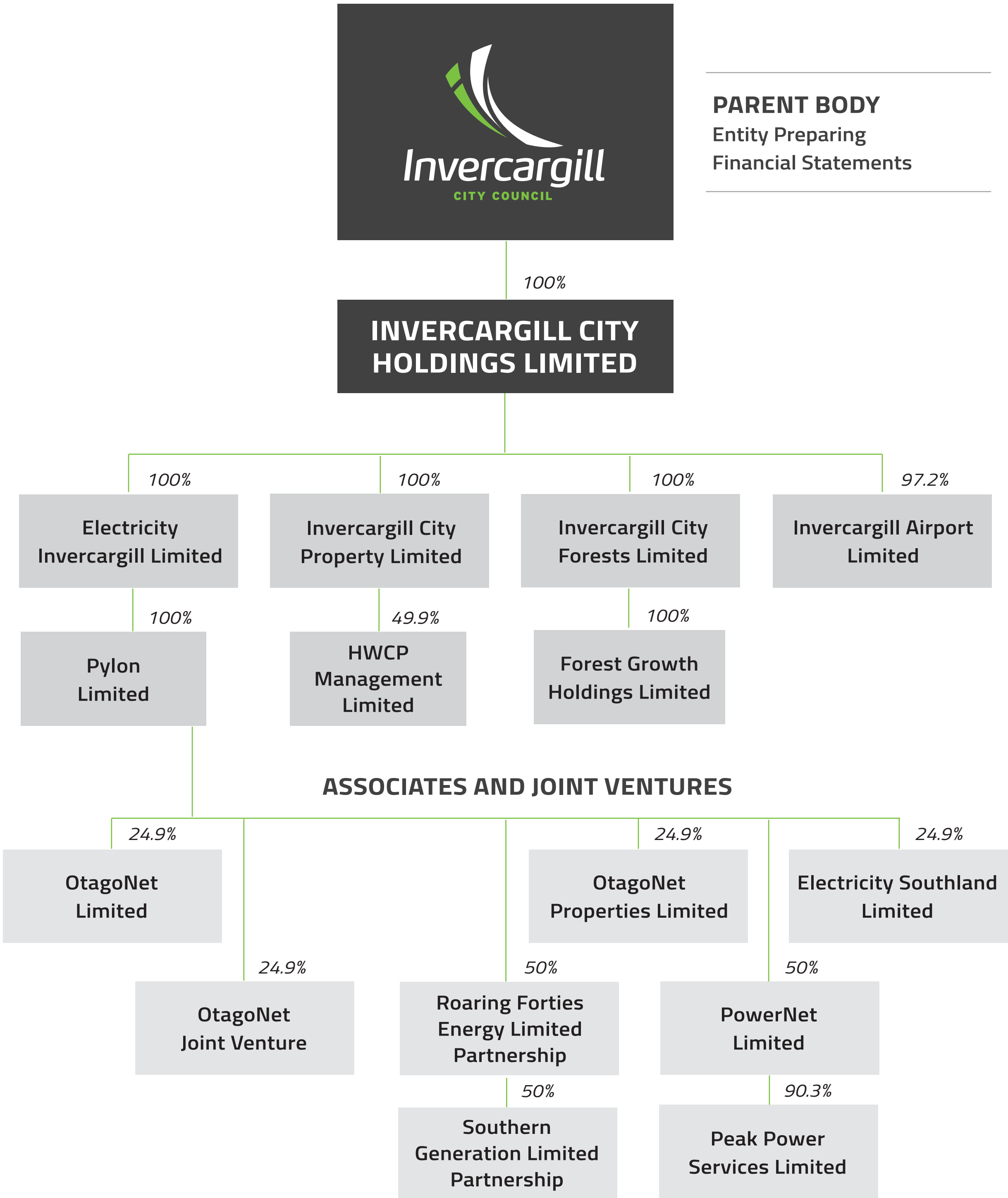
Chairman
C A McCulloch

Director
T D R Loan

For and on behalf of the Board of Directors.
2 October 2018

INVERCARGILL CITY HOLDINGS LTD

Group Structure



Directory

REGISTERED OFFICE

101 Esk Street
Invercargill 9810

AUDITOR

Audit New Zealand on behalf of the Office of the Auditor-General

SOLICITORS

Preston Russell Law
92 Spey Street
Invercargill 9810

BANKERS

BNZ

TREASURY MANAGER

Bancorp Treasury Services

An Overview

INVERCARGILL CITY HOLDINGS LIMITED

Activities:

- Treasury advice and systems.
- Overview of Group operations.

2018 Financial Year:

- Overall financial result of after tax profit of $8.160 million for the Group.

ELECTRICITY INVERCARGILL LIMITED

Activities:

- Owners of Electricity Network and Generation Assets.
- Management of Electricity Network.

2018 Financial Year:

- The after tax profit for the year ended 31 March of $7.333 million, was higher than last year $7.030 million due to a combination of improved investment returns, increased line charges and a marginal reduction in operating costs.
- Recommended dividend of $6.2 million.
- EIL continued its focus on replacing underground substations and link boxes to above ground, that ensure network reliability and safety.

INVERCARGILL AIRPORT LIMITED

Activities:

- Owners and operator of regional airport.

2018 Financial Year:

- The after tax profit was $302,000 compared to $189,000 for the prior year.
- Passenger numbers increased from last year by 4.2%.
- Two Redeemable Preference Share redemptions were made during the year.
- Health and safety, risk management and operational compliance remain a priority for the company.

INVERCARGILL CITY FORESTS LIMITED

Activities:

- Owners and operators of nine forestry blocks in Southland and Otago.

2018 Financial Year:

- Recommended dividend of $ 550,000.
- Overall financial result of after tax profit of $733,000 for the Group.
- Forest Growth Holdings Limited became a subsidiary during the year.
- The company continues to seek new forestry assets and new markets for its logs.

INVERCARGILL CITY PROPERTY LIMITED

Activities:

- Shareholding in HWCP Management Limited who own and manage suitable commercial properties in the city area.

2018 Financial Year:

- The Company continued to support HWCP Management Limited.

Board of Directors

COMPANY DIRECTORS

C A McCulloch
Chairman

T D R Loan
Deputy Chairman

L S Thomas
Director, City Councillor

G D Lewis
Director, City Councillor

D J Ludlow
Director, City Councillor

ELECTRICITY INVERCARGILL LIMITED

T Campbell
Chairman

R L Smith
Director

S J Brown
Director

A J O'Connell
Director

K F Arnold
Director, City Councillor

INVERCARGILL AIRPORT LIMITED

T M Foggo
Chairman

J D Green
Director

R M Walton
Director

T R Shadbolt
Director, Mayor

S O'Donnell
Director

INVERCARGILL CITY FORESTS LIMITED

A B McKenzie
Chairman

L A Pullar
Director

B J Nettleton
Director

M L Montgomery
Director

INVERCARGILL CITY PROPERTY LIMITED

C A McCulloch
Chairman

L S Thomas
Director (from 31 October 2017)

T D R Loan
Director

G J Sycamore
Director (until 30 October 2017)

INVERCARGILL CITY HOLDINGS LTD

Statement of Governance

The Directors are pleased to present this Governance Statement.

Role of the Board of Directors

The Directors are responsible for the proper direction and control of the Group's activities. This responsibility includes such areas of stewardship as the identification and control of the Group's business risks on behalf of the ultimate shareholder, Invercargill City Council.

The Directors are responsible for the continual overseeing of the investment in the subsidiary companies with the Directors of those companies responsible for the day-to-day operation. Reporting by the subsidiary Boards of financial, market and operational information is received by the Group's Directors on a regular and ongoing basis.

The Directors of Invercargill City Holdings Limited are also responsible for the operation of the Treasury function which is operated within the Holding Company. This section provides a service to the subsidiaries and to the Invercargill City Council by sourcing funds at competitive rates.

The principal purpose of Invercargill City Holdings Limited is to maximise the performance of the Group as a whole.

Statutory Information

DIRECTORS' REMUNERATION

Invercargill City Holdings Limited	**$**
C A McCulloch (Chairman)	57,500
T D R Loan	30,300
L S Thomas	30,300
G D Lewis	30,300
D J Ludlow	30,300

Electricity Invercargill Limited	**$**
T Campbell (Chairman)	58,000
R L Smith	29,000
S J Brown	29,000
A J O'Connell	29,000
K F Arnold	29,000

Invercargill City Forests Limited	**$**
A B McKenzie (Chairman)	51,333
L A Pullar	32,667
B J Nettleton	28,000
M L Montgomery	28,000

Invercargill Airport Limited	**$**
T M Foggo (Chairman)	49,200
J D Green	24,600
R M Walton	24,600
T R Shadbolt	24,600
S O'Donnell	24,600

Invercargill City Property Limited	**$**
C A McCulloch	-
T D R Loan	-
L S Thomas	10,000
G J Sycamore	2,667

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.
- Entering into a contract to do any of the above.

DIRECTORS' INTERESTS

During the year, no Directors had an interest in any transaction or proposed transaction with the parent company.

The following listing is where an Invercargill City Holdings Limited director has a position on another entity or organisation that has transactions with Invercargill City Holdings Limited.

Director	Company/Organisation	Position
G D Lewis	Invercargill City Council	Councillor
L S Thomas	Invercargill City Council	Councillor
D J Ludlow	Invercargill City Council	Councillor

USE OF COMPANY INFORMATION BY DIRECTORS

No Director of any group 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 Group Company shares held, acquired or disposed of during the year.

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

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

EMPLOYEES' REMUNERATION

One employee of the Group received remuneration and other benefits of $100,000 or greater during the year.

$'000	No. of employees
150 - 160	1

AUDITORS' REMUNERATION

Audit fees for the Group totalled $189,607. Details of fees payable are contained in Note 4.

LOANS TO DIRECTORS

There are no loans to Directors.

RECOMMENDED DIVIDEND

It is recommended that a dividend of $5,850,000 be paid.

Chairman's Report

I am pleased to present the 21st Annual Report of Invercargill City Holdings Ltd for the year ended 30 June 2018.

The Group produced a Surplus after Tax of $8.160m compared to $9.393m last year. The group trading surplus was $12.0 million compared to $12.6 million last year after removing abnormal items such as impairment and a loss on sale of an associate that totalled $1.1 million this year and $279,000 last year. The trading profit is comparable to last year. As explained further in this report results were mixed with the Holding Company itself, Electricity Invercargill Limited and Invercargill Airport Limited showing increased returns while Invercargill City Property Limited and Invercargill City Forests Limited showing lower returns. While we are disappointed to record a lower result than last year the diversification of the Group continues to be a strength.

The Directors have recommended a Dividend of $5.85m this year which compares to $5.3m last year.

The Electricity Invercargill Limited Group produced an after tax profit of $7.333m compared to $7.030m last year. This is a pleasing reversal from last year when their profit reduced by $737,000 due largely to unseasonably warm weather that year. This year's improvement is due to improved returns across all sectors of the Group but offset to a degree by higher taxation. The Company continues to perform at a high level with SAIDI (System Average Interruption Duration Index) of 27.49 minutes which is well under the supply quality limit of 31.13 minutes. SAFI (System Average Interruption Frequency Index) of 0.47 is also well under the supply quality limit of 0.77. The group's diversification continues to be a strength with good contributions coming from their Joint Venture Investments.

Invercargill Airport Limited produced an after tax Profit of $302,000 compared to $189,000 last year. The Company completed two Redeemable Preference Share (RPS) redemptions during the year totalling 1,634,692 shares. Invercargill City Holdings Limited is now the single RPS Holder as all Oraka Aparima Runaka Holdings Limited shares were redeemed. The total cost of redemption, including interest, was $2,029,657. Further redemptions are planned for 2018/2019. The Company continues to provide a very important service to Invercargill with passenger numbers increasing by 4.2%, or 12,476 to reach 307,308 for the year. This has been achieved from more flights and changes in the mix of aircrafts providing more seats.

Invercargill Airport Limited continues to be a well run Regional Airport actively involved in the City.

The Invercargill City Forests Limited Group produced an after tax profit of $733,000 compared to $2.105m last year. The major reason for the reduction in profit is due to the end of year valuation process which produced income of $4,153,000 last year but only $2,619,000 this year. In effect this is the increase in value of standing timber from one year to the next and can be affected by the felling programme and market valuations. The Company also wrote of a net $331,000 Goodwill on its investment in Forest Growth Holdings Limited (FGH) this year. In July 2018 FGH was issued with a formal warning by the Overseas Investment Office (OIA) and a settlement reached over the sale of Land that FGH owned. This was disappointing but it should be noted that the OIA did recognise that all actions taken by the Company were done under legal advice and there was never any intention to break OIA regulations. FGH is now being wound down and will become a shelf Company only by the end of 2018. It is pleasing to note the Company has added 305ha of Forest to the estate during the year as part of the plan to provide a sustainable revenue flow into the future. Finally Health and Safety (H&S) continues to be a major point of focus, as it is with all of our Subsidiary Companies, with only two minor H&S incidents this year.

Invercargill City Forests Limited continues to be a long term investment for the Group with benefits accruing well into the future as the current work in structuring the Estate to provide sustainable income bears fruit.

Invercargill City Property Limited produced an after tax loss of $383,000 this year compared to $40,000 last year. This is due to the investment in HWCP Management Limited which is a Joint Venture with the HWR Group aimed at revitalising the Inner City. Invercargill City Property Limited's aim has been to consolidate titles in this area so the site can be transferred to a Developer to redevelop. A significant amount of work has been done but there is more to be done on this challenging undertaking.

Again I would like to recognise the work of the Directors and Staff of our Subsidiaries who continue to demonstrate vision and hard work which is the cornerstone of our Group.

I would also like to recognise the dedication and support of our own team, Dean Johnston, Amy Wilson and our advisor Miles O'Conner of Bancorp during the year.

Finally my thanks to His Worship the Mayor and all Councillors for their support and confidence during the year. We see ourselves as part of their team working for the benefit of the Citizens of Invercargill.

Cam McCulloch

Chairman

Statement of Accounting Policies

REPORTING ENTITY

Invercargill City Holdings Limited ("the Company") is a Council Controlled Organisation as defined in the Local Government Act 2002 and registered under the Companies Act 1993. The Company is wholly owned by the Invercargill City Council ("the Council").

The Invercargill City Holdings Limited Group consists of:

- Electricity Invercargill Limited (100% owned) and its wholly owned subsidiary Pylon Limited. The Electricity Invercargill Limited Group has a balance date of 31 March.
- Invercargill City Forests Limited (100% owned).
- Invercargill Airport Limited (97% owned).
- Invercargill City Property Limited (100%)

All the Group's subsidiaries and associates are incorporated in New Zealand.

The primary objective of the Company is to manage the commercial investments of the Council. Accordingly, the Company has designated itself and the group as profit orientated entities for the purposes of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements of the Company and Group are for the year ended 30 June 2018. The financial statements were authorised for issue by the Board on 2 October 2018. 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 Companies Act 1993 and the Energy Companies Act 1992.

The financial statements of the Company comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Company is a Tier 1 for profit entity, as the Company has expenses over $30 million. The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, investment property, biological assets and financial instruments (including derivative instruments).

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). The functional currency of the Company 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 retranslated at the rate of exchange at the reporting date.

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 Company 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 Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

BASIS OF CONSOLIDATION

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

ASSOCIATES & JOINT VENTURES

An associate is an entity over which the Company and Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint ventures are those entities over which the Group has joint control, established by contractual agreement. The Group's investments in its associates and joint ventures are accounted for using the equity method. The investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's and Group's share of the surplus or deficit after the date of acquisition. The Company's and Group's share of the surplus or deficit is recognised in the Company's and Group's Statement of Comprehensive Income. Distributions received reduce the carrying amount of the investment.

The Company's and Group's share in the associate's surplus or deficits resulting from unrealised gains on transactions between the Company and Group and its associates is eliminated.

REVENUE

Revenue is measured at the fair value of consideration received.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

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 reliably estimated 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.

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year in which they have been received.

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

BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred using the effective interest method.

INCOME TAX

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 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.

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.

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 impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

INVENTORIES

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

The cost of logs harvested by group companies 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.

The write down from cost to current replacement cost or net realisable value is recognised in the Statement of Comprehensive Income.

FINANCIAL ASSETS

Where applicable the Group classifies its investments in the following categories:

Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

- *Financial Assets at Fair Value through Profit or Loss*

  Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

- *Loans and Receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

  Loans and receivables are included in receivables in the Statement of Financial Position.

- *Held-to-Maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

- *Available-for-Sale Financial Assets*

  Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

  Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the Statement of Comprehensive Income within other income or other expenses in the period in which they arise.

  The Company classifies its financial assets (excluding derivatives) as loans and receivables. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position. Investments in this category include loans to subsidiaries.

- *Impairment of Financial Assets*
  At each Statement of Financial Position date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Statement of Comprehensive Income.

FINANCIAL INSTRUMENTS

- *Receivables*
  Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

- *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.

- *Accounting for Derivative Financial Instruments and Hedging Activities*
  The Company uses derivative financial instruments to hedge exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

  Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. However, where derivatives qualify for hedge accounting, recognition for any resultant gain or loss depends on the nature of the hedging relationship.

- *Cash Flow Hedge*
  Changes in the fair value of the derivatives hedging instruments designated as a cashflow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, change in fair value are recognised in Statement of Comprehensive Income.

  If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognised in equity is transferred to revenue or expenditure in the same period that the hedged item affects the Statement of Comprehensive Income.

LEASES

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income over a straight-line basis over the period of the lease.

PROPERTY, PLANT AND EQUIPMENT

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

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2005, the date of transition to NZ IFRS are measured on the basis of deemed cost, being the revalued amount at the date of transition.

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 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 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)	Buildings	
	- Electricity Invercargill Limited	1% - 15% Straight Line
	- Invercargill Airport Limited	3% Straight Line
(b)	Furniture and Fittings	
	- Invercargill Airport Limited	10% - 13% Diminishing Value and 6% to 17.5% Straight Line
(c)	Plant	
	- Invercargill Airport Limited	8.5% - 50% Diminishing Value and 6% - 30% Straight Line
	- Invercargill City Forests Limited	25% - 40% Diminishing Value and 40% Straight Line
(d)	Motor Vehicles	
	- Invercargill Airport Limited	10% - 13% Diminishing Value
(e)	Network Assets	
	- Electricity Invercargill Limited	1.4% - 15% Straight Line
(f)	Other Airport Assets	
	- Carpark and fencing	1% - 21% Straight Line
	- Runway, Apron and Taxiway (Base-course and sub-base)	3.0% Straight Line
	- Top Surface (Runway)	8.3% Straight Line
	- Top Surface (Apron and Taxiway)	6.7% Straight Line
	- Roads, carparks and stop banks	3.0% Straight Line
(g)	Forestry Road improvements	6.0% Diminishing Value
(h)	Metering Assets	
	- Electricity Invercargill Limited	2.5%-6.7% Straight line

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

Revaluation
Those asset classes that are revalued are valued on a valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Valuation
All assets are valued at historic cost, except the following:

- The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic valuation, at a maximum of every five years based on discounted cash flow methodology.

- Invercargill City Forests' 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.

Accounting For Revaluations
The Company accounts for revaluations of property, plant and equipment on an individual asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for each asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Comprehensive Income.

Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Comprehensive Income will be recognised first in the Statement of Comprehensive Income up to the amount previously expensed, and then credited to the revaluation reserve for that asset.

CAPITAL WORK IN PROGRESS

Work in progress includes the cost of direct materials and direct labour used in putting replacement and new systems and plant in their present location and condition. It includes accruals for the proportion of work completed at the end of the period. Capital work in progress is stated at cost and is not depreciated.

INTANGIBLE ASSETS

Goodwill
Goodwill is initially measured at its cost, being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition of subsidiaries is included in intangible assets by applying the purchase method. Goodwill on acquisition of associates is included in investments in associates by applying the equity method.

Goodwill arising in business combinations is not amortised. Instead, goodwill is tested for impairment annually. After initial recognition, the Company measures goodwill at cost less any accumulated impairment losses.
An impairment loss recognised for goodwill will not be reversed in any subsequent period.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose.

Other Intangible Assets
Other intangible assets that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the Statement of Comprehensive Income over the estimated useful economic lives of the intangible assets.

FORESTRY 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 biological 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.

Forests are revalued annually by an independent registered valuer.

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

INVESTMENT PROPERTY

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, the Company measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the Statement of Comprehensive Income.

IMPAIRMENT OF 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.

EMPLOYEE BENEFITS

Short-Term Benefits

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income as incurred.

BORROWINGS

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

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:

- Fair value of Investment Property. This is discussed in Note 14.
- Electricity Invercargill Limited Group Estimates and Assumptions. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances and have been used in the following areas:
    - Property, plant and equipment
    - Revenue estimation - Network Charges
    - Joint arrangement classification

In the process of applying accounting policies, Electricity Invercargill Limited management has made the following judgements, estimates and assumptions that have the most significant impact on the amounts recognised in these financial statements.

The Group operates extensive integrated electricity distribution networks comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the Group's approved network asset management plans. The costs associated with recording and tracking all individual components replaced and removed from the networks substantially outweigh the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the networks in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net surpluses on carrying values of the networks.

Every five years, the company obtains a valuation of their electricity distribution network, determined by independent valuers, in accordance with their accounting policy. The valuation of the Company's electricity distribution network was performed as at 1 April 2016. The best evidence of fair value is discounted cash flow methodology. The major assumptions used include discount rate, growth rate and future cash flows. Changes in future cash flows arising from changes in regulatory review may result in the fair value of the electricity distribution network being different from previous estimates.

The Group invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest wash-up data available from the electricity wholesale market and certain metering data from electricity retailers. Management has made an allowance in revenue and in current assets/liabilities for any amounts which are estimated to be under/over charged during the reporting period. However, as final wash-up metering data is not available for in excess of 12 months, it is possible for the final amounts payable or receivable to vary from that calculated.

NEW STANDARDS ADOPTED

The Company and Group are adhering to the following new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017:

Amendments to NZ IAS 7 – Statement of Cash Flows

The amendment comes into effect for fiscal years beginning on or after 1 January 2017.

The amendments are part of the disclosure initiative and require an entity to provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company and Group, are as follows.

Except for changes detailed below there are no other standards or interpretations that have been issued but not yet effective, that have been currently assessed as being applicable to the Company and Group.

Amendments to NZ IFRS 9 - Financial Instruments

The amendment comes into effect for fiscal years beginning on or after 1 January 2018.

The final version of NZ IFRS 9 Financial Instruments brings together the classification and measurement, impairment and hedge accounting phases of the International Accounting Standards Board's project. The standard will replace NZ IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of NZ IFRS 9.

Early adoption is permitted. The Company and Group intend to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15 - Revenue from Contracts with Customers

The amendment comes into effect for fiscal years beginning on or after 1 January 2018.

NZ IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cashflows arising from an entity's contracts with customers.

NZ IFRS 15 replaces the current revenue recognition guidance of NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. The core principle of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. NZ IFRS 15 sets out a five step model for revenue recognition.

The Company and Group has not yet assessed the effect of the new standard.

NZ IFRS 16 – Leases

The standard comes into effect for fiscal years beginning on or after 1 January 2019.

NZ IFRS 16 is the new standard on the recognition, measurement, presentation and disclosure of leases. The standard will replace:

- NZ IAS 17 Leases;
- NZ IFRIC 4 Determining whether an Arrangement contains a Lease;
- NZ SIC-15 Operating Leases – Incentives; and
- NZ SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease

The scope of the standard includes leases of all assets, with a few exemptions. The standard requires lessees to account for all leases on the balance sheet in a similar way to how the current NZ IAS 17 accounts for a finance lease. There is an optional exemption for certain short-term, or low value, assets.

Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. Lessor accounting is substantially the same as it is under NZ IAS 17.

Early adoption is permitted, but only in conjunction with NZ IFRS 15. The Company and Group intend to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during this period. All accounting policies have been consistently applied throughout the period covered by these financial statements.

Statement of Financial Position

As at June 30, 2018

	Note	Group 2018 $000	Group 2017 $000	Group 1 July 2016 Restated $000
Assets				
Current assets				
Cash and cash equivalents	8	5,173	4,703	2,257
Trade and other receivables	9	2,848	2,733	2,980
Inventories	10	4,706	5	2
Advances to associates and joint ventures	15, 16	-	250	-
Other financial assets	17	626	1,500	-
Total current assets		13,353	9,191	5,239
Non-current assets				
Property, plant and equipment	11	123,244	119,096	115,965
Intangible assets	12	8	-	-
Forestry assets	13	23,965	19,867	17,259
Investment property	14	4,060	3,835	3,778
Capital work in progress		1,624	1,862	2,600
Investments in associates and joint ventures	15, 16	81,908	85,029	85,269
Advances to associates and joint ventures		15,496	16,163	20,350
Derivative financial instruments	17	-	47	-
Other financial assets	17	118	1,633	3,118
Deferred tax asset	21	898	748	1,311
Total non-current assets		251,321	248,280	249,650
Total assets		264,674	257,471	254,889
Liabilities				
Current liabilities				
Derivative financial instruments	17	60	13	128
Trade and other payables	18	5,034	4,221	6,950
Employee benefit liabilities	19	46	39	26
Borrowings	20	16,777	16,777	16,777
Tax payable		385	580	1,029
Total current liabilities		22,302	21,630	24,910
Non-current liabilities				
Derivative financial instruments	17	3,148	2,705	4,553
Borrowings	20	109,574	108,462	110,862
Deferred tax liability	21	25,221	24,306	22,198
Total non-current liabilities		137,943	135,473	137,613
Total liabilities		160,245	157,103	162,523
Equity				
Share capital	22	25,293	25,298	25,298
Retained earnings	22	49,603	46,680	41,887
Other reserves	22	29,533	28,391	25,181
Total equity attributable to the equity holders of the company		104,429	100,369	92,366
Equity is attributable to:				
Parent entity	22	102,708	98,651	90,653
Minority interest	22	1,721	1,718	1,713
		104,429	100,369	92,366

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 HOLDINGS LTD

Statement of Comprehensive Income

For the year ended June 30, 2018

	Note	Group 2018 $000	Group 2017 $000
Income			
Operating revenue	2	34,698	33,663
Other gains	3	3,154	4,210
Total income		37,852	37,873
Expenditure			
Employee expenses	5	804	923
Depreciation and amortisation	11	5,719	5,618
Biological asset Cost of Goods Sold		1,355	1,545
Administration expenses	4	8,828	7,739
Other expenses		12,675	12,250
Impairment of goodwill		641	-
Total operating expenditure		30,022	28,075
Finance income	6	691	451
Finance expense	6	4,119	4,228
Net finance expense		(3,428)	(3,777)
Operating surplus/(deficit) before tax		4,402	6,021
Share of associate & joint ventures surplus/(deficit)	15,16	6,500	6,325
Surplus/(deficit) before tax		10,902	12,346
Income tax expense	7	2,742	2,953
Surplus/(deficit) after tax		8,160	9,393
Surplus/(deficit) after tax attributable to:			
Equity holders of the Company		8,152	9,388
Minority interest		8	5
		8,160	9,393
Other comprehensive income			
Items that will not be classified to surplus or deficit in subsequent periods:			
Property, Plant and Equipment revaluation gains/(losses) - pre tax		1,592	1,863
Items that may be classified to surplus or deficit in subsequent periods:			
Cash flow hedges	22	(387)	1,447
Total other comprehensive income		1,205	3,310
Total comprehensive income		9,365	12,703
Total comprehensive income attributable to:			
Equity holders of the Company		9,357	12,698
Minority interest		8	5
		9,365	12,703

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, 2018

	Note	Group 2018 $000	Group 2017 $000	Group 1 July 2016 Restated $000
Balance at 1 July		100,369	92,366	89,160
Total Comprehensive Income for the year	22	9,365	12,703	7,406
Distributions to Shareholders				
Dividends paid/declared	22	(5,300)	(4,700)	(4,200)
Contributions from Shareholders				
Shares issued and paid up	22	(5)	-	-
Balance at 30 June		104,429	100,369	92,366
Attributable to:				
Equity holders of the company		102,708	98,651	90,653
Minority Interest		1,721	1,718	1,713
Balance at 30 June		104,429	100,369	92,366

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 HOLDINGS LTD

Statement of Cash Flows

For the year ended June 30, 2018

	Note	Group 2018 $000	Group 2017 $000
Cash flows from operating activities			
Interest received		891	1,316
Receipts from other revenue		34,737	33,500
Payments to suppliers and employees		(18,727)	(22,655)
Interest paid		(4,299)	(4,820)
Income tax (paid) / refund		(2,028)	(2,020)
Goods and services tax [net]		(74)	(176)
Net cash from operating activities	23	10,500	5,145
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		28	9
Proceeds from sale of investments		-	-
Purchase of biological assets		(2,713)	-
Purchase of intangible assets		(8)	-
Purchase of property, plant and equipment		(8,489)	(5,817)
Acquisition of subsidiary, net of cash		228	-
Advances made to associates/joint ventures		(4,047)	4,173
Advances made to non-subsidiaries/associates		2,000	1,500
Investments in associates/joint ventures		7,162	6,035
Net cash from investing activities		(5,839)	5,900
Cash flows from financing activities			
Proceeds from borrowings		4,275	2,000
Repayment of borrowings		(3,161)	(5,899)
Proceeds from equity (share issue)		(5)	-
Dividends paid		(5,300)	(4,700)
Net cash from financing activities		(4,191)	(8,599)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		470	2,446
Cash, cash equivalents and bank overdrafts at the beginning of the year		4,703	2,257
Cash, cash equivalents and bank overdrafts at the end of the year	8	5,173	4,703

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.

1 Restatement of comparative information

A review was undertaken on the accounting for dividends during the reporting period. It was determined that the dividend should not be recognised until it has been appropriately authorised and no longer at the Company's discretion. The Company has historically declared dividends in June annually, subject to final audit results and the resolution of a solvency certificate at the time the dividend payment is made which occur after 30 June. The dividends should not have been recognised as at 30 June.

A review was undertaken on the deferred tax treatment on investment property during the reporting period. It was identified that deferred tax had not correctly been accounted for on some investment land.

These matters have been rectified by restating each of the affected financial statements line items for prior periods as follows:

	30 June 2017			30 June 2016		
Statement of Financial Position (Extract)	**Previous Amount $000**	**Adjustment $000**	**Restated Amount $000**	**Previous Amount $000**	**Adjustment $000**	**Restated Amount $000**
Trade and other payables	(9521)	5,300	(4,221)	(11,650)	4,700	(6,950)
Deferred tax liability	(24,725)	420	(24,305)	(22,618)	420	(22,198)
Net Assets	**94,649**	**5,720**	**100,369**	**87,246**	**5,120**	**92,366**
Retained earnings	(40,961)	(5,720)	(46,681)	(36,767)	(5,120)	(41,887)
Total Equity	**(94,649)**	**(5,720)**	**(100,369)**	**(87,246)**	**(5,120)**	**(92,366)**

2 Operating revenue

	Group 2018 $000	**Group 2017 $000**
Rendering of services	26,929	24,916
Sale of goods	7,406	6,740
Interest on advances to subsidiaries and associates	251	410
Other income	112	1,597
	34,698	33,633

3 Other gains and losses

	Group 2018 $000	**Group 2017 $000**
Change in fair value of biological assets	2,619	4,153
Change in fair value of investment property	225	57
Gain on previously held investment	310	-
	3,154	4,210

4 Administrative expenses (includes)

	Group 2018 $000	Group 2017 $000
Director fees	653	644
Loss on sales of property, plant and equipment	269	407
Impairment of investment in associate	-	279
Audit remuneration to other auditors comprises		
· audit of financial statements	38	48
· other audit-related services	59	56
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	93	67

5 Employee expenses

	Group 2018 $000	Group 2017 $000
Wages and salaries	804	923
Total employee expenses	804	923

6 Finance income and expense

	Group 2018 $000	Group 2017 $000
Finance Income		
Interest income on bank deposits	691	451
Total finance income	691	451
Financial expense		
Interest expense on financial liabilities measured at amortised cost	4,119	4,228
Total financial expenses	4,119	4,228
Net finance costs	(3,428)	(3,777)

7 Income tax expense in the Income Statement

	Group 2018 $000	Group 2017 $000
Current tax expense		
Current period	1,828	1,571
Total current tax expense	1,828	1,571
Deferred tax expense		
Origination and reversal of temporary differences	521	991
Other	393	391
Total deferred tax expense	914	1,382
Total income tax expense	2,742	2,953

7 Income tax expense in the Income Statement

	Group 2018 $000	Group 2017 $000
Reconciliation of effective tax rate		
Profit for the year	10,902	12,346
Profit excluding income tax	10,902	12,346
Tax at 28%	3,053	3,457
Group loss offset	(493)	(378)
Permanent Differences	193	81
Imputation credits utilised	(102)	-
Change in recognised temporary differences	105	-
Under/(over) provided in prior periods	(14)	(207)
Total income tax expense	2,742	2,953
Effective Tax Rate	25%	24%

Invercargill City Holdings Limited will transfer tax losses to Electricity Invercargill Limited of $0 (2017: $444,449).

From the above tax position of loss offsets transferred to other Group companies for the year ended 30 June 2018, there are no unrecognised tax losses of the Group (2017: nil).

	Group 2018 $000	Group 2017 $000
Imputation credits available for use in subsequent periods	8,010	7,692

8 Cash and cash equivalents

	Group 2018 $000	Group 2017 $000
Call deposits	1,541	1,668
Cash and cash equivalents	3,632	3,035
Cash and cash equivalents in the statement of financial position and statement of cash flows	5,173	4,703

9 Trade and other receivables

	Group 2018 $000	Group 2017 $000
Trade receivables	2,346	2,511
GST receivable	124	-
Prepayments	111	97
Related party receivables	261	120
Sundry debtors	5	5
Less provision for impairment of receivables	-	-
	2,848	2,733

The status of trade receivables at the reporting date is as follows:

	Group 2018 $000	Group 2017 $000
Not past due	2,331	2,508
Past due 30-60 days	15	3
Past due 61-90 days	-	-
Past due more than 90 days	-	-
Total	2,346	2,511

10 Inventories

	Group 2018 $000	Group 2017 $000
Land and trees held for sale	4,700	-
Other	6	5
Total inventories	4,706	5

11 Property, Plant and Equipment

2018 – Group ($000)

	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount	Current year additions - Cost	Current year disposals - Cost	Current year disposals - Depreciation
	1 July 2017	1 July 2017	1 July 2017			
Land	509	-	509	-	-	-
Forestry Land	6,005	-	6,005	818	-	-
Gravel and Fencing	3,963	836	3,127	87	-	-
Buildings, Yards and Terminals	7,043	467	6,576	-	-	-
Network Assets	106,500	18,331	88,169	7,553	675	402
Plant and Equipment	2,680	1,771	909	31	27	4
Motor Vehicles	2,606	2,491	115	4	-	-
Furniture and Fittings	5,041	1,018	4,023	3	-	-
Runway, Taxiways and Apron	14,746	6,691	8,055	10	-	-
Roading	2,036	428	1,608	64	-	-
Total Assets	151,129	32,033	119,096	8,570	702	406

2017 – Group ($000)

	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount	Current year additions - Cost	Current year disposals - Cost	Current year disposals - Depreciation
	1 July 2016	1 July 2016	1 July 2016			
Land	509	-	509	-	-	-
Forestry Land	6,005	-	6,005	-	-	-
Gravel and Fencing	3,814	677	3,137	149	-	-
Buildings, Yards and Terminals	6,752	257	6,495	291	-	-
Network Assets	101,368	17,349	84,019	5,768	887	476
Plant and Equipment	2,574	1,658	916	142	36	32
Motor Vehicles	2,606	2,476	130	-	-	-
Furniture and Fittings	4,945	638	4,307	109	13	1
Runway, Taxiways and Apron	14,731	5,871	8,854	15	-	-
Roading	1,922	329	1,593	114	-	-
Total Assets	145,226	29,261	115,965	6,588	936	509

Current year impairment charges	Current year depreciation	Revaluation surplus	Cost/ revaluation 30-Jun-2018	Accumulated depreciation and Impairment charges 30-Jun-2018	Carrying amount 30-Jun-2018
-	-	-	509	-	509
-	-	1,592	8,415	-	8,415
-	162	-	4,050	998	3,052
-	210	-	7,043	677	6,366
-	3,894	-	113,378	21,823	91,555
-	142	-	2,684	1,909	775
-	14	-	2,610	2,505	105
-	382	-	5,044	1,400	3,644
-	814	-	14,756	7,505	7,251
-	100	-	2,100	528	1,572
-	5,718	1,592	160,589	37,345	123,244

Current year impairment charges	Current year depreciation	Revaluation surplus	Cost/ revaluation 30-Jun-2017	Accumulated depreciation and Impairment charges 30-Jun-2017	Carrying amount 30-Jun-2017
-	-	-	509	-	509
-	-	-	6,005	-	6,005
-	159	-	3,963	836	3,127
-	210	-	7,043	467	6,576
-	3,795	251	106,500	18,331	88,169
-	145	-	2,680	1,771	909
-	15	-	2,606	2,491	115
-	381	-	5,041	1,018	4,023
-	814	-	14,746	6,691	8,055
-	99	-	2,036	428	1,608
-	5,618	251	151,129	32,033	119,096

Revaluation:
The following classes of assets are carried at fair value and are categorised as Level 3 in the fair value hierarchy:

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

The value of the forestry land owned by Invercargill City Forests Limited, had it been carried at the cost model, would be $5,245,505 at 30 June 2018 ($4,427,678 at 30 June 2017).

Forestry 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. The land was valued by Thayer Todd Valuations Limited (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.

Network assets:
The value of the network assets owned by Electricity Invercargill Limited, had it been carried at the cost model, would be $66,861,000 at 30 June 2018 ($63,475,000 at 30 June 2017).

The network assets of Electricity Invercargill Limited were revalued to fair value using discounted cash flow methodology on 1 April 2016 by Ernst & Young, who is an independent valuer. This resulted in a revaluation increase movement of $2,588,000.

The following valuation assumptions were adopted;

- The free cash flows is based on the company's five year business plan and asset management plan adjusted for non recurring or non-arms length transactions and for transactions that arise from expansionary growth in the network after the date of the valuation.
- The corporate tax rate used is 28%
- The weighted average cost of capital (WACC) used is 5.5%
- The sustainable growth adjustment used is 0%.

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12 Intangible assets

	Group Carbon Credits $000	Group Goodwill $000	Group Total $000
Costs			
Balance at 01 July 2016	-	-	-
Balance at 30 June 2017	-	-	-
	-	-	-
Balance at 01 July 2017	-	-	-
Additions	8	641	649
Balance at 30 June 2018	8	641	649
Amortisation and Impairment charges			
Balance at 01 July 2016	-	-	-
Balance at 30 June 2017	-	-	-
Balance at 01 July 2017	-	-	-
Impairment losses	-	641	641
Balance at 30 June 2018	-	641	641
Carrying amounts			
Balance at 01 July 2016	-	-	-
Balance at 30 June 2017	-	-	-
At 01 July 2017	-	-	-
At 30 June 2018	8	-	8

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

Carbon Credits

Carbon units have been assessed as having an indefinate 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 intagible 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 2018 there are 363 carbon credits units on hand (30 June 2017: nil).

13 Biological assets

	Group Forestry $000
Balance at 1 July 2016	17,259
Additions	-
Forest Assets logged at cost	(1,545)
Forest Assets held in Inventory	-
Change in fair value less estimated point-of-sale costs	4,153
Balance at 30 June 2017	19,867
Balance at 1 July 2017	19,867
Additions	2,834
Forest Assets logged at cost	(1,354)
Forest Assets held in Inventory	-
Change in fair value less estimated point-of-sale costs	2,618
Balance at 30 June 2018	23,965

Biological assets held by the Group are forestry assets, which comprise of standing timber. At 30 June 2018, standing timber comprised approximately 2,800 hectares of plantations at 12 different locations (2017: 2,624 hectares of plantations at nine different locations).

The forests were revalued as at 30 June 2018 by an independent valuer, Mr Brian Johnson of Margules Groome (2017: Mr Geoff Manners of Woodlands Pacific). The valuation excludes funding and taxation. The discount rate is based on the implied pre-tax discount rate from actual transactions (2017: the mid-point of Woodland Pacific's analysis of the implied pre-tax discount rates from actual transactions). The pre-tax discount rate chosen for the 2018 valuations is 6.75% (2017: 7.5%).

Biological assets are categorised as Level 3 in the fair value hierarchy.

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

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

Supply and Demand Risk

The Company is exposed to risks arising from fluctuations in the price and sales volume of pine. 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.

14 Investment Property

	Group 2018 $000	Group 2017 $000
Balance at 1 July	3,835	3,778
Acquisitions	-	-
Change in fair value	225	57
Balance at 30 June	4,060	3,835

Investment property comprises a number of commercial properties that are leased to third parties.

The Group's investment properties are valued annually at fair value effective 30 June. All investment properties are related to Invercargill Airport Limited. For 2018 and 2017, all investment properties were valued based on open market evidence except for two properties being less than 20% of the portfolio value. These two properties are planned to be replaced within the next two years (2017: next year), hence the open market evidence valuation has been adjusted by management to be valued on a discounted cash flow basis of their remaining expected earnings. The 2018 and 2017 valuations were performed by Robert Todd, an independent valuer from Thayer Todd Valuations Limited. The valuer is an experienced valuer who holds a recognised and relevant qualification and has extensive market knowledge in the types of investment properties owned by the Group.

Investment property is categorised as Level 3 in the fair value hierarchy.

15 Equity Accounted Associates

Associate Companies	Principal activity	Country of Incorporation	Percentage Held by Group 2018	Percentage Held by Group 2017	Balance date
Electricity Southland Limited	Electricity network owners	NZ	24.9%	24.9%	31-March
Forest Growth Holdings Limited	Forest aggregator	NZ	-	32.1%	30-June
IFS Forestry Group Limited	Forestry consulting	NZ	-	24.9%	30-June
HWCP Management Limited*	Property investment	NZ	49.9%	49.9%	30-June

* HWCP Management Limited was incorporated on 29 March 2017.

On 30 September 2017, Invercargill City Forests Limited sold its 24.9% shareholding in IFS Forestry Group Limited.

Disposal of IFS Forestry Group Limited Investment

	$000
Consideration received	2,150
Carrying amount of investment in associate at 30 September	(2,179)
Loss on disposal	(29)

On 30 September 2017, Invercargill City Forests Limited acquired the other 67.9% of the issued share capital of Forest Growth Holdings Limited (FGH), a forestry dealer, thereby obtaining control. Forest Growth Holdings is now a subsidiary of Invercargill City Forests Limited. The fair value of the 32.1% previously held interest in FGH immediately prior to the 30 September 2017 acquisition was $591,000.

The acquisition was made to enable the company to continue trading FGH and make returns on forest sales.

The details of the business combination are as follows:

	$000
Fair value of consideration transferred:	1,250
Amount settled in cash	1,250
Recognised amounts of identifiable net assets:	
Cash and cash equivalents	228
Trade and other receivables	98
Biological Assets	121
Inventories	6,590
Non-current assets held for sale	25
Total current assets	7,062
Trade and other payables	(61)
Borrowings	(5,800)
Total current liabilities	(5,861)
Deferred tax liability	(1)
Total non-current liabilities	(1)
Identifiable net assets	1,200
Goodwill on acquisition	641

The goodwill is attributable to the reputation of FGH in the market, its relationships with key customers and its intellectual property.

The acquisition of FGH was settled in cash amounting to $1,250,000.

At 30 September 2017 a contingent liability existed in relation to the Overseas Investment Office (OIO) investigation into an alleged breach of the Overseas Investment Act 2005. At the time of the transaction, a settlement had not yet been reached with the OIO and the financial penalties imposed by the OIO were not able to be reliably measured.

	Group 2018 $000	Group 2017 $000
Balance at beginning of year	4,187	4,674
Investments in associates	-	200
Share of profit/(loss) from associates recognised in surplus or deficit the statement of comprehensive income	(145)	(157)
Impairment of goodwill	-	(280)
Transfer to advance to associate	-	(250)
Disposal of associates	(2,460)	-
Balance at end of year	**1,582**	**4,187**

The following information reflects the amounts presented in the financial statements of each entity and not the Group's share. 31 March figures are used for the Electricity Invercargill Limited associates as this is the balance date for the Group. It would be impracticable and the Group would incur undue costs to prepare additional financial statements at 30 June.

Summarised Statement of Financial Position

	Electricity Southland Ltd	
	100%	**100%**
	2018	**2017**
	$000	**$000**
Cash and cash equivalents	226	457
Other current assets	458	562
Total current assets	684	1,019
Non-current assets	20,868	16,947
Total assets	21,552	17,966
Current liabilities	759	744
Non-current liabilities	14,440	10,921
Total Liabilities	15,199	11,665
Net assets	6,353	6,301

Summarised Statement of Comprehensive Income

	Electricity Southland Ltd	
	100%	**100%**
	2018	**2017**
	$000	**$000**
Operating revenue	2,039	1,837
Interest revenue	-	-
Interest expense	(455)	(334)
Depreciation	(442)	(367)
Profit before tax from continuing activities	241	432
Income tax expense	(189)	(372)
Total comprehensive income	52	60

Reconciliation of the summarised financial information presented to the carrying amount of the interest in the associate:

	Electricity Southland Ltd	
	100%	**100%**
	2018	**2017**
	$000	**$000**
Closing net assets	6,353	6,301
Interest in associate	1,582	1,569

Summarised Statement of Financial Position

	Forest Growth Holdings Ltd	
	100%	100%
	2018	2017
	$000	$000
Cash and cash equivalents	-	89
Other current assets	-	6,912
Total current assets	-	7,001
Non-current assets	-	-
Total assets	-	7,001
Current liabilities	-	6,109
Non-current liabilities	-	3
Total Liabilities	-	6,112
Net assets	-	889

Summarised Statement of Comprehensive Income

	Forest Growth Holdings Ltd	
	100%	100%
	2018	2017
	$000	$000
Operating revenue	696	945
Interest revenue	5	3
Interest expense	(94)	(373)
Depreciation	-	-
Profit before tax from continuing activities	12	(263)
Income tax expense	-	-
Total comprehensive income	12	(263)

Reconciliation of the summarised financial information presented to the carrying amount of the interest in the associate:

	Forest Growth Holdings Ltd	
	100%	100%
	2018	2017
	$000	$000
Closing net assets	-	889
Interest in associate	-	285

On 30 September 2017, Invercargill City Forests Limited purchased an additional 67.9% shareholding in Forest Growth Holdings Limited, thereby obtaining control and taking the total shareholding to 100%.

Summarised Statement of Financial Position

	IFS Forestry Group Ltd	
	100%	100%
	2018	2017
	$000	$000
Cash and cash equivalents	-	171
Other current assets	-	9,174
Total current assets	-	9,345
Non-current assets	-	1,017
Total assets	-	10,362
Current liabilities	-	9,345
Non-current liabilities	-	523
Total Liabilities	-	9,868
Net assets	-	494

Summarised Statement of Comprehensive Income

	IFS Forestry Group Ltd	
	100%	100%
	2018	2017
	$000	$000
Operating revenue	1,236	5,203
Interest revenue	-	-
Interest expense	(11)	(393)
Depreciation	(32)	(128)
Profit before tax from continuing activities	115	(285)
Income tax expense	-	-
Total comprehensive income	115	(285)

Reconciliation of the summarised financial information presented to the carrying amount of the interest in the associate:

	IFS Forestry Group Ltd	
	100%	100%
	2018	2017
	$000	$000
Closing net assets	-	494
Interest in associate	-	123
Transfer to advances to associates	-	(250)
Goodwill on acquisition	-	2,277
Carrying value of interest in associate		2,150

On 30 September 2017, Invercargill City Forests Limited sold its 24.9% shareholding in IFS Forestry Group Limited.

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Summarised Statement of Financial Position

	HWCP Management Ltd	
	100%	100%
	2018	2017
	$000	$000
Cash and cash equivalents	28	1
Other current assets	266	5
Total current assets	294	6
Non-current assets	18,658	3,142
Total assets	18,952	3,148
Current liabilities	699	2,782
Non-current liabilities	18,598	-
Total Liabilities	19,267	2,782
Net assets	(315)	366

Summarised Statement of Comprehensive Income

	HWCP Management Ltd	
	100%	100%
	2018	2017
	$000	$000
Operating revenue	1,470	34
Interest revenue	1	-
Interest expense	(782)	(30)
Depreciation	(84)	-
Profit before tax from continuing activities	(681)	(34)
Income tax expense	-	-
Total comprehensive income	(681)	(34)

Reconciliation of the summarised financial information presented to the carrying amount of the interest in the associate:

	HWCP Management Ltd	
	100%	100%
	2018	2017
	$000	$000
Closing net assets	-	366
Interest in associate	-	183

The initial investment of $200,000 has been reduced to nil after the share of losses for 2017 and 2018 years have been recognised. Further losses of $157,000 for the 2018 year 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.

16 Equity Accounted Joint Ventures

Joint Ventures	Principal activity	Country of Incorporation	Percentage Held by Group 2018	Percentage Held by Group 2017	Balance date
PowerNet Limited Group*	Electricity network management	NZ	50.0%	50.0%	31 March
OtagoNet Joint Venture**	Electricity network owners	NZ	24.9%	24.9%	31 March
Roaring Forties Energy Limited Partnership***	Electricity generation	NZ	50.0%	50.0%	31 March

* In April 2017, PowerNet Ltd Group acquired an additional 38.62% shareholding in Peak Power Services Ltd, increasing the PowerNet shareholding to 90.32%.

** The Group holds a 25% voting right over OtagoNet Joint Venture.

*** Roaring Forties Energy Ltd Partnership has a 50% interest in Southern Generation Ltd Partnership.

During the year the partners of Southern Generation Ltd Partnership entered in a conditional agreement to purchase the assets relating to Matiri and Upper Fraser Hydro Stations. The expected generation output of these two hydro stations is about 58 GWh, with Upper Fraser contributing 30 GWh and Matiri 28 GWh.

Effective from 1 April 2016 the Group equity accounted its share of profits from the 50% owned joint venture entity, PowerNet Ltd Group to be consistent with the economic benefits the Group receives based on the PowerNet dividend policy. The equity accounted share of profit in PowerNet in 2018 is 23.48% (2017: 24.69%)

	Group 2018 $000	Group 2017 $000
Balance at beginning of year	80,842	80,595
Investments in joint ventures	1	-
Share of profit from joint ventures recognised in surplus or deficit the statement of comprehensive income	6,645	6,482
Distributions from joint ventures	(7,162)	(6,235)
Balance at end of year	80,326	80,842

The following information reflects the amounts presented in the financial statements of each entity and not the Group's share. 31 March figures are used for the Electricity Invercargill Limited joint ventures as this is the balance date for the Group. It would be impracticable and the Group would incur undue costs to prepare additional financial statements at 30 June.

Summarised Statement of Financial Position

	PowerNet Limited Group	
	100%	100%
	2018	2017
	$000	$000
Cash and cash equivalents	3,569	2,217
Other current assets	25,645	30,230
Total current assets	29,214	32,447
Non-current assets	27,656	26,595
Total assets	56,870	59,042
Current liabilities	15,241	14,125
Non-current liabilities	36,613	39,866
Total Liabilities	51,854	53,991
Net assets	5,016	5,051

Summarised Statement of Comprehensive Income

	OtagoNet Limited Group	
	100%	100%
	2018	2017
	$000	$000
Operating revenue	86,468	75,795
Interest revenue	17	20
Interest expense	(518)	(1,030)
Depreciation	(2,644)	(2,723)
Profit before tax from continuing activities	4,721	3,383
Income tax expense	(1,357)	(970)
Total comprehensive income	3,364	2,413

Reconciliation of the summarised financial information presented to the carrying amount of the interest in the joint venture:

	PowerNet Limited Group	
	100%	100%
	2018	2017
	$000	$000
Closing net assets	5,016	5,051
Interest in joint venture	2,508	2,526

Summarised Statement of Financial Position

	OtagoNet Joint Venture	
	100%	100%
	2018	2017
	$000	$000
Cash and cash equivalents	50	142
Other current assets	3,254	3,305
Total current assets	3,304	3,447
Non-current assets	180,552	177,788
Total assets	183,856	181,235
Current liabilities	4,391	5,530
Non-current liabilities	-	-
Total Liabilities	4,391	5,530
Net assets	179,465	175,705

Summarised Statement of Comprehensive Income

	OtagoNet Limited Group	
	100%	100%
	2018	2017
	$000	$000
Operating revenue	37,082	35,231
Interest revenue	5	13
Interest expense	(11)	(29)
Depreciation	(7,237)	(7,152)
Profit before tax from continuing activities	14,060	13,327
Income tax expense	-	-
Other comprehensive income	-	-
Total comprehensive income	14,060	13,327

Reconciliation of the summarised financial information presented to the carrying amount of the interest in the joint venture:

	OtagoNet Joint Venture	
	100%	100%
	2018	2017
	$000	$000
Closing net assets	179,465	175,705
Interest in joint venture	44,687	43,751

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Summarised Statement of Financial Position

	Roaring Forties Energy Limited Partnership	
	100%	100%
	2018	2017
	$000	$000
Cash and cash equivalents	16	14
Other current assets	-	-
Total current assets	16	14
Non-current assets	68,795	72,033
Total assets	68,811	72,047
Current liabilities	16	32
Non-current liabilities	-	-
Total Liabilities	16	32
Net assets	68,795	72,015

Summarised Statement of Comprehensive Income

	Roaring Forties Energy Limited Partnership	
	100%	100%
	2018	2017
	$000	$000
Operating revenue	5,062	5,292
Profit before tax from continuing activities	4,820	5,133
Income tax expense	-	-
Total comprehensive income	4,820	5,133

Reconciliation of the summarised financial information presented to the carrying amount of the interest in the joint venture:

	Roaring Forties Energy Limited Partnership	
	100%	100%
	2018	2017
	$000	$000
Closing net assets	68,795	72,015
Interest in joint venture	34,398	36,008

17 Other Financial Assets & Liabilities

	Group 2018 $000	Group 2017 $000
Non-current investments - Assets		
Investment in other entities	118	118
Loans to non-subsidiaries	-	1,515
Total non-current investments	118	1,633
Loan to Southland Indoor Leisure Centre Charitable Trust	-	1,500
Loan to Dan Minehan Family Trust	376	-
Loan to IFS Forestry Group Limited	250	-
Total current investments	626	1,500
Total investments - Assets	744	3,133

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 is due no later than 30 June 2019. The loan is secured by a first and only Specific Security Agreement over the shares of IFS Forestry Group Limited and a limited guarantee by Dan Minehan. The loan has been adjusted to fair value.

	Group 2018 $000	Group 2017 $000
Non-current financial instruments		
Interest rate swaps (cash flow hedges) - assets	-	47
Interest rate swaps (cash flow hedges) - liabilities	(3,148)	(2,705)
Non-current derivatives	(3,148)	(2,658)
Current financial instruments		
Interest rate swaps (cash flow hedges) - assets	-	-
Interest rate swaps (cash flow hedges) - liabilities	(60)	(13)
Current derivatives	(60)	(13)

18 Trade and Other Payables

	Group 2018 $000	Group 2017 $000
Trade payables	775	541
Accrued expenses	1,781	2,179
Retentions	49	175
Amounts due to other related parties	2,423	1,183
Income in advance	6	32
GST payable	-	111
Total trade and other payables	5,034	4,221

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximate their fair value.

19 Employee benefit liabilities

	Group 2018 $000	Group 2017 $000
Accrued pay	-	-
Annual leave	46	39
	46	39
Comprising		
Current	46	39
Non-current	-	-
Total employee benefit liabilities	46	39

20 Borrowings

	Group 2018 $000	Group 2017 $000
Current		
Redeemable preference shares	16,777	16,777
Total current borrowings	16,777	16,777
Non-current		
Secured loans	109,574	108,462
Total non-current borrowings	109,574	108,462

Secured loans of the Company are secured against assets, undertakings and uncalled capital of the Group.

The effective interest rate for the multi-option note facility was 4.14% (2017: weighted average interest rate 4.47%) with hedging refer note 30.

The total borrowing facility is $100m (2017: $100m) made up of $35m for two years and $65m for three years commenced on 5 September 2016. Debt may be raised by a committed cash advance facility or by the issuance of promissory notes upon the multi-option note facility for a term of 90 days before being re-tendered.

The redeemable preference shares bear no interest or dividend payable unless the Directors of the Company are notified by the holders of the shares prior to 31 August of each year that payment is required. The rate determined shall not exceed 5% above the ninety (90) day Bank Bill Settlement Rate as quoted on the Reuters Monitor screen page BKBM on the date fixed for redemption.

On a return of assets on liquidation or otherwise the assets of the Company available for distribution amongst its members shall be applied first in repaying the holders of the Redeemable Preference Shares the amounts paid up on the Redeemable Preference Shares, and the balance of such assets subject to any special rights which may be attached to any other class of shares shall be distributed in accordance with the Company's Constitution.

21 Deferred Tax Liabilities/(Assets)

Group:	Balance 30-Jun-16	Recognised in profit or loss	Recognised in equity
	$000	$000	$000
Property, plant and equipment	19,295	112	725
Biological assets	3,556	768	-
Investment property	274	16	-
Inventory	-	-	-
Derivatives	(1,311)	-	563
Other items	70	(19)	-
Tax losses	(997)	506	-
Total movements	20,887	1,383	1,288

Balance	Recognised in profit or loss	Recognised in equity	Balance
30-Jun-17			**30-Jun-18**
$000	**$000**	**$000**	**$000**
20,132	119	-	20,251
4,324	424	-	4,748
290	49	-	339
-	(74)	-	(74)
(748)	-	(150)	(898)
51	4	-	55
(491)	393	-	(98)
23,558	915	(150)	24,323

22 Equity

Group

	Attributable to equity holders of the Company		
	Share capital	**Cashflow Hedging reserve**	**Revaluation reserve**
	$000	**$000**	**$000**
Balance at 1 July 2016	25,298	(3,371)	28,552
Surplus/(deficit) after tax	-	-	-
Other comprehensive income			
Property, Plant and Equipment Revaluation gains/(losses) - pre tax	-	-	1,863
Transfer of revaluation reserve to retained earnings due to asset disposal			
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(100)
Distributions to Shareholders	-	1,447	-
Dividends paid/declared	-	-	-
Contributions from Shareholders	-	-	-
Shares issued and paid up			
Balance at 30 June 2017	**25,298**	**(1,924)**	**30,315**
Balance at 1 July 2017	25,298	(1,924)	30,315
Surplus/(deficit) after tax	-	-	-
Other comprehensive income			
Property, Plant and Equipment Revaluation gains/(losses) - pre tax	-	-	1,592
Transfer of revaluation reserve to retained earnings due to asset disposal	-	-	(63)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	(387)	-
Distributions to Shareholders			
Dividends paid/declared	-	-	-
Contributions from Shareholders			
Shares issued and paid up	(5)	-	-
Balance at 30 June 2018	**25,293**	**(2,311)**	**31,844**

The Company has 17,398,202 ordinary shares that have been called and a further $100,000,000 (2017: $100,000,000) of ordinary shares that have been issued to the Invercargill City Council (67,427,000 for $1 each and 5,211,680 for $6.25 each but remain uncalled at balance date.

Retained earnings $000	Total $000	Minority Interest $000	Total $000
41,887	92,366	1,713	90,653
9,393	9,393	5	9,388
-	1,863	-	1,863
100	-	-	-
-	1,447	-	1,447
(4,700)	(4,700)	-	(4,700)
-	-	-	-
46,680	**100,369**	**1,718**	**98,651**
46,680	100,369	1,718	98,651
8,160	8,160	8	8,152
-	1,592	-	1,592
63	-	-	-
-	(387)	-	(387)
(5,300)	(5,300)	-	(5,300)
-	(5)	(5)	-
49,603	**104,429**	**1,721**	**102,708**

All shares, whether called or uncalled, have equal voting rights and have no par value.

23 Reconciliation of net surplus/(deficit) to net cash inflows (outflows) from operating activities

	Group 2018 $000	Group 2017 $000
Reconciliation with reported operating surplus		
Net surplus after tax	8,160	9,393
Add/(deduct) non-cash items:		
Depreciation	5,716	5,617
Impairment of advance to associate	429	-
Net (profit)/loss on sale of fixed assets	270	403
Change in fair value of loan	24	-
Change in fair value of investment property	(225)	(57)
Change in fair value of biological assets	(2,619)	(4,153)
Biological assets - Cost of Goods Sold	1,354	1,545
Increase/(decrease) in deferred taxation	916	1,382
Associate /joint venture post-acquisition profits	(6,500)	(6,325)
Loss on sale of associate	29	-
Impairment of investment in associate	-	279
Impairment of goodwill	641	-
Gain on previously held investment	(310)	-
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	150	175
(Increase)/decrease in inventories	1,889	(3)
Increase/(decrease) in accounts payable and accruals	762	(2,719)
Increase/(decrease) in GST/taxation	(186)	(392)
Net cash inflow (outflow) from operating activities	10,500	5,145

24 Changes in liabilities arising from financing activities

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

	Short-term borrowings	Long-term borrowings	Total
	$000	$000	$000
1 July 2017	16,777	108,462	125,239
Cashflows			
Proceeds	-	4,275	4,275
Repayments	-	(3,163)	(3,163)
30 June 2018	16,777	109,574	126,351

25 Related party transactions

The Company is the sole shareholder of Electricity Invercargill Limited, Invercargill City Forests Limited, Invercargill City Property Limited and holds a 97% stake in Invercargill Airport Limited. During the year, the following transactions took place with the group companies. All transactions with the subsidiaries have been eliminated upon consolidation.

	Group 2018	Group 2017
Ultimate parent:	$000	$000
(a) Invercargill City Council		
Revenue		
Provision of services	30	113
Expenditure		
Provision of services	538	425
Dividends from Subsidiary to Parent	5,300	4,700
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-

25 Related party transactions

	Group 2018 $000	Group 2017 $000
Other related parties:		
(b) AWS Legal		
Revenue		
Provision of services	-	-
Expenditure		
Provision of services	25	8
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-
c) PowerNet Limited		
Revenue		
Provision of services	294	160
Expenditure		
Provision of goods and services	10,879	8,931
Outstanding at balance date by Parent and Group	2,423	1,029
Outstanding at balance date to Parent and Group	78	34
Advances provided to (repaid by)	(272)	(356)
(d) Electricity Southland Limited		
Revenue		
Provision of services	118	87
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	34	24
Advances provided to (repaid by)	834	883
(e) HWCP Management Limited		
Revenue		
Provision of services	251	23
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	4,720	1,538

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25 Related party transactions

	Group 2018 $000	Group 2017 $000
(f) R M Walton		
Revenue		
Provision of services	-	-
Expenditure		
Provision of goods and services	3	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-
(g) AJO Management Limited		
Revenue		
Provision of services and interest charges	-	-
Expenditure		
Provision of goods and services	-	21
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-
(h) IFS Forestry Group Limited		
Revenue		
Provision of services	-	-
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	3
(i) Forest Growth Holdings Limited		
Revenue		
Provision of services	-	526
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	34

25 Related party transactions

	Group 2018 $000	Group 2017 $000
(i) Forest Growth Holdings Limited		
Revenue		
Provision of services	-	526
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	34
(j) IFS Growth Limited		
Revenue		
Provision of services	-	-
Expenditure		
Provision of services	641	751
Outstanding at balance date by Invercargill City Forests Ltd	41	111
Outstanding at balance date to Invercargill City Forests Ltd	-	-
(k) OneForest Limited		
Revenue		
Provision of services	5,520	6,740
Expenditure		
Provision of services	2,801	3,185
Outstanding at balance date by Invercargill City Forests Ltd	-	-
Outstanding at balance date to Invercargill City Forests Ltd	-	-
(l) Independent Forestry Services Limited		
Revenue		
Provision of services	-	-
Expenditure		
Provision of goods and services	5	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-

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25 Related party transactions

	Group 2018 $000	Group 2017 $000
(m) Invercargill Venue and Events Management		
Revenue		
Provision of services	-	-
Expenditure		
Provision of goods and services	3	4
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-
(n) Southland Indoor Leisure Centre Charitable Trust		
Revenue		
Provision of services	69	110
Expenditure		
Provision of services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	5	1,500

A $240,000 loan to Invercargill City Property Limited was forgiven during the year. The loan was advanced in relation to the Awarua project and repayable only if the project was successful.

No related party transactions have been written off or were forgiven during the 2017 year. All transactions are at arms-length. The outstanding balances are not subject to interest and are repayable on demand.

Electricity Invercargill Limited through its joint venture interest in PowerNet Limited and OtagoNet joint venture, uses AWS Legal as its solicitors, of which A B Harper is a Partner.

Invercargill Airport Limited purchased services from RM Walton (Director).

Refer note 7 for details on tax loss offsets within the group.

25 Related party transactions

Key management personnel compensation comprises:

	Group 2018 $000	Group 2017 $000
Short term employment benefits	416	624
Directors Fees	654	642

Short term employee benefits relate to:

Invercargill City Holdings Limited, and consist of salaries.

Invercargill City Forests Limited, and consist of salaries.

Invercargill City Property Limited, and consist of salaries.

Invercargill Airport Limited, and consist of salaries and does not include any costs for the following: post employment benefits, other long term benefits and termination benefits as they are not provided for by Invercargill Airport Limited.

Electricity Invercargill Limited group, and consists of salaries and other short term benefits.

26 Commitments and operating leases

	Group 2018 $000	Group 2017 $000
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	1,014	1,988

Investment commitments

In September 2017, the Electricity Invercargill Limited Group entered into a conditional agreement with the partners of Southern Generation Ltd Partnership to purchase the assets of two hydro generation developments upon completion of construction. The Upper Fraser hydro station is expected to generate approximately 30 GWh from March 2019, and the Matiri hydro station is expected to generate approximately 28 GWh annually from October 2019.

Other commitments

The Group has a conditional commitment as at 31 March 2018 of $415,000 (2017: $415,000). This relates to an agreement with Smart Co, for the Group to provide a subordinated loan to Smart Co once a number of terms have been met.

Operating leases as leasee

The Group does not have any operating leases where it is the leasee (2017: Nil).

26 Commitments and operating leases

Operating leases as lessor

The Group leases its investment property under operating leases. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Group 2018 $000	Group 2017 $000
Non-cancellable operating leases as lessor		
Not later than one year	456	326
Later than one year and not later than five years	1,306	986
Later than five years	500	598
Total non-cancellable operating leases	2,262	1,910

There are no restrictions placed on the Company by any of the leasing arrangements.

27 Contingencies

Contingent assets:

2018 Year: Nil

2017 Year: Nil

Contingent liabilities:

Invercargill City Forests has harvested a total of 17 hectares of pre-1990 forest (2017: 48 hectares). This harvested land will be replanted but at balance date carried a potential deforestation liability of $192,345 (2017: $593,068). It is Invercargill City Forests Limited's intention to replant all forests. Refer note 13.

Invercargill City Forests had entered into contracts to purchase a 33 hectare forest at Diption and a 105 hectare forestry right in the Nelson area at 30 June 2018. Settlement for the two purchases occured after balance date.

28 Key Management Personnel

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

29 Events after the Balance Sheet date

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

30 Financial Instruments

Invercargill City Holdings Limited provides services to the businesses in the group and the shareholder, co-ordinates access to domestic financial markets and monitors and manages financial risks relating to the group.

Capital management

The group's capital includes share capital, reserves and retained earnings.

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising return to stakeholders through the optimisation of the debt and equity balance.

The objective of the group from the parent company's Statement of Intent is to provide reasonable returns to the shareholder, while acting generally as a responsible corporate citizen and in accordance with sound business practice, by having regard to the interests of the community.

The board monitors the performance of the subsidiary companies in the group, to meet the objectives while maintaining a strong capital base to sustain future development of the group's businesses.

The intentions of the parent company in respect of distributions for each three year period are disclosed in the annual Statement of Intent submitted to council in public.

Financial Instruments - Risk

The Group has exposure to the following risks from its use of financial instruments:

- **Credit risk**
- **Liquidity risk**
- **Market risk**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Company has a series of policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities. The Company has established Company approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

• Credit risk

Credit risk is the risk that a counterparty will default on its obligation causing the Company/Group to incur a financial loss.

Financial instruments that potentially subject the Company/Group to concentrations of credit risk consist principally of cash, short-term investments, trade receivables, foreign exchange transactions and other financial instruments. Cash and short-term investments are placed with banks with high credit ratings assigned by international credit-rating agencies, or other high credit quality financial institutions.

The Group has no significant concentrations of credit risk. The Company invests funds only in deposits with registered banks and local authority stock and its Investment policy limits the amount of credit exposure to any one institution or organisation.

The Group manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. The Group does not generally require or hold collateral against credit risk.

The Electricity Invercargill Limited group is exposed to a concentration of credit risk with regards to the amounts owing by energy retailers for line charges. However, these entities are considered to be high credit quality entities.

Credit quality of financial assets: For counterparties with credit ratings the cash at bank and deposits are held in banks with credit ratings from BBB to AA-. Derivative financial instruments assets are held with banks with credit ratings of AA-. For counterparties without credit ratings the community and related party loans are with parties that have had no defaults in the past.

• Liquidity risk

Liquidity risk represents the Company/Group's ability to meet its contractual obligations. The Company/Group evaluates its liquidity requirements on an ongoing basis. In general the Group generates sufficient cash flows from its operating activities to meet its contractual obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls and meet capital expenditure requirements. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within the next 12 months.

The Company manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management policy.

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

The table below analyses the Company/Group's financial assets and liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Group 2018	Carrying amount	Contractual cash flows	Maturity Dates			
			< 1 year	1-3 years	> 3 years	Total
	$000	$000	$000	$000	$000	$000
Financial Assets						
Cash and cash equivalents	5,173	5,173	5,173	-	-	5,173
Trade and other receivables	2,848	2,848	2,848	-	-	2,848
Advances	626	626	626	-	-	626
	8,647	8,647	8,647	-	-	8,647
Financial Liabilities						
Trade and other payables	5,034	5,034	5,034	-	-	5,034
Borrowings - secured loans	109,575	118,960	21,435	3,075	94,450	118,960
Borrowings - redeemable preference shares	16,777	16,777	16,777	-	-	16,777
	131,385	140,771	43,246	3,075	94,450	140,771

The following table details the exposure to liquidity risk as at 30 June 2017:

Group 2017	Carrying amount	Contractual cash flows	Maturity Dates			
			< 1 year	1-3 years	> 3 years	Total
	$000	$000	$000	$000	$000	$000
Financial Assets						
Cash and cash equivalents	4,703	4,703	4,703	-	-	4,703
Trade and other receivables	2,713	2,713	2,713	-	-	2,713
Advances	1,500	1,570	1,570	-	-	1,570
	8,916	8,986	8,986	-	-	8,986
Financial Liabilities						
Trade and other payables	4,163	4,163	4,163	-	-	4,163
Borrowings - secured loans	108,461	117,709	3,083	3,084	111,542	117,709
Borrowings - redeemable preference shares	16,777	16,777	16,777	-	-	16,777
	129,401	138,649	24,023	3,084	111,542	138,649

The interest rates on the Company's borrowings are disclosed in note 20.

The ultimate parent (ICC) being the holder of the redeemable preference shares has indicated that the shares will not be called for redemption in the next financial year. As the shares are callable the debt is classified as current in the statement of financial position.

The table below analyses the Company derivative financial assets and liabilities that are settled on a net basis into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Group 2018	Carrying amount	Contractual cash flows	Maturity Dates			
			< 1 year	1-3 years	> 3 years	Total
	$000	$000	$000	$000	$000	$000
Financial Assets						
Derivative financial instruments	-	-	-	-	-	-
	-	-	-	-	-	-
Financial Liabilities						
Derivative financial instruments	3,208	4,045	1,038	1,516	1,491	4,045
	3,208	4,045	1,038	1,516	1,491	4,045
Net derivative financial liabilities	3,208	4,045	1,038	1,516	1,491	4,045

The following table details the exposure to liquidity risk as at 30 June 2017:

Group 2017	Carrying amount	Contractual cash flows	Maturity Dates			
			< 1 year	1-3 years	> 3 years	Total
	$000	$000	$000	$000	$000	$000
Financial Assets						
Derivative financial instruments	47	(35)	(37)	27	(25)	(35)
	47	(35)	(37)	27	(25)	(35)
Financial Liabilities						
Derivative financial instruments	2,718	3,828	1,101	1,557	1,170	3,828
	2,718	3,828	1,101	1,557	1,170	3,828
Net derivative financial liabilities	2,671	3,863	1,138	1,530	1,195	3,863

• **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk through Invercargill City Forests Limited as it sells logs to overseas markets, which require it to enter into transactions denominated in a foreign currency. The Company/Group has mitiaged this risk by selling the majority of its logs at wharf gate in New Zealand dollars.

Interest Rate Risk

Interest Rate Risk : Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates expose the Company to fair value interest rate risk. The Company's Liability Management policy outlines the level of borrowing that is to be secured using fixed rate instruments. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk arising where the Company has borrowed at fixed rates.

The Group has interest bearing debt which is subject to interest rate variations in the market. The debt is raised from the Group's parent company, Invercargill City Holdings Limited's bank borrowing facility and then advanced onto the group companies.

The Group through the Parent uses interest rate swaps to manage its exposure to interest rate movements on its multi option facility borrowings.

The interest rates on the Company's borrowings are disclosed in note 20.

The financial assets and liabilities are exposed to interest rate risk as follows:

Financial Assets

Cash and cash equivalents	Variable interest rates
Trade and other receivables	Non interest bearing
Dividends receivable	Non interest bearing
Capital work in progress	Non interest bearing
Derivative financial instruments (interest rate swaps)	Variable interest rates
Advances	Fixed and variable interest rates
Short term investments	Variable interest rates

Financial Liabilities

Trade and other payables	Non interest bearing
Dividends payable	Non interest bearing
Advances	Variable interest rates
Derivative financial instruments (interest rate swaps)	Variable interest rates
Borrowings - secured loans	Variable and fixed interest rates
Borrowings - redeemable preference shares	Non interest bearing

Interest Rate Risk : Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cash flow interest rate risk.

The Company manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swaps them into fixed rates that are generally lower than those available if the Company borrowed at fixed rates directly. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

The notional principal outstanding in regard to the interest rate swaps is as follows:

	Group	
	2018	**2017**
	$000	**$000**
	Liability	**Liability**
Maturity < 1 year	21,500	1,700
Maturity 1-2 years	7,500	21,500
Maturity 2-3 years	10,000	7,500
Maturity 3-4 years	8,000	10,000
Maturity 4-5 years	17,000	8,000
Maturity 5-6 years	17,500	13,000
Maturity 6-7 years	10,000	13,000
Maturity 7-10 years	14,000	19,000
	105,500	93,700

- Effectiveness of Cash Flow Hedges

The matched terms method is used in applying hedges. In all cases the terms of both the hedge instrument and the underlying transaction are matched. All hedges are interest rate swaps.

	Company/Group	
	2018	**2017**
	%	**%**
Effectiveness	100	100

- Sensitivity analysis on Financial Instruments

Borrowings: If interest rates on borrowings at 30 June 2018 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax by $116,599 (2017: $116,599) as a result of higher/lower interest expense on floating rate borrowings.

Cash and cash equivalents included deposits at call which are at floating interest rates. Sensitivity to a 0.5% movements in rates is immaterial as these cash deposits are very short term.

Derivative Asset: Cash Flow hedge

The derivatives are hedge accounted and managed by the company to be 100% effective and thus there is no sensitivity to the profit and loss to change in the interest rates.

Sensitivity to a 0.5% movements in rates is as follows and affect the equity balance of the Group:

	Carrying amount	**Equity change**	
	Year 2018	**+0.5%**	**-0.5%**
	$000	**$000**	**$000**
Net Derivative financial asset/(Liability) - Cashflow Hedge	(3,208)	1,395	(1,440)
	Year 2017	**+0.5%**	**-0.5%**
	$000	**$000**	**$000**
Net Derivative financial asset/(Liability) - Cashflow Hedge	(2,671)	1,350	(1,396)

31 Fair Value Measurement

- Fair Value measurements recognised in the Statement of Comprehensive Income

The following classes of assets are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Group 2018				**Group 2017**			
	Level 1	**Level 2**	**Level 3**	**Total NZ**	**Level 1**	**Level 2**	**Level 3**	**Total NZ**
Fair Value Measurement	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Assets at Fair Value								
Derivatives	-	-	-	-	-	47	-	47
Biological Assets	-	-	23,965	23,965	-	-	19,867	19,867
Network Assets	-	-	85,342	85,342	-	-	82,980	82,980
Investment Property	-	-	4,060	4,060	-	-	3,835	3,835
Total Assets at Fair Value	-	-	113,367	113,367	-	47	106,682	106,729
Liabilities at Fair Value								
Derivatives	-	3,208	-	3,208	-	2,718	-	2,718
Total Liabilities at Fair Value	-	3,208	-	3,208	-	2,718	-	2,718

	Group 2018 $000	**Group 2017 $000**
Opening Balance/Closing Balance Level 3 fair value Measurements		
Balance at Beginning of year	106,682	100,953
Unrealised net change in value of assets	2,843	6,798
Purchases	8,802	4,134
Sales	(1,632)	(1,884)
Reclassified from fair value	-	-
Depreciation and impairment	(3,328)	(3,319)
Balance at the end of the year	113,367	106,682

The Company carries interest rate swaps (derivative financial instruments) at fair value. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate swaps are held with financial institutions with investment grade credit ratings. Interest rate derivative fair values are valued using swap model valuation techniques using present value calculations. The key inputs include interest rate curves and forward rate curves.

The Group's biological assets were valued by external valuation on the basis of fair value in accordance with The New Zealand Institute of Forestry (NZIF) valuation guidelines. The discounted cash flow (DCF) method is used with the exception of development forests where a compound cost basis is used. The valuation excludes funding and taxation. The discount rate is based on the mid-point of the valuers analysis of the implied pre-tax discount rates from actual transactions. The pre-tax discount rate chosen for the 2018 valuation is 6.75% (2017: 7.5%). The cash flow term for the valuation is 32 years.

The Group's network assets are valued by external valuation on the basis of fair value using the discounted cash flow (DCF) method. The network assets are revalued every five years. The key inputs include discount rate, growth rate and future cash flows. The cash flow term for the valuation is 3 years.

The Group's investment properties are valued by external valuation on the basis of fair value using open market evidence with the exception of two properties that are planned to be replaced within the next year (2017: One year), where a discounted cash flow (DCF) method is used. The investment properties are revalued annually. The key inputs include yield sensitivity being 8.0% for 2018 (2017: 8.0%).

32 Publication of Financial Statements

Section 67 of the Local Government Act 2002 requires that the company adopts its annual report and makes it available to its shareholders and the public within three months after the end of the financial year. The Company was not able to comply with this requirement for the year ended 30 June 2018 and the annual report was not adopted until 2 October 2018.

Statement of Service Performance

For the year ended June 30, 2018

The performance targets established in the 2017 Statement of Corporate Intent for Invercargill City Holdings Limited and the results achieved for the year ended 30 June 2018 follow.

Group Financial Performance Targets

	Forecast $'000	Achieved $'000
Gross Revenue	24,083	45,043
Expenditure	(14,008)	(34,141)
Net Profit (Loss)	10,075	10,902
Tax	(2,821)	(2,742)
Group Net Profit/(Loss) after tax	7,254	8,160
Dividend to Invercargill City Council	5,850	5,300
Rate of Return (before tax) on Shareholders Funds	10.15%	10.44%
Rate of Return (after tax) on Shareholders Funds	7.31%	7.85%
Shareholder Funds to Total Assets	33.00%	39.46%

Parent Non-Financial Performance Targets

1 Half yearly reports are provided to the Shareholder within two months of the end of the period and that the annual statements and report are provided within three months of the end of the financial year.
Achieved

2 All statutory requirements for reporting under the Companies Act 1933 and the Local Government Act 2002 are achieved.
Achieved

3 Draft Statement of Intent will be submitted for approval to Invercargill City Council by 1 March each year.
Achieved

4 Invercargill City Holdings Limited will keep Invercargill City Council informed of all significant matters relating to Invercargill City Holdings Limited and its subsidiaries, within the constraints of commercial sensitivity. Invercargill City Holdings Limited will run at least one workshop with Councillors per financial year.
Achieved

Invercargill City Holdings Limited (ICHL) has continued its communication programme with Council. As part of this, ICHL held an Annual General Meeting (AGM) on 19 October 2017. During the AGM Electricity Invercargill Limited (EIL), Invercargill Airport Limited (IAL) and Invercargill City Forests Limited (ICFL) made presentations.

ICHL

INVERCARGILL CITY HOLDINGS LTD

ICHL ran a workshop with Councillors on 4 April 2018 where each of the subsidiary companies gave a presentation with information included in the ICHL draft Statement of Intent.

5 Invercargill City Holdings Limited (ICHL) will maintain contact with subsidiary company boards, and remain aware of their strategic business issues. Invercargill City Holdings Limited will meet subsidiary company boards and their representatives at least once per financial year.
Achieved

ICHL has continued with its communications programme with each of the subsidiary companies. Each of the subsidiary companies, with the exception of Invercargill City Property Limited, are required to attend ICHL meetings regularly to discuss their financials and any other issues. Last year, ICHL implemented a subsidiary reporting template for reports to ICHL which include financial results, strategic issues, health and safety information and any current issues facing the company.

Three of the ICHL directors are also directors of Invercargill City Property Limited.

The Chairman of ICHL has attended Council Finance and Policy meetings when appropriate during the year.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Invercargill City Holdings Limited's group financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Invercargill City Holdings Limited Group (the Group). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 14 to 77, that comprise the statement of financial position as at 30 June 2018, 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 performance information of the Group on pages 78-79.

In our opinion:

- the financial statements of the Group on pages 14 to 77:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; 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 and
- the performance information of the Group on pages 78-79 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2018.

Our audit was completed on 2 October 2018. 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 performance information, 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 performance information

The Board of Directors is responsible on behalf of the Group 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 performance information for the Group.

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

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group'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 Group 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 performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 performance information.

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

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 performance information, 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 Group'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 Group'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 Group'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 performance information 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 Group to cease to continue as a going concern.

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

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 is responsible for the other information. The other information comprises the information included on pages 4 to 13, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 performance information, 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 performance information 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 the fact. We have nothing to report in this regard.

Independence

We are independent of the Group 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 New Zealand Auditing and Assurance Standards Board.

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

Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

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