



INVERCARGILL CITY PROPERTY LTD



ANNUAL REPORT
2018

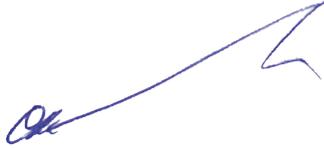
INVERCARGILL CITY
PROPERTY LIMITED

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Approval by Directors

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



C A McCulloch
Director



T D R Loan
Director

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

Directory

DIRECTORS WHO HELD OFFICE DURING THE YEAR ENDED 30 JUNE 2018

C A McCulloch
Chairman

T D R Loan
Director

L S Thomas
Director (from 31 October 2017)

G J Sycamore
Director (until 30 October 2017)

REGISTERED OFFICE

C/- Invercargill City Council
101 Esk Street
Invercargill 9840

PHYSICAL ADDRESS

101 Esk Street
Invercargill

Phone (03) 211 1777

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POSTAL ADDRESS

Private Bag 90104
Invercargill 9840

AUDITOR

Audit New Zealand
Dunedin

BANKERS

BNZ

SOLICITORS

Preston Russell Law
92 Spey Street
Invercargill 9810

Statutory Information

DIRECTORS' REMUNERATION

<i>Invercargill City Property Ltd</i>	\$
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.

DIRECTORS' INTERESTS

Except for Related Parties disclosures in note 11 of the notes to the financial statements, during the year, no Directors had an interest in any transaction or proposed transaction with the Company.

USE OF COMPANY INFORMATION BY DIRECTORS

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

SHAREHOLDING BY DIRECTORS

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

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

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

EMPLOYEES' REMUNERATION

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

AUDITORS' REMUNERATION

Audit fees for the Company totalled \$18,260. Details of fees payable are contained in Note 1.

RECOMMENDED DIVIDEND

There is no dividend recommended.

Chairman's Report

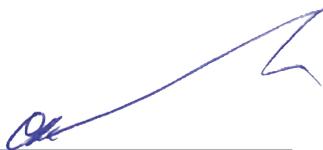
I am pleased to provide the 2018 Annual Report for Invercargill City Property Limited.

This year's result was basically in three parts. Normal trading was a deficit of \$11,000. The second section was a gain of \$240,000 resulting from the forgiveness of the remaining debt to Invercargill City Holdings Limited which was the conclusion of the Awarua contract with the Invercargill City Council. The surplus then stood at \$229,000. The third part is the impairment of \$429,000 which was recognised on the advance to HWCP Management Limited (HWCP). The net result was then a deficit of \$200,000. To this we add our share of HWCP's loss which totalled \$183,000 taking the overall deficit for the year to 30 June 2018 to \$383,000.

On entering the HWCP Joint Venture with the HWR Group, our aim was to consolidate land title in the Inner City, following the SORDS programme, with the aim of facilitating development of the area.

This is almost complete and now the future development must be contemplated. We see a need for a strong developer being involved. HWCP are working on this issue at the time of writing this report and we look forward to moving the project forward in a sustainable way.

This is a large and challenging project and the Directors of HWCP are to be congratulated on their hard work. However, it is only the beginning and will take time, finance, and more hard work.



Cam McCulloch
Chairman

Statement of Accounting Policies

REPORTING ENTITY

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

The Company is a Council Controlled Trading Organisation as defined in Section 6(1) of the Local Government Act 2002.

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

The financial statements for the year ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 1 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 Financial Reporting Act 2013 and the Companies Act 1993.

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

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

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

The accounting policies that have been applied to these financial statements are based on the External Reporting Board A1, Accounting Standards Framework (For-profit Entities Update).

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

GOING CONCERN BASIS

The financial statements have been prepared on the going concern basis. To address uncertainty over going concern due to the Company's negative equity, the Directors of the Company have received a letter of support from Invercargill City Holdings Limited. The letter confirms that Invercargill City Holdings Limited will continue to support the Company in its capacity as sole shareholder and financier of the Company. Specifically, Invercargill City Holdings Limited has undertaken not to demand its existing advance facility within 12 months from the date of the signing of the Company's financial statements for the year ending 30 June 2018.

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

In making their assessment the Directors have also considered the negative equity position of its associate company, HWCP Management Limited and have concluded that the letters of support in place from HWCP Management Limited Shareholders give a reasonable expectation that HWCP Management Limited has adequate resources to continue as a commercial landlord on an ongoing basis.

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

REVENUE

Revenue is measured at the fair value of consideration received.

Interest income is recognised 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 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.

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.

FINANCIAL ASSETS

Where applicable the Company 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.

- **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.

- **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 Company 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.

BORROWINGS

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

BORROWING COSTS

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

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.

ASSOCIATES

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

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.

NEW STANDARDS ADOPTED

There have been no new standards adopted during the financial year. The company has not elected to early adopt any new standards or interpretations that are issued but not yet effective.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the period. 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	2018 \$000	2017 \$000
Assets			
Current assets			
Cash and cash equivalents		4	362
Trade and other receivables	4	149	23
Total current assets		153	385
Non-current assets			
Investment in associate	8	-	183
Advance to associate	8	4,571	1,515
Total non-current assets		4,571	1,698
Total assets		4,724	2,083
Liabilities			
Current liabilities			
Trade and other payables	5	63	14
Total current liabilities		63	14
Non-current liabilities			
Borrowings	6	5,215	2,240
Total non-current liabilities		5,215	2,240
Total liabilities		5,278	2,254
Equity			
Share capital	9	-	-
Retained earnings	9	(554)	(171)
Total equity attributable to the equity holders of the company		(554)	(171)

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

Statement of Comprehensive Income

For the year ended June 30, 2018

	Note	2018 \$000	2017 \$000
Income			
Operating revenue		-	83
Loan forgiven		240	-
Total income		240	83
Expenditure			
Impairment of advance to associate		429	-
Other expenses	1	52	28
Total operating expenditure		481	28
Finance income	2	253	26
Finance expenses	2	212	24
Net finance income		41	2
Operating profit/(loss) before tax		(200)	57
Share of associate profit/(loss)	8	(183)	(17)
Surplus profit/(loss) before tax		(383)	40
Income tax expense	3	-	-
Profit/(loss) after tax		(383)	40
Total comprehensive income		(383)	40

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	2018 \$000	2017 \$000
Balance at 1 July		(171)	(211)
Total Comprehensive Income for the year	9	(383)	40
Balance at 30 June		(554)	(171)

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

Statement of Cash Flows

For the year ended June 30, 2018

	Note	2018 \$000	2017 \$000
Cash flows from operating activities			
Receipts from customers		-	93
Interest received		127	3
Payments to suppliers and employees		(33)	(28)
Interest paid		(182)	(16)
Goods and services tax [net]		-	(1)
Net cash from operating activities	10	<u>(88)</u>	<u>51</u>
Cash flows from investing activities			
Advances made to associates		(3,485)	(1,515)
Investments in associates		-	(200)
Net cash from investing activities		<u>(3,485)</u>	<u>(1,715)</u>
Cash flows from financing activities			
Proceeds from advance from Invercargill City Holdings Limited		3,215	2,000
Net cash from financing activities		<u>3,215</u>	<u>2,000</u>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		<u>(358)</u>	<u>336</u>
Cash, cash equivalents and bank overdrafts at the beginning of the year		<u>362</u>	<u>26</u>
Cash, cash equivalents and bank overdrafts at the end of the year		<u>4</u>	<u>362</u>

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

Notes to the Financial Statements

For the year ended June 30, 2018

1 Other expenses (includes)	2018	2017
	\$000	\$000
Director fees	13	5
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	18	6
· other audit-related services	-	-
2 Finance income	2018	2017
	\$000	\$000
Finance Income		
Interest income	253	26
Total finance income	<u>253</u>	<u>26</u>
Financial expense		
Interest expense	212	24
Total finance expense	<u>212</u>	<u>24</u>
Net finance costs	41	2
3 Income tax expense in the Income Statement	2018	2017
	\$000	\$000
Current tax expense		
Current period	-	-
Adjustment for prior periods	-	-
Total current tax expense	<u>-</u>	<u>-</u>
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Adjustment for prior periods	-	-
Total deferred tax expense	<u>-</u>	<u>-</u>
Total income tax expense	<u>-</u>	<u>-</u>

Reconciliation of effective tax rate	2018	2017
	\$000	\$000
Profit for the year	(145)	58
Permanent differences	134	-
Profit excluding income tax	<u>(11)</u>	<u>58</u>
Tax at 28%	(3)	16
Under/(over) provided in prior periods	-	-
Tax loss not recognised	(3)	(16)
Total income tax expense	<u>-</u>	<u>-</u>
Effective Tax Rate	0%	0%

4 Trade and other receivables	2018	2017
	\$000	\$000
Trade receivables	148	22
GST receivable	1	1
	<u>149</u>	<u>23</u>

Trade receivables are non-interest bearing and are generally on terms of 30 days. For terms and conditions relating to related party receivables, refer to note 12.

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

	Total	Neither	Past due but	Past due but
	\$000	past due nor	not impaired	not impaired
		impaired	<30 days	>30 days
		\$000	\$000	
2018	148	25	25	98
2017	22	22	-	-

See note 15 on credit risk of trade receivables, which explains how the Company manages trade receivables.

5 Trade and Other Payables

	2018 \$000	2017 \$000
Trade payables	37	-
Accrued expenses	26	14
Total trade and other payables	63	14

Terms and conditions of the above financial liabilities:

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

For terms and conditions relating to related party payables, refer to note 11.

For explanations on the Company's credit risk management processes, refer to Note 16.

6 Borrowings

	2018 \$000	2017 \$000
Non-current		
Invercargill City Holdings Limited	-	240
Loan - Invercargill City Holdings Limited	5,215	2,000
Total non-current borrowings	5,215	2,240

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

Shareholder's undertaking :

The Directors of Invercargill City Property Limited have received a letter of support from Invercargill City Holdings Limited. The letter confirms that Invercargill City Holdings Limited will continue to support the Company in the capacity as sole shareholder and financier of the Company. Specifically, Invercargill City Holdings Limited

undertakes not to demand its existing advance facility within 12 months from the date of the signing of the financial statements.

The term loan has been advanced by Invercargill City Holdings Limited. The current average interest rate is 4.69% (2017:4.74%). The loan is unsecured. The fair value of the loan is also its carrying value.

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

7 Deferred Tax Assets and Liabilities

A deferred tax asset has not been recognised in relation to tax losses of \$373,884 (2017: \$382,421) and temporary differences of \$5,908 (2017: \$5,736).

8 Investment in associates

Associate Companies	Country of Incorporation	Percentage Held by Group		Balance date
		2018	2017	
HWCP Management Limited	NZ	49.99%	49.99%	30 June

HWCP Management Limited was incorporated on 29 March 2017.

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

	2018 \$000	2017 \$000
Investment in associates	-	183
Total investment in associates	-	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.

The HWCP Management Limited associate has contingent liabilities as at 30 June 2018 of nil (2017: nil).

Advances to Associate

The Company's advances to associate are as follows:

	2018 \$000	2017 \$000
HWCP Management Limited	4,571	1,515
Total investment in associates	4,571	1,515

The unsecured advance commenced on 30 March 2017 for a term of three years with interest payable at 6%. The face value of the loan of \$5,000,000 has been impaired on the basis of the orderly sale of the associate company's assets. It has been assumed that the Company's share of impairment would be based on its equity holding.

9 Equity

Attributable to equity holders of the Company

	Share capital \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2016	-	(211)	(211)
Profit/(loss)) after tax	-	40	40
<i>Other comprehensive income</i>			
<i>Contributions from Shareholders</i>			
Shares issued and paid up	-	-	-
Balance at 30 June 2017	-	(171)	(171)
Balance at 1 July 2017	-	(171)	(171)
Profit/(loss)) after tax	-	(383)	(383)
<i>Other comprehensive income</i>			
<i>Contributions from Shareholders</i>			
Shares issued and paid up	-	-	-
Balance at 30 June 2018	-	(554)	(554)

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

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

	2018 \$000	2017 \$000
Reconciliation with reported operating surplus		
Net profit after tax	(383)	40
Add/(deduct) non-cash items:		
Impairment of advance to associate	429	-
Loan forgiven	(240)	-
Share of associates profit(loss)	183	17
	<u>372</u>	<u>17</u>
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	(126)	(13)
Increase/(decrease) in accounts payable and accruals	49	8
Increase/(decrease) in GST/taxation	-	(1)
	<u>(77)</u>	<u>(6)</u>
Net cash inflow (outflow) from operating activities	<u>(88)</u>	<u>51</u>

11 Changes in liabilities arising from financing activities

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

	Long-term borrowings
	\$000
1 July 2017	2,240
Cashflows	
Proceeds	3,215
Non Cash	
Derecognition of loan	(240)
30 June 2018	<u>5,215</u>

12 Related party transactions

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

	2018	2017
	\$000	\$000
(a) Invercargill City Holdings Limited		
<i>Revenue</i>		
Provision of services	-	-
<i>Expenditure</i>		
Provision of services and interest payments	144	24
Outstanding at balance date by the Company	37	8
Shareholder advance outstanding to Invercargill City Holdings Limited	5,215	2,240
(b) Invercargill City Council		
<i>Revenue</i>		
Provision of services	-	83
<i>Expenditure</i>		
Provision of services and interest payments	86	5
Outstanding at balance date by the Company	-	-
(c) HWCP Management Limited		
<i>Revenue</i>		
Provision of services and interest charges	251	23
Outstanding at balance date to the Company	149	23
<i>Expenditure</i>		
Provision of services	-	-
Outstanding at balance date by the Company	4,571	1,515

Key management personnel compensation comprises:	2018	2017
	\$000	\$000
Short term employment benefits		
Directors Fees	13	5

13 Commitments

There are no capital or operating commitments contracted for at 30 June 2018 (2017: Nil).

14 Contingencies

There are no contingent liabilities or assets at 30 June 2018 (2017: Nil).

15 Events after the Balance Sheet date

There are no significant events after balance date.

16 Financial Instruments

Financial Instruments - Risk

The Company 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 Company'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 to incur a financial loss.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and trade receivables. Cash is placed with banks with high credit quality financial institutions.

Security is not required for the provision of goods and services but regular monitoring of balances outstanding is undertaken.

• **Liquidity risk**

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In meeting its liquidity requirements, the Company has the support of its shareholder, as disclosed in the going concern basis of the accounting policies.

The following table details the exposure to liquidity risk as at 30 June 2018:

	Maturity Dates			Total \$000
	< 1 year \$000	1-3 years \$000	> 3 years \$000	
Financial Assets				
Cash and cash equivalents	4	-	-	4
Trade and other receivables	149	-	-	149
	<u>153</u>	<u>-</u>	<u>-</u>	<u>153</u>
Financial Liabilities				
Trade and other payables	63	-	-	63
Borrowings	5,215	-	-	5,215
	<u>5,278</u>	<u>-</u>	<u>-</u>	<u>5,278</u>

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

	Maturity Dates			Total \$000
	< 1 year \$000	1-3 years \$000	> 3 years \$000	
Financial Assets				
Cash and cash equivalents	362	-	-	362
Trade and other receivables	24	-	-	24
	<u>386</u>	<u>-</u>	<u>-</u>	<u>386</u>
Financial Liabilities				
Trade and other payables	14	-	-	14
Borrowings	2,000	240	-	2,240
	<u>2,014</u>	<u>240</u>	<u>-</u>	<u>2,254</u>

- **Market risk.**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Some of the cash and cash equivalents are short term deposits taken at fixed interest rates which expose the Company to fair value interest rate risk, which is not significant as the fixed interest period is in the short term (less than 3 months).

The Company has no other significant exposure to interest rate risk.

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

Financial Liabilities

Trade and other payables	Non interest bearing
--------------------------	----------------------

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.

- Sensitivity analysis on Financial Instruments

Cash and cash equivalents included bank accounts 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.

Statement of Service Performance

For the year ended June 30, 2018

The Statement of Service Performance for Invercargill City Property Limited prepared for the year ended 30 June 2018 set a number of financial performance measures. The targets and the Company's achievement, as reported under IFRS, in relation to those targets are set out in the following table.

Financial:

	Actual	Target	Actual	Target
	2018	2018	2017	2017
	\$000	\$000	\$000	\$000
Net Profit before Tax (NPBT)	(200)	(1)	57	75
Interest (net)	41	11	2	-
Net Profit before Interest and tax (NPBIT)	(241)	96	55	75
Total Assets	4,724	2,110	2,083	53
EBIT %	-5.10%	4.55%	2.64%	141.51%

Non Financial:

The Company has established a partnership with HWR Property Limited and formed HWCP Management Limited to own and manage commercial properties in the city area.

HWCP Management Limited has leases in place with the tenants of these properties and Invercargill City Property Limited receives a return on funds advanced to HWCP Management Limited for the purposes of acquisitions.

Independent Auditor's Report

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

The Auditor-General is the auditor of Invercargill City Property Limited (the Company). 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 performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 8 to 23, 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 Company on page 24.

In our opinion:

- the financial statements of the Company on pages 8 to 23:
 - 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 with reduced disclosure requirements; and
- the performance information of the Company on page 24 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2018.

The Company is reliant on financial support from Invercargill City Holdings Limited (ICHL)

Without modifying our opinion, we draw your attention to the going concern disclosure on page 8, which notes that the financial statements have been prepared using the going concern basis of accounting. The Directors of the Company have used the going concern basis because they have

received a letter of support from ICHL, which addresses uncertainties due to the Company's negative equity position. The letter of support confirms that ICHL will support the operating costs of the Company, including those costs related to the business case for the Invercargill CBD revitalisation project. We consider these disclosures to be adequate.

Our audit was completed on 1 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we highlight that the Company is reliant on financial support from ICHL. 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 Company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and 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 Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and the 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 Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the 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 Company 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 communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 7, 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. We have nothing to report in this regard.

Independence

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

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



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



ICPL

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