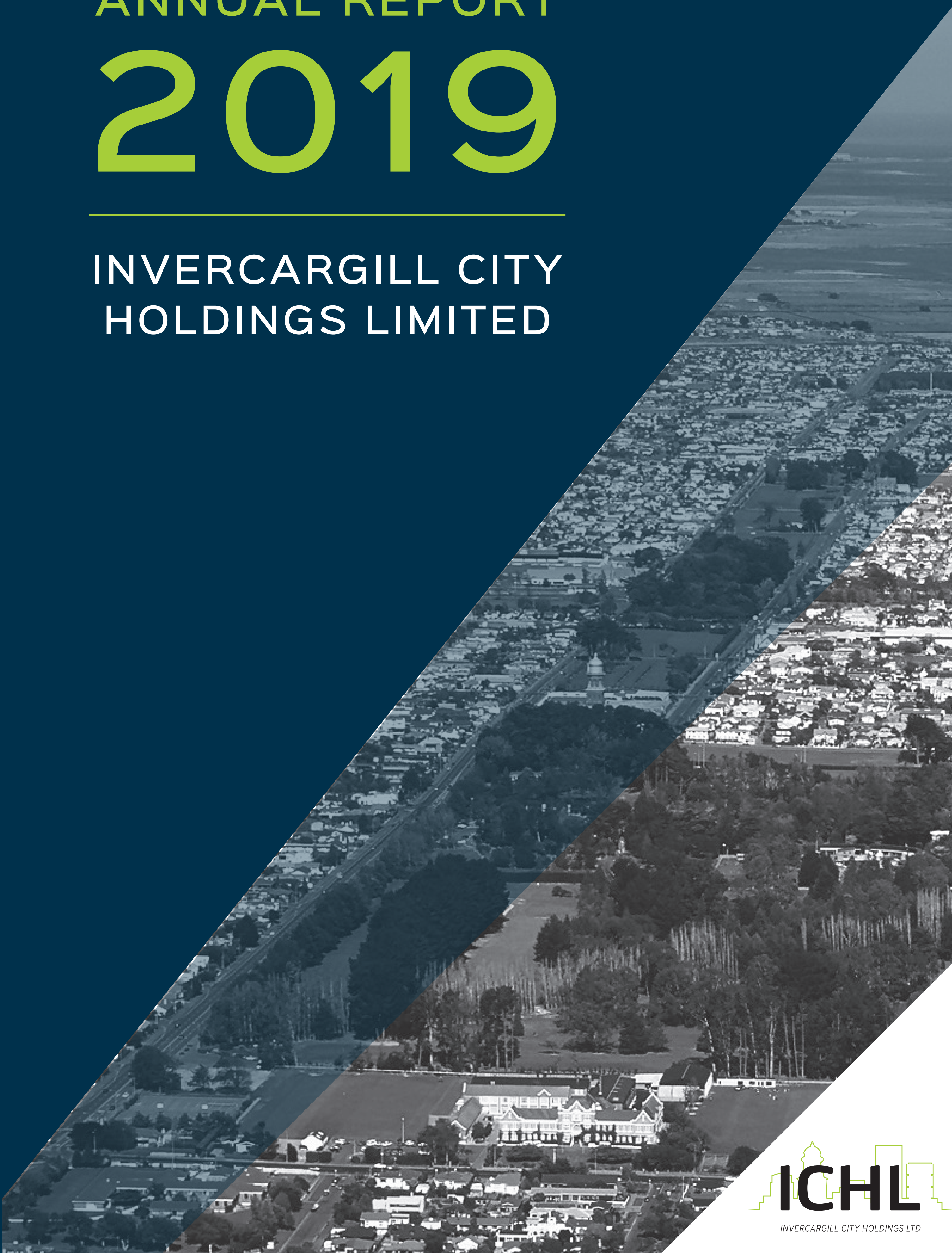
ANNUAL REPORT 2019

INVERCARGILL CITY HOLDINGS LIMITED



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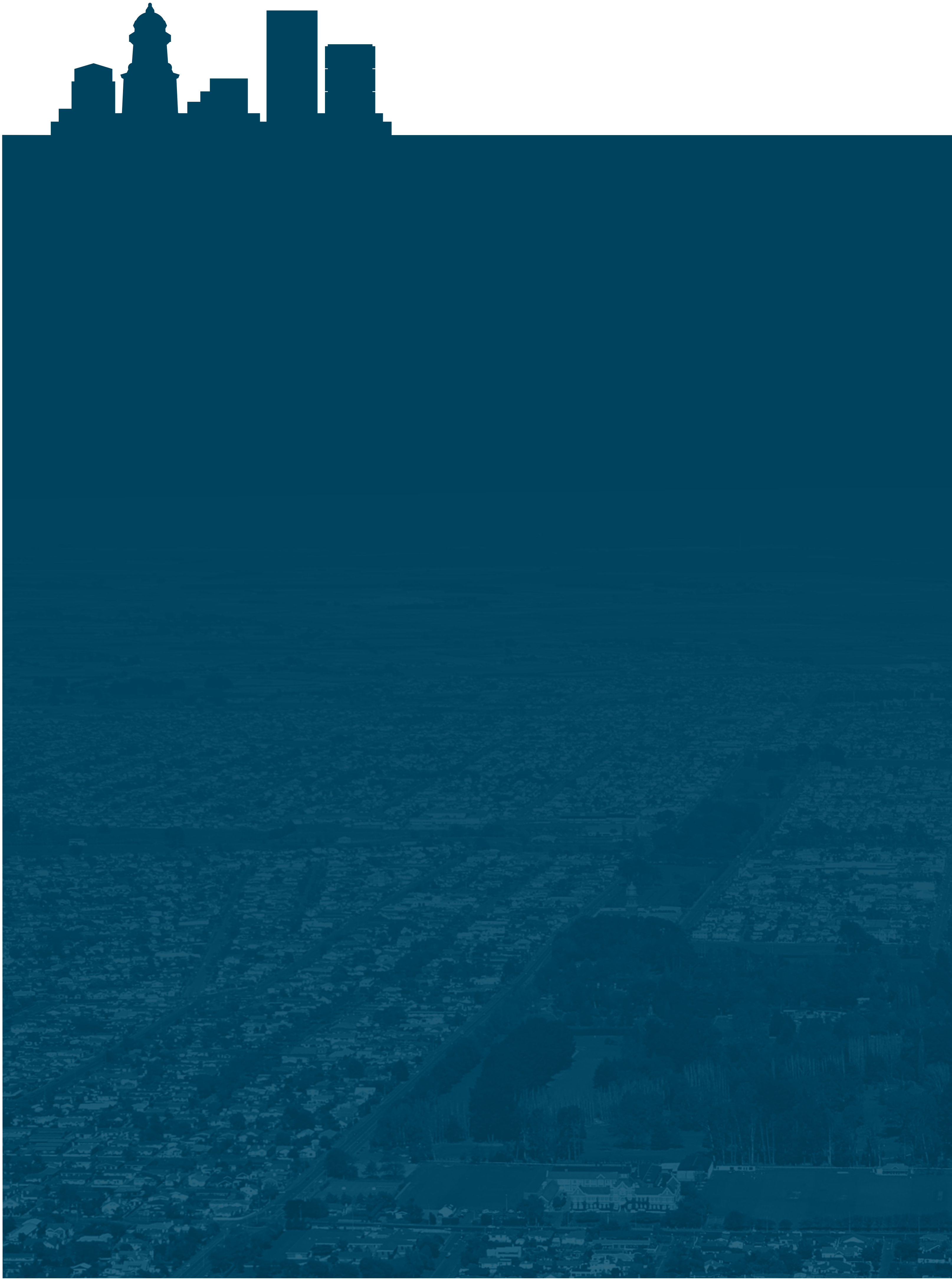

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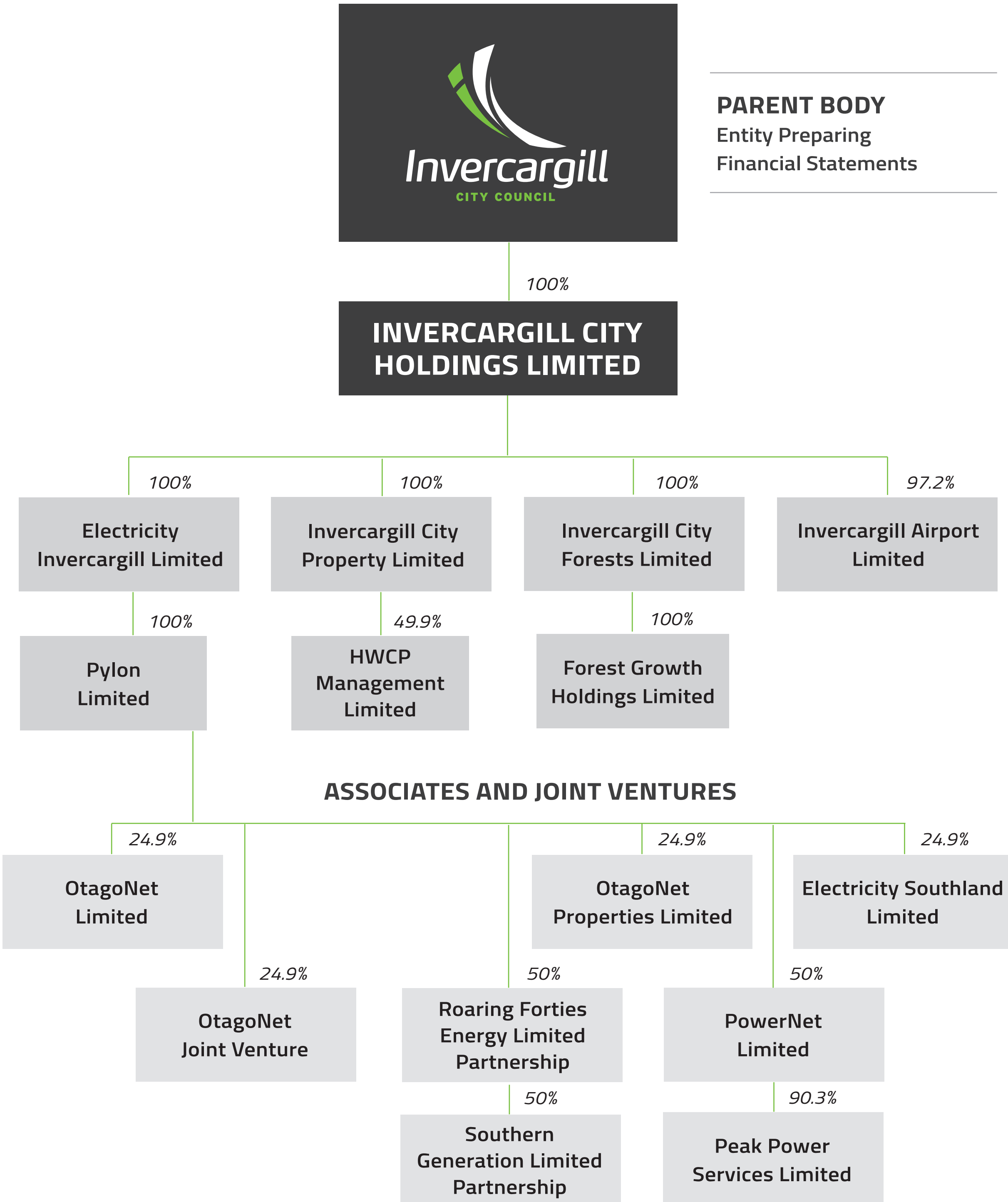
Approval by Directors

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

Chairman	Director
B J Wood	T D R Loan

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

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.

2019 Financial Year:

- Overall financial result of after tax loss of $2.313 million for the Group.

ELECTRICITY INVERCARGILL LIMITED

Activities:

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

2019 Financial Year:

- The after tax profit for the year ended 31 March of $4.655 million, was lower than last year's $7.333 million due to an unfavourable fair value movement of $2.6 million from a financial instrument.
- Recommended dividend of $6.2 million.
- EIL continues to focus on initiatives that will maintain network safety, efficiency and reliability.

INVERCARGILL AIRPORT LIMITED

Activities:

- Owners and operator of regional airport.

2019 Financial Year:

- The after tax profit was $805,000 compared to $302,000 for the prior year.
- Passenger numbers increased from last year by 4.6%.
- Health and safety, risk management and operational compliance remain a priority for the company.

INVERCARGILL CITY FORESTS LIMITED

Activities:

- Owners and operators of 16 forestry blocks.

2019 Financial Year:

- Overall financial result of after tax loss of $2.636 million for the Group.

INVERCARGILL CITY PROPERTY LIMITED

Activities:

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

2019 Financial Year:

- The Company continued to support HWCP Management Limited.

Board of Directors

COMPANY DIRECTORS

B J Wood
Chairman (from 1 November 2018)

C A McCulloch
Chairman (until 31 October 2018)

T D R Loan
Deputy Chairman

L S Thomas
Director, City Councillor

G D Lewis
Director, City Councillor

D J Ludlow
Director, City Councillor

J Bestwick
Director (from 26 March 2019)

ELECTRICITY INVERCARGILL LIMITED

T Campbell
Chairman

R L Smith
Director (until 1 November 2018)

S J Brown
Director

A J O'Connell
Director

K F Arnold
Director (until 22 February 2019), City Councillor

P Kiesanowski
Director (from 28 March 2019)

INVERCARGILL AIRPORT LIMITED

T M Foggo
Chairman

J D Green
Director

R M Walton
Director (until 31 October 2018)

T R Shadbolt
Director, Mayor

S O'Donnell
Director

J Franklin
Director (from 1 November 2018)

INVERCARGILL CITY FORESTS LIMITED

A B McKenzie
Chairman (until 31 October 2018)

L A Pullar
Director (until 31 October 2018)

B J Nettleton
Director

M L Montgomery
Director

R Keoghan
Director (from 1 November 2018)

INVERCARGILL CITY PROPERTY LIMITED

B J Wood
Chairman (from 19 December2018)

D J Ludlow
Director (from 19 December 2018)

G D Lewis
Director (from 19 December 2018)

C A McCulloch
Chairman (until 31 October 2018)

T D R Loan
Director

L S Thomas
Director (until 19 December 2018)

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	19,167
B J Wood	30,643
T D R Loan	39,240
L S Thomas	30,300
G D Lewis	30,300
D J Ludlow	30,300
J Bestwick	7,575

Electricity Invercargill Limited	**$**
T Campbell	58,000
R L Smith	16,917
S J Brown	29,000
A J O'Connell	29,000
K F Arnold	26,583
P Kiesanowski	2,417

Invercargill City Forests Limited	**$**
A B McKenzie	18,667
L A Pullar	9,333
B J Nettleton	28,000
M L Montgomery	46,667
R Keoghan	18,667

Invercargill Airport Limited	**$**
T M Foggo	49,200
J D Green	24,600
R M Walton	8,200
T R Shadbolt	24,600
S O'Donnell	24,600
J Franklin	16,400

Invercargill City Property Limited	**$**
C A McCulloch	-
T D R Loan	-
B J Wood	-
D J Ludlow	-
G D Lewis	-

L S Thomas has received a salary of $20,000 as the Company's appointed director on HWCP Management Limited.

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 $219,665. Details of fees payable are contained in Note 3.

LOANS TO DIRECTORS

There are no loans to Directors.

RECOMMENDED DIVIDEND

It is recommended that a dividend of $4,800,000 be paid.

Chairman's Report

I am pleased to present the 2019 Annual Report of Invercargill City Holdings Limited and my first as Chair.

I should commence by acknowledging the service of Cam McCulloch who retired in October 2018 and was on the Board of Invercargill City Holdings since its establishment in December 1995 and served as Chairman since February 2015.

This year has been a period of evolution for Invercargill City Holdings Limited. The year commenced with discussions between Invercargill City Holdings Limited and Invercargill City Council with respect to the strategic direction provided by Invercargill City Council and clarity around its expectations of Invercargill City Holdings Limited and each of its subsidiaries. The year finished with the decision by Invercargill City Council that all directors of Invercargill City Holdings Limited and its subsidiaries be independent. This applies from the new triennium commencing in October 2019. It is in this context that I provide this year's report.

The Group produced a loss after tax of $2.313m compared to a profit $8.160m last year. As explained further in this report this reflects a decision by the Directors of Invercargill City Property Limited as to the status of its investment in HWCP Management Limited, losses on the revaluation of the Invercargill City Forest Limited forest estate and fair value adjustments by Electricity Invercargill Limited to its investment in one of it's generation Investments. In addition Invercargill City Holdings Limited has had to adjust the fair value of its interest rate hedging to reflect the current low interest rate environment. The Directors of Invercargill City Holdings Limited are satisfied that the underlying positive cash flow of $4.1m and the changes that they are implementing will enable Invercargill City Holdings Limited to continue to make sustainable dividend payments to Invercargill City Council as agreed.

Invercargill City Holdings Limited had forecast a dividend of $5.8m for the 2017/18 financial year. In working with Invercargill City Council on a group tax strategy a further subvention payment of $915,000 was identified and utilised in this financial year. The Directors resolved a final dividend of $3.85m for the 2017/18 financial year in June reflecting the state of the strategic review of the subsidiaries. This led to a total distribution of $4,715,000 to ICC.

In April 2019 the Directors resolved that Invercargill City Forests Limited was not a good investment fit based on the strategic direction agreed with Invercargill City Council. This decision was not taken lightly but took into account the Company's debt position, the forecasted reduction in harvesting revenue and the risks associated with owning forestry. Since that time the Directors have worked with Invercargill City Forests Limited to assist it in the divesting of its forest estate. For the 2019 year, Invercargill City Forests Limited recorded a loss of $2.6m compared to a profit of $733,000 last year. Part of this is attributable the annual revaluation which reduced the value of the forest estate.

Invercargill City Property Limited produced and after tax loss of $5.3m this year compared to a loss of $383,000 last year. This result reflects the decision by the Directors in June 2019 to write down to zero the advance to HWCP Management Limited. While HWCP Management Limited had made significant progress in the development of the inner city project during the financial year, there remained significant uncertainty relating to the funding of the proposed development as at 30th June 2019. Since that date, there has been confirmation of funding for the project. That has given the Directors of Invercargill City Property Limited confidence that its investment in HWCP Management Limited will be recovered as the development progresses and the land held by HWCP Management Limited is sold.

The Electricity Invercargill Limited group produced an after tax profit of $4.665m compared to $7.333m last year. The profit reflects the impact of the subvention payment paid to Invercargill City Council and a fair value adjustment in the Southern Generation Limited Partnership. Operating surplus before taxation, subvention and fair value adjustments, was $9.575m compared to $9.967m last year. The Company continues to perform at a high level with SAIDI (System Average Interruption Duration Index) of 17.98 minutes which is well under the supply quality limit of 31.13 minutes. SAFI (System Average Interruption Frequency Index) of 0.31 is also well under the supply quality limit of 0.77. The Company continues to diversify its investments and Invercargill City Holdings Limited will continue to work with the Company in accordance with direction received from Invercargill City Council.

Invercargill Airport Limited produced an after tax profit of $805,000 compared to $302,000 last year. The Company has undertaken further development of the airport terminal and its facilities during the last financial year to enable the introduction of a jet service direct to Auckland. Passenger numbers continue to increase and the Directors are committed to working with the Company to enable it to take advantage of the opportunities that are available to it. The Directors determined as part of the strategic review with Invercargill City Council to review the debt structure of the Company and as a result it was agreed that there would be no further redemption of the Redeemable Preference shares held by Invercargill City Holdings in the 2018/19 financial year pending completion of that review which is expected in the 2019/20 year.

I would like to thank the members of the Board for their support and to the staff of ICC for their administrative support to the Group over the year.

B J Wood
Chairperson

Statement of Financial Position

As at June 30, 2019

	Note	Group 2019 $000	Group 2018 $000
Assets			
Current assets			
Cash and cash equivalents	7	4,147	5,173
Trade and other receivables	8	2,678	2,848
Inventories	9	8	4,706
Other financial assets	16	-	626
Total current assets		6,833	13,353
Non-current assets			
Property, plant and equipment	10	124,248	123,244
Intangible assets	11	320	8
Forestry assets	12	24,249	23,965
Investment property	13	4,250	4,060
Capital work in progress		2,368	1,624
Investments in associates and joint ventures	14, 15	79,434	81,908
Advances to associates and joint ventures		13,170	15,496
Other financial assets	16	118	118
Deferred tax asset	20	1,618	898
Total non-current assets		249,775	251,321
Total assets		256,608	264,674
Liabilities			
Current liabilities			
Derivative financial instruments		88	60
Trade and other payables	17	5,567	5,034
Employee benefit liabilities	18	56	46
Borrowings	19	16,777	16,777
Tax payable		(18)	385
Total current liabilities		22,470	22,302
Non-current liabilities			
Derivative financial instruments		5,689	3,148
Borrowings	19	107,800	109,574
Deferred tax liability	20	24,256	25,221
Total non-current liabilities		137,745	137,943
Total liabilities		160,215	160,245
Equity			
Share capital	21	25,292	25,293
Retained earnings	21	43,551	49,603
Other reserves	21	27,549	29,533
Total equity attributable to the equity holders of the company		96,392	104,429
Equity is attributable to:			
Parent entity	21	94,648	102,708
Minority interest	21	1,744	1,721
		96,392	104,429

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.

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Statement of Comprehensive Income

For the year ended June 30, 2019

	Note	Group 2019 $000	Group 2018 $000
Income			
Revenue from contracts with customers	1	40,997	32,515
Rental income		2,147	2,183
Other gains	2	(2,332)	3,154
Total income		40,812	37,852
Expenditure			
Employee expenses	4	927	825
Depreciation and amortisation	10, 11	5,889	5,719
Biological asset Cost of Goods Sold		3,412	1,355
Other expenses	3	33,028	21,482
Impairment of goodwill		-	641
Total operating expenditure		43,255	30,022
Finance income	5	626	691
Finance expense	5	4,023	4,119
Net finance expense		(3,397)	(3,428)
Operating surplus/(deficit) before tax		(5,840)	4,402
Share of associate & joint ventures surplus/(deficit)	14, 15	4,217	6,500
Surplus/(deficit) before tax		(1,623)	10,902
Income tax expense	6	690	2,742
Surplus/(deficit) after tax		(2,313)	8,160
Surplus/(deficit) after tax attributable to:			
Equity holders of the Company		(2,336)	8,152
Minority interest		23	8
		(2,313)	8,160
Other comprehensive income			
To be classified to surplus or deficit in subsequent periods:			
Property, Plant and Equipment revaluation gains/(losses) - pre tax	21	-	1,592
Carbon credit revaluation gains/losses		(24)	-
Cash flow hedges	21	(1,850)	(387)
Total other comprehensive income		(1,874)	1,205
Total comprehensive income		(4,187)	9,365
Total comprehensive income attributable to:			
Equity holders of the Company		(4,210)	9,357
Minority interest		23	8
		(4,187)	9,365

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

Statement of Changes in Equity

For the year ended June 30, 2019

	Note	Group 2019 $000	Group 2018 $000
Balance at 1 July		104,429	100,369
Total Comprehensive Income for the year	21	(4,186)	9,365
Distributions to Shareholders			
Dividends paid/declared	21	(3,850)	(5,300)
Contributions from Shareholders			
Shares issued and paid up	21	-	(5)
Balance at 30 June		96,393	104,429
Attributable to:			
Equity holders of the company		94,649	102,708
Minority Interest		1,744	1,721
Balance at 30 June		96,393	104,429

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.

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Statement of Cash Flows

For the year ended June 30, 2019

	Note	Group 2019 $000	Group 2018 $000
Cash flows from operating activities			
Interest received		952	891
Receipts from other revenue		42,681	34,737
Payments to suppliers and employees		(23,371)	(18,727)
Interest paid		(4,542)	(4,299)
Income tax (paid) / refund		(2,060)	(2,028)
Goods and services tax [net]		39	(74)
Net cash from operating activities		13,699	10,500
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		23	28
Proceeds from sale of investments		-	-
Purchase of biological assets		(6,130)	(2,713)
Purchase of intangible assets		(337)	(8)
Purchase of property, plant and equipment		(7,191)	(8,489)
Purchase of construction work in progress		(312)	-
Acquisition of subsidiary, net of cash		-	228
Advances made to associates/joint ventures		(2,494)	(4,047)
Advances made to non-subsidiaries/associates		650	2,000
Investments in associates/joint ventures		6,691	7,162
Net cash from investing activities		(9,100)	(5,839)
Cash flows from financing activities			
Proceeds from borrowings		7,250	4,275
Repayment of borrowings		(9,025)	(3,161)
Proceeds from equity (share issue)		-	(5)
Dividends paid		(3,850)	(5,300)
Net cash from financing activities		(5,625)	(4,191)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(1,026)	470
Cash, cash equivalents and bank overdrafts at the beginning of the year		5,173	4,703
Cash, cash equivalents and bank overdrafts at the end of the year	7	4,147	5,173

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

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

	Group 2019 $000	Group 2018 $000
Reconciliation with reported operating surplus		
Net surplus after tax	(2,312)	8,160
Add/(deduct) non-cash items:		
Depreciation	5,887	5,716
Impairment of advance to associate	4,821	429
Net (profit)/loss on sale of fixed assets	342	270
Impairment of trade receivables	460	-
Change in fair value of loan	(24)	24
Change in fair value of investment property	(190)	(225)
Change in fair value of biological assets	2,521	(2,619)
Biological assets - Cost of Goods Sold	3,412	1,354
Increase/(decrease) in deferred taxation	(965)	916
Increase/(decrease) in current years tax	540	-
Net (profit)/loss on disposed of investment	294	-
Associate /joint venture post-acquisition profits	(4,217)	(6,500)
Loss on sale of associate	-	29
Impairment of goodwill	-	641
Gain on previously held investment	-	(310)
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	(180)	150
(Increase)/decrease in inventories	4,056	1,889
(Increase)/decrease in prepayments	(2)	-
Increase/(decrease) in accounts payable and accruals	262	762
Increase/(decrease) in GST/taxation	(1,006)	(186)
Net cash inflow (outflow) from operating activities	13,699	10,500

Changes in liabilities arising from financing activities

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

	Short-term borrowings $000	Long-term borrowings $000	Total $000
1 July 2018	16,777	109,574	126,351
Cashflows			
Proceeds	-	7,250	7,250
Repayments	-	(9,024)	(9,024)
30 June 2019	16,777	107,800	124,577

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Notes to the Financial Statements

For the year ended June 30, 2019

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 2019. The financial statements were authorised for issue by the Board on 30 September 2019. The entities directors do not have the right to amend the financial statements after issue.

BASIS OF PREPARATION

The financial statements of the Company 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.

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

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.

BORROWING COSTS

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

FINANCIAL ASSETS

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

Amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification is determined by the Company's business model for managing the financial asset and the contractual cashflow characteristics of the financial assets.

- *Financial Assets at Amortised Cost*
  Financial assets are measured at amortised cost if the assets are held within a business model where the objective is to hold the financial asset and collects its contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

  After initial recognition, these are measured at amortised cost using the effective interest method.

- *Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)*
  A debt instrument is measured at FVOCI if the asset is held under a business model where the objective is to hold to collect the contractual cash flows and sell, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- *Financial Assets at Fair Value through Profit or Loss (FVTPL)*
  Financial assets that are held within a different business model than "hold to collect" or "hold to collect and sell", and financial assets whose

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contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

- *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 and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses.

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

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

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

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

- *Accounting for Derivative Financial Instruments and Hedging Activities*
  The Company uses derivative financial instruments to hedge exposure to 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.

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.

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.

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 13.
- 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 has applied the following standards for the first time for the annual reporting period commencing 1 July 2018:

NZ IFRS 9 - Financial Instruments
NZ IFRS 15 - Revenue from Contracts with Customers

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

In accordance with the transisiton provisions of IFRS9, comparative figures have not been restated in these financial statements.

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

NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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 liablity 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 the period except for those arising from the adoption of the new standards. All accounting policies have been consistently applied throughout the period covered by these financial statements.

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1 Operating revenue

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

Electricity Distribution Services:

Revenue from Contracts with Customers:

Electricity Delivery Services

Electricity delivery service revenue relates to the provision of electricity distribution services to electricity retailers through its electricity network in Invercargill City and the Bluff area. Electricity retailer delivery services are performed on a daily basis and considered a series of distinct goods and services provided over time. Prices are regulated and retailers are charged based on the published schedule and quantities delivered. Revenue is recognised over time using an output method based on the actual delivery services provided on a daily basis.

Capital Contributions

Capital contributions revenue relates to contributions received from customers, excluding delivery service customers who are directly billed, for construction activities relating to the establishment of new connections or upgrades of an existing connection. The subsequent electricity distribution is contracted separately, interposed through a retailer, and is therefore not considered to impact the assessment of the customer or performance of the obligations of the capital contribution contracts. Pricing is fixed and contributions are paid prior to an assets being connected to the network. Capital contributions are recognised as revenue at the point in time when construction activities are completed and the asset is connected to the network.

Other Income:

Meter Rental Income

Meter rental income represents amounts invoiced to customers based on their usage of the metering assets owned by the Group.

Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method.

Airport Services:

Services are provided on demand and the transaction price is recognised as revenue based on their stand-alone selling price. The stand-alone selling price is based on published prices, and calculated on a price per unit of the service, net or rebates.

Revenue is recognised over time as the customer simultaneously obtains the benefits from the service as it is being performed.

Forestry Services:

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

Revenue is recognised at a point in time when the customer obtains control of the asset.

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

Rental Income:

Rent and lease income is recognised on a straight-line basis over the term of the lease where the group is the lessor.

	Group 2019 $000	**Group 2018 $000**
Electricity Distribution Services	20,727	20,498
Airport Services	4,440	4,108
Forestry Services	15,442	7,614
Interest on advances to subsidiaries and associates	313	251
Other income	75	44
	40,997	32,515

2 Other gains and losses

	Group 2019 $000	**Group 2018 $000**
Change in fair value of biological assets	(2,522)	2,619
Change in fair value of investment property	190	225
Gain on previously held investment	-	310
	(2,332)	3,154

3 Other expenses (includes)

	Group 2019 $000	Group 2018 $000
Loss on disposal of investment	294	29
Cost of sales	4,308	1,890
Forestry costs	6,972	3,874
Network costs	8,729	8,211
Transmission costs	6,294	6,973
Impairment of advance to associate	4,821	429
Auditor's renumeration to Audit New Zealand comprises:		
• audit of financial statements	83	93
• other audit-related services	6	-
Auditor's remuneration to other auditors comprises:		
• audit of financial statements	53	38
• other audit-related services	83	59

4 Employee expenses

	Group 2019 $000	Group 2018 $000
Wages and salaries	907	804
Defined contribution expenses	20	21
Total employee expenses	927	825

5 Finance income and expense

	Group 2019 $000	Group 2018 $000
Finance Income		
Interest income on bank deposits	626	691
Total finance income	626	691
Financial expense		
Interest expense on financial liabilities measured at amortised cost	4,023	4,119
Total financial expenses	4,023	4,119
Net finance costs	(3,397)	(3,428)

6 Income tax expense in the Income Statement

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.

	Group 2019 $000	Group 2018 $000
Current tax expense		
Current period	2,145	1,828
Prior periods adjustment	(490)	-
Total current tax expense	1,655	1,828
Deferred tax expense		
Origination and reversal of temporary differences	(1,064)	521
Adjustment for prior periods	99	-
Other	-	393
Total deferred tax expense	(965)	914
Total income tax expense	690	2,742

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Reconciliation of effective tax rate		
Profit for the year	(1,622)	10,902
Profit excluding income tax	(1,622)	10,902
Tax at 28%	(455)	3,053
Group loss offset	(107)	(493)
Permanent Differences	1,407	193
Imputation credits utilised	-	(102)
Change in recognised temporary differences	(14)	105
Under/(over) provided in prior periods	420	(14)
• Subvention payment made in respect of prior period	(915)	-
• Expenses not deductible	354	-
Total income tax expense	690	2,742
Effective Tax Rate	-43%	25%

	Group 2019 $000	Group 2018 $000
Imputation credits available for use in subsequent periods	7,535	8,010

7 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.

	Group 2019 $000	Group 2018 $000
Call deposits	189	1,541
Cash and cash equivalents	3,958	3,632
Cash and cash equivalents in the statement of financial position and statement of cashflows	4,147	5,173

8 Trade and other receivables

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

	Group 2019 $000	Group 2018 $000
Trade receivables	2,429	2,346
Less allowance for expected credit losses	(460)	-
GST receivable	163	124
Prepayments	125	111
Related party receivables	141	261
Accrued revenue	280	-
Sundry debtors	-	5
	2,678	2,848

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 22.

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

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

	Group 2019 $000	Group 2018 $000
Not past due	1,950	2,331
Past due 30-60 days	15	15
Past due 61-90 days	1	-
Past due more than 90 days	3	-
Total	1,969	2,346

9 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 net relisable value.

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 net realisable value is recognised in the Statement of Comprehensive Income.

	Group 2019 $000	Group 2018 $000
Land and trees held for sale	-	4,700
Other	8	6
Total inventories	8	4,706

10 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. Depreciation rates of major classes of assets have been estimated as follows:

(a) Buildings

- Electricity Invercargill Ltd	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	13% - 67% Diminishing Value
(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 by class of asset.

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.

2019 - Group ($000)

	Cost/ revaluation 1 July 2018	Accumulated depreciation and impairment charges 1 July 2018	Carrying amount 1 July 2018	Current year additions - Cost	Current year disposals - Cost	Current year disposals - Depreciation
Land	509	-	509	-	-	-
Forestry Land	8,415	-	8,415	623	-	-
Gravel and Fencing	4,050	998	3,052	-	-	-
Buildings, Yards and Terminals	7,043	677	6,366	-	-	-
Network Assets	113,378	21,823	91,555	6,576	743	449
Plant and Equipment	2,684	1,909	775	10	-	-
Motor Vehicles	2,610	2,505	105	-	-	-
Furniture and Fittings	5,044	1,400	3,644	-	91	18
Runway, Taxiways and Apron	14,756	7,505	7,251	-	-	-
Roading	2,100	528	1,572	51	-	-
Total Assets	160,589	37,345	123,244	7,260	834	467

2018 - Group ($000)

	Cost/ revaluation 1 July 2017	Accumulated depreciation and impairment charges 1 July 2017	Carrying amount 1 July 2017	Current year additions - Cost	Current year disposals - Cost	Current year disposals - Depreciation
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

-Current year impairment charges	Current year depreciation	-Revaluation -surplus-	Cost/ revaluation 30-Jun-2019	Accumulated depreciation and Impairment charges 30-Jun-2019	Carrying amount 30-Jun-2019
-	-	-	509	-	509
-	-	-	9,038	-	9,038
-	164	-	4,050	1,162	2,888
-	210	-	7,043	887	6,156
-	4,078	-	119,211	25,452	93,759
-	139	-	2,694	2,048	646
-	12	-	2,610	2,517	93
-	375	-	4,953	1,757	3,196
-	815	-	14,756	8,320	6,436
-	95	-	2,151	623	1,528
-	5,888	-	167,015	42,766	124,249

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

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

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 $5,868,438 at 30 June 2019 ($5,245,505 at 30 June 2018).

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 $69,065,000 at 30 June 2019 ($66,861,000 at 30 June 2018).

The network assets of Electricity Inverargill 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 three 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%

11 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.

	Group Carbon Credits $000	Group Goodwill $000	Group Total $000
Costs			
Balance at 01 July 2017	-	-	-
Balance at 30 June 2018	8	641	649
	8	641	649
Balance at 01 July 2018	8	641	649
Change in fair value	(24)	-	(24)
Additions	336	-	336
Balance at 30 June 2019	320	641	961
Amortisation and Impairment charges			
Balance at 01 July 2017	-	-	-
Impairment loss	-	641	641
Balance at 30 June 2018	-	641	641
Balance at 01 July 2018	-	641	641
Impairment losses	-	-	-
Balance at 30 June 2019	-	641	641
Carrying amounts			
Balance at 01 July 2017	-	-	-
Balance at 30 June 2018	8	-	8
At 01 July 2018	8	-	8
At 30 June 2019	320	-	320

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

Carbon Credits

Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit for as long as the Emissions Trading Scheme is in place.
As NZUs are an indefinite life intangible asset, they are tested for impairment on an annual basis or when indications of impairment exist.

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

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

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

12 Biological 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.

	Group
	Forestry
	$000
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
Balance at 1 July 2018	23,965
Additions	6,119
Forest Assets logged at cost	(3,314)
Forest Assets held in Inventory	-
Change in fair value less estimated point-of-sale costs	(2,521)
Balance at 30 June 2019	24,249

Biological assets held by the Group are forestry assets, which comprise of standing timber. At 30 June 2019, standing timber comprised approximately 3,174 hectares of plantations at 16 different locations (2018: 2,800 hectares of plantations at 12 different locations).

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

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

Pre-1990 Forests:

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

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

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

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

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

The Group is exposed to movements in the price of NZU's to the extent that, the Group 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 Group'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 Group's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces.

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

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

13 Investment Property

All investment properties are related to Invercargill Airport Limited.

Land is held by the Group for long term strategic purposes and is not held for resale.

Investment properties are land and buildings that are not occupied by the Group and is held for long term rental yield, where the Group intends to maximise the return on the land and buildings.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, the Group 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.

	Group 2019 $000	Group 2018 $000
Balance at 1 July	4,060	3,835
Acquisitions	-	-
Change in fair value	190	225
Balance at 30 June	4,250	4,060

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. For 2019 and 2018, all investment properties were valued based on the income approach and comparable sales approach 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 (2018: next two years), hence the open market evidence valuation has been adjusted by management to be valued on a discounted cashflow basis of their remaining expected earnings. The 2019 and 2018 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 professional 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.

14 Equity Accounted Associates

Associate Companies	Principal activity	Country of Incorporation	Percentage Held by Group 2019	Percentage Held by Group 2018	Balance date
Electricity Southland Limited	Electricity network owners	NZ	24.9%	24.9%	31-March
HWCP Management Limited*	Property investment	NZ	49.9%	49.9%	30-June

* HWCP Management Limited was incorporated on 29 March 2017.

	Group 2019 $000	Group 2018 $000
Balance at beginning of year	1,582	4,187
Share of profit/(loss) from associates recognised in surplus or deficit the statement of comprehensive income	(19)	(145)
Disposal of associates	-	(2,460)
Balance at end of year	**1,562**	**1,582**

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%
	2019	2018
	$000	$000
Cash and cash equivalents	195	226
Other current assets	495	458
Total current assets	690	684
Non-current assets	24,437	20,868
Total assets	25,127	21,552
Current liabilities	990	759
Non-current liabilities	17,862	14,440
Total Liabilities	18,852	15,199
Net assets	6,275	6,353

Summarised Statement of Comprehensive Income

	Electricity Southland Ltd	
	100%	100%
	2019	2018
	$000	$000
Operating revenue	2,448	2,039
Interest revenue	-	-
Interest expense	(734)	(455)
Depreciation	(534)	(442)
Profit before tax from continuing activities	68	241
Income tax expense	(145)	(189)
Total comprehensive income	(77)	52

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

	Electricity Southland Ltd	
	100%	100%
	2019	2018
	$000	$000
Closing net assets	6,276	6,353
Interest in associate	1,563	1,582

Summarised Statement of Financial Position

	Forest Growth Holdings Ltd	
	100%	100%
	2019	2018
	$000	$000
Cash and cash equivalents	-	-
Other current assets	-	-
Total current assets	-	-
Non-current assets	-	-
Total assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Total Liabilities	-	-
Net assets	-	-

Summarised Statement of Comprehensive Income

	Forest Growth Holdings Ltd	
	100%	100%
	2019	2018
	$000	$000
Operating revenue	-	696
Interest revenue	-	5
Interest expense	-	(94)
Depreciation	-	-
Profit before tax from continuing activities	-	12
Income tax expense	-	-
Total comprehensive income	-	12

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

	Forest Growth Holdings Ltd	
	100%	100%
	2019	2018
	$000	$000
Closing net assets	-	-
Interest in associate	-	-

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%, making Forest Growth Holdings Limited a subsidiary of Invercargill City Forests Limited.

Summarised Statement of Financial Position

	IFS Forestry Group Ltd	
	100%	100%
	2019	2018
	$000	$000
Cash and cash equivalents	-	-
Other current assets	-	-
Total current assets	-	-
Non-current assets	-	-
Total assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Total Liabilities	-	-
Net assets	-	-

Summarised Statement of Comprehensive Income

	IFS Forestry Group Ltd	
	100%	100%
	2019	2018
	$000	$000
Operating revenue	-	1,236
Interest revenue	-	-
Interest expense	-	(11)
Depreciation	-	(32)
Profit before tax from continuing activities	-	115
Income tax expense	-	-
Total comprehensive income	-	115

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

	IFS Forestry Group Ltd	
	100%	100%
	2019	2018
	$000	$000
Closing net assets	-	-
Interest in associate	-	-
Transfer to advances to associates	-	-
Goodwill on acquisition	-	-
Carrying value of interest in associate	-	-

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

Summarised Statement of Financial Position

	HWCP Management Ltd	
	100%	100%
	2019	2018
	$000	$000
Cash and cash equivalents	78	28
Other current assets	18,827	266
Total current assets	18,905	294
Non-current assets	-	18,658
Total assets	18,905	18,952
Current liabilities	23,971	699
Non-current liabilities	-	18,598
Total Liabilities	23,971	19,267
Net assets	(5,066)	(315)

Summarised Statement of Comprehensive Income

	HWCP Management Ltd	
	100%	100%
	2019	2018
	$000	$000
Operating revenue	1,077	1,470
Interest revenue	413	1
Interest expense	(978)	(782)
Depreciation	(97)	(84)
Profit before tax from continuing activities	(4,752)	(681)
Income tax expense	-	-
Total comprehensive income	(4,752)	(681)

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

	HWCP Management Ltd	
	100%	100%
	2019	2018
	$000	$000
Closing net assets	-	-
Interest in associate	-	-

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 and $2,157,000 for the 2019 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.

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Advances to Associates
The Group's advances to associates are as follows:

	2019 $000	2018 $000
Advances to associates	9,056	8,437
Less allowance for expected credit loss	(4,821)	(429)
Total advances to associates	4,235	8,008

15 Equity Accounted Joint Ventures

Joint Ventures	Principal activity	Country of Incorporation	Percentage Held by Group 2019	Percentage Held by Group 2018	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 Limited Group acquired an additional 38.62% shareholding in PowerNet Central Limited, increasing the PowerNet shareholding to 90.32%.

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

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

During the 2018 year the partners of Southern Generation Limited 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.

	Group 2019 $000	Group 2018 $000
Balance at beginning of year	80,326	80,842
Investments in joint ventures	-	1
Share of profit from joint ventures recognised in surplus or deficit the statement of comprehensive income	4,236	6,645
Distributions from joint ventures	(6,691)	(7,162)
Balance at end of year	77,871	80,326

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%**
	2019	**2018**
	$000	**$000**
Cash and cash equivalents	1,648	3,569
Other current assets	27,819	25,645
Total current assets	29,467	29,214
Non-current assets	30,152	27,656
Total assets	59,619	56,870
Current liabilities	12,588	15,241
Non-current liabilities	41,831	36,613
Total Liabilities	54,419	51,854
Net assets	5,200	5,016

Summarised Statement of Comprehensive Income

	PowerNet Limited Group	
	100%	**100%**
	2019	**2018**
	$000	**$000**
Operating revenue	83,477	86,468
Interest revenue	27	17
Interest expense	(1,643)	(518)
Depreciation	(2,843)	(2,644)
Profit before tax from continuing activities	2,987	4,721
Income tax expense	(471)	(1,357)
Total comprehensive income	2,516	3,364

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

	PowerNet Limited Group	
	100%	**100%**
	2019	**2018**
	$000	**$000**
Closing net assets	5,200	5,016
Interest in joint venture	2,600	2,508

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Summarised Statement of Financial Position

	OtagoNet Joint Venture	
	100%	**100%**
	2019	**2018**
	$000	**$000**
Cash and cash equivalents	116	50
Other current assets	3,664	3,254
Total current assets	3,780	3,304
Non-current assets	185,926	180,552
Total assets	189,706	183,856
Current liabilities	5,993	4,391
Non-current liabilities	-	-
Total Liabilities	5,993	4,391
Net assets	183,713	179,465

Summarised Statement of Comprehensive Income

	OtagoNet Limited Group	
	100%	**100%**
	2019	**2018**
	$000	**$000**
Operating revenue	36,065	37,082
Interest revenue	15	5
Interest expense	(11)	(11)
Depreciation	(7,341)	(7,237)
Profit before tax from continuing activities	12,648	14,060
Income tax expense	-	-
Other comprehensive income	-	-
Total comprehensive income	12,648	14,060

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

	OtagoNet Joint Venture	
	100%	**100%**
	2019	**2018**
	$000	**$000**
Closing net assets	183,713	179,465
Interest in joint venture	45,745	44,687

Summarised Statement of Financial Position

	Roaring Forties Energy Limited Partnership	
	100%	100%
	2019	2018
	$000	$000
Cash and cash equivalents	28	16
Other current assets	-	-
Total current assets	28	16
Non-current assets	61,482	68,795
Total assets	61,510	68,811
Current liabilities	22	16
Non-current liabilities	-	-
Total Liabilities	22	16
Net assets	61,488	68,795

Summarised Statement of Comprehensive Income

	Roaring Forties Energy Limited Partnership	
	100%	100%
	2019	2018
	$000	$000
Operating revenue	1,212	5,062
Profit before tax from continuing activities	953	4,820
Income tax expense	-	-
Total comprehensive income	953	4,820

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%
	2019	2018
	$000	$000
Closing net assets	61,488	68,795
Interest in joint venture	30,744	34,398

16 Other Financial Assets & Liabilities

	Group 2019 $000	Group 2018 $000
Non-current investments - Assets		
Investment in other entities	118	118
Total non-current investments	118	118
Loan to Dan Minehan Family Trust	-	376
Loan to IFS Forestry Group Limited	-	250
Total current investments	-	626
Total investments - Assets	118	744

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.

17 Trade and Other Payables

	Group 2018 $000	Group 2018 $000
Trade payables	438	775
Accrued expenses	2,144	1,781
Retentions	49	49
Amounts due to other related parties	2,881	2,423
Income in advance	55	6
Total trade and other payables	5,567	5,034

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.

18 Employee benefit liabilities

Short-Term Benefits

Employee benefits that the Group 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.

	Group 2019 $000	Group 2018 $000
Accrued pay	-	-
Annual leave	56	46
	56	46
Comprising		
Current	56	46
Non-current	-	-
Total employee benefit liabilities	56	46

19 Borrowings

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

	Group 2019 $000	Group 2018 $000
Current		
Redeemable preference shares	16,777	16,777
Total current borrowings	16,777	16,777
Non-current		
Secured loans	107,800	109,574
Total non-current borrowings	107,800	109,574

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 4.05% (2018: 4.14%) with hedging refer note 28.

The total BNZ borrowing facility is $100m (2018: $100m) made up of $35m maturing in September 2021 and $65m maturing in September 2020. 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 total ICC borrowing facility of $33.2m is made up of three loans, being:

- $15m maturing in April 2021 with a fixed interest rate of 3.66%
- $15m maturing in Aprl 2020 with a current average interest rate payable of 2.91%
- $3.2m maturing in March 2024 with a current average interest rate payable of 5.0%

Per the agreements the loans automatically extend until either party gives written notice that the termination date is not to extend.

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.

20 Deferred Tax Liabilities/(Assets)

Group:	Balance	Recognised in profit or loss	Recognised in equity	Balance	Recognised in profit or loss	Recognised in equity	Balance
	30-Jun-17			**30-Jun-18**			**30-Jun-19**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Property, plant and equipment	20,132	119	-	20,251	88	-	20,339
Biological assets	4,324	424	-	4,748	(912)	-	3,836
Investment property	290	49	-	339	(3)	-	336
Inventory	-	(74)	-	(74)	74	-	-
Derivatives	(748)	-	(150)	(898)	-	(719)	(1,617)
Other items	51	4	-	55	(7)	-	49
Tax losses	(491)	393	-	(98)	(204)	-	(303)
Total movements	23,558	915	(150)	24,323	(964)	(719)	22,640

21 Equity

Group	Attributable to equity holders of the Company		
	Share capital	Cashflow Hedging reserve	Revaluation reserve
	$000	$000	$000
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**
Balance at 1 July 2018	25,293	(2,311)	31,844
Surplus/(deficit) after tax	-	-	-
Other comprehensive income			
Property, Plant and Equipment Revaluation gains/(losses) - pre tax	-	-	-
Carbon credit revaluation gains/(losses)	-	-	(24)
Transfer of revaluation reserve to retained earnings due to asset disposal	-	-	(111)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	(1,850)	
Distributions to Shareholders			
Dividends paid/declared	-	-	-
Contributions from Shareholders			
Shares issued and paid up	-	-	-
Balance at 30 June 2019	**25,293**	**(4,161)**	**31,708**

The Company has 17,398,202 ordinary shares that have been called and a further $100,000,000 (2018: $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.

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Retained earnings $000	Total $000	Minority Interest $000	Total $000
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**
49,603	104,429	1,721	102,708
(2,312)	(2,312)	23	(2,335)
-	-	-	-
-	(24)	-	(24)
111	-	-	-
-	(1,850)	-	(1,850)
(3,850)	(3,850)	-	(3,850)
-	-	-	-
43,552	**96,392**	**1,744**	**94,648**

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

22 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.

Ultimate parent:	**Group 2019 $000**	**Group 2018 $000**
(a) Invercargill City Council		
Revenue		
Provision of services	30	30
Expenditure		
Provision of services	408	538
Interest payments	1,365	990
Purchase of management services	35	-
Dividends from Subsidiary to Parent	3,850	5,300
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-
Other related parties:		
(b) AWS Legal		
Revenue		
Provision of services	-	-
Expenditure		
Provision of services	-	25
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-
c) PowerNet Limited		
Revenue		
Provision of services	359	294
Expenditure		
Provision of goods and services	10,604	10,879
Outstanding at balance date by Parent and Group	2,879	2,423
Outstanding at balance date to Parent and Group	92	78
Advances provided to (repaid by)	1,447	(272)

(d) Electricity Southland Limited	Group 2019 $000	Group 2018 $000
Revenue		
Provision of services	188	118
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	49	34
Advances provided to (repaid by)	798	834
(e) HWCP Management Limited		
Revenue		
Provision of services	-	251
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	4,720
(f) R M Walton		
Revenue		
Provision of services	-	-
Expenditure		
Provision of goods and services	26	3
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-

22 Related party transactions	Group 2019 $000	Group 2018 $000
(g) IFS Growth Limited		
Revenue		
Provision of services	-	-
Expenditure		
Provision of services	-	641
Outstanding at balance date by Invercargill City Forests Ltd	-	41
Outstanding at balance date to Invercargill City Forests Ltd	-	-
(h) OneForest Limited		
Revenue		
Provision of services	-	5,520
Expenditure		
Provision of services	-	2,801
Outstanding at balance date by Invercargill City Forests Ltd	-	-
Outstanding at balance date to Invercargill City Forests Ltd	-	-
(i) 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	-	-
(j) Invercargill Venue and Events Management		
Revenue		
Provision of services	-	-
Expenditure		
Provision of goods and services	3	3
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-

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	Group 2019 $000	Group 2018 $000
(k) Southland Indoor Leisure Centre Charitable Trust		
Revenue		
Provision of services		69
Expenditure		
Provision of services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	5

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

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. Mr Walton was a director until 31 October 2018.

No debt has been written off for forgiven during the period. The outstanding balances are not subject to interest and are payable on demand.

Refer note 6 for details on tax loss offsets within the group.

22 Related party transactions

Key management personnel compensation comprises:

	Group 2019 $000	Group 2018 $000
Short term employment benefits	224	416
Directors Fees	659	654

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.

23 Commitments and operating leases

	Group 2019 $000	Group 2018 $000
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	1,717	1,014

Investment commitments

In August 2017, the Electricity Invercargill Limited Group entered into a conditional agreement with the partners of Southern Generation Limited 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 July 2019, and the Matiri hydro station is expected to generate approximately 28 GWh annually from February 2020.

Other commitments

The Group has a conditional commitment as at 31 March 2019 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 (2018: Nil).

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 2019 $000	Group 2018 $000
Non-cancellable operating leases as lessor		
Not later than one year	406	456
Later than one year and not later than five years	1,077	1,306
Later than five years	337	500
Total non-cancellable operating leases	1,820	2,262

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

24 Contingencies

Contingent assets:

2019 Year: Nil

2018 Year: Nil

Contingent liabilities:

Invercargill City Forests has harvested a total of 47 hectares of pre-1990 forest (2018: 17 hectares). This harvested land will be replanted but at balance date carried a potential deforestation liability of $578,182 (2018: $192,345). It is Invercargill City Forests Limited's intention to replant all forests. Refer note 12.

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

25 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.

26 Events after the Balance Sheet date

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

27 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.

Hedge Accounting

At the inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

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 Group has a series of policies to manage the risks associated with financial instruments. The Group is risk averse and seeks to minimise exposure from its treasury activities. The Group 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 Group to incur a financial loss.

Financial instruments that potentially subject the 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 Group 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 maximum exposure to credit risk at reporting date relates to bank balances of $4.1 million (2018: $5.1 million,) and trade receivables of $2.4 million (2018: $2.3 million).

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 Group's ability to meet its contractual obligations. The 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 Group aims to maintain flexibility in funding by keeping committed credit lines available.
n meeting its liquidity requirements, the Group maintains a target level of investments that must mature within the next 12 months.

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

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

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

The table below analyses the 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.

The following table details the exposure to liquidity risk as at 30 June 2019:

Group 2019	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	4,147	4,147	4,147	-	-	4,147
Trade and other receivables	2,110	2,110	2,110	-	-	2,110
Advances	-	-	-	-	-	-
	6,257	6,257	6,257	-	-	6,257
Financial Liabilities						
Trade and other payables	5,459	5,459	5,459	-	-	5,459
Borrowings - secured loans	107,800	113,231	86,153	16,239	10,839	113,231
Borrowings - redeemable preference shares	16,777	16,777	16,777	-	-	16,777
	130,036	135,467	106,388	16,239	10,839	133,467

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

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 interest rates on the Group's borrowings are disclosed in note 19.

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 Group's 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.

The following table details the exposure to liquidity risk as at 30 June 2019:

Group 2019	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	5,777	6,772	1,206	2,484	3,082	6,772
	5,777	6,772	1,206	2,484	3,082	6,772
Net derivative financial liabilities	5,777	6,772	1,206	2,484	3,082	6,772

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

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

• 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 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 Group to fair value interest rate risk. The Group'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 Group 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 19.

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	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 Group 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 Group borrowed at fixed rates directly. Under the interest rate swaps, the Group 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	
	2019	**2018**
	$000	**$000**
	Liability	**Liability**
Maturity < 1 year	7,500	21,500
Maturity 1-2 years	10,000	7,500
Maturity 2-3 years	8,000	10,000
Maturity 3-4 years	17,000	8,000
Maturity 4-5 years	17,500	17,000
Maturity 5-6 years	10,000	17,500
Maturity 6-7 years	14,000	10,000
Maturity 7-10 years	8,000	14,000
	92,000	105,500

- 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	
	2019	**2018**
	%	**%**
Effectiveness	100	100

- Sensitivity analysis on Financial Instruments

Borrowings: If interest rates on borrowings at 30 June 2019 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax by $117,852 (2018: $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 2019	**+0.5%**	**-0.5%**
	$000	**$000**	**$000**
Net Derivative financial asset/(Liability) - Cashflow Hedge	(5,777)	1,369	(1,410)
	Year 2018	**+0.5%**	**-0.5%**
	$000	**$000**	**$000**
Net Derivative financial asset/(Liability) - Cashflow Hedge	(3,208)	1,395	(1,440)

28 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 2019				Group 2018			
	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	-	-	-	-	-	-	-	-
Biological Assets	-	-	24,249	24,249	-	-	23,965	23,965
Network Assets	-	-	86,325	86,325	-	-	85,342	85,342
Investment Property	-	-	4,250	4,250	-	-	4,060	4,060
Total Assets at Fair Value	-	-	114,824	114,824	-	-	113,367	113,367
Liabilities at Fair Value								
Derivatives	-	5,777	-	5,777	-	3,208	-	3,208
Total Liabilities at Fair Value	-	5,777	-	5,777	-	3,208	-	3,208

	Group 2019 $000	Group 2018 $000
Opening Balance/Closing Balance Level 3 fair value Measurements		
Balance at Beginning of year	113,367	106,682
Unrealised net change in value of assets	(2,331)	2,843
Purchases	10,817	8,802
Sales	(3,647)	(1,632)
Reclassified from fair value	-	-
Depreciation and impairment	(3,382)	(3,328)
Balance at the end of the year	114,824	113,367

The Group 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 2019 valuation is 6.5% (2018: 6.75%). 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 (2018: next two years), 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 2019 (2018: 8.0%).

29 Publication of Financial Statements

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

Group Company Statement of Service Performance

For the year ended June 30, 2019

The performance targets established in the 2019 Statement of Corporate Intent for Invercargill City Holdings Limited and the results achieved for the year ended 30 June 2019 follow.

Group Financial Performance Targets

	Group 2019 Target $'000	Group 2019 Actual $'000	Group 2018 Actual $'000
Gross Revenue	24,706	45,655	45,043
Expenditure	(15,238)	(47,278)	(34,141)
Net Profit (Loss)	9,468	(1,623)	10,902
Tax	(2,651)	(690)	(2,742)
Group Net Profit/(Loss) after tax	6,817	(2,313)	8,160
Dividend to Invercargill City Council	5,850	3,850	5,300
Rate of Return (before tax) on Shareholders Funds	9.78%	-1.68%	10.44%
Rate of Return (after tax) on Shareholders Funds	7.04%	-2.40%	7.85%
Shareholder Funds to Total Assets	31.00%	37.56%	39.46%

Group profit for the period and return on shareholder funds
The Group's profitability and return on shareholders funds are lower than the Statement of Intent targets mainly due to:

- Invercargill City Holdings Limited had an unfavourable fair value movement $1.85 million on its cash flow hedges due to the fall in interest rates.
- Electricity Invercargill Limited had an unfavourable fair value movement in Southern Generation Limited Partnership of $2.6 million resulting from its long term supply contracts from generation.
- Invercargill City Forests Limited had an unfavourable biological asset revaluation movement of $2.5 million.
- Invercargill City Property Limited impaired an advance of $4.8 million to its associate, HWCP Management Limited. This was largely due to the new IFRS 9 Financial Instruments requirements.

Electricity Invercargill Limited
Network Reliability Performance:
The following results were calculated using information from the Company's non-financial systems, which due to the manual recording processes have inherent limitations relating to the completeness of interruption data and the accuracy of installation control point (ICP) numbers included in the SAIDI and SAIFI.

	Group 2019 Target	Group 2019 Actual	Group 2019 Actual
System Average Interruption Duration Index (SAIDI) The average total time in minutes each customer connected to the network is without supply.			
SAIDI	22.5	17.98	27.49
System Average Interruption Frequency Index (SAIFI) The average number of times each customer connected to the network is without supply.			
SAIFI	0.57	0.31	0.47

INVERCARGILL CITY HOLDINGS LTD

The Directors have reasonable assurance that the performance data of the Company is free from material misstatement and is a reliable measure of the network's performance. However, there is an inherent risk as there is no independent evidence to verify the accuracy of the information recorded.

Invercargill Airport Limited
Operations
• Retain aerodrome certification via assessment from the Civil Aviation Authority
Achieved
IAL has retained its Aerodrome Operators Certificate. The Airport continued to conduct scheduled internal auditing against the relevant CAA rules to ensure it remained compliant. CAA conducted an safety audit in April 2019 and completed the annual security inspection during the year. There were no findings arising from these checks.

The current operating certificate remains valid until 31 July 2019. Our 5 yearly Aerodrome Operator Certification assessment was planned for the first week of July 2019. This was successfully completed, and a new Aerodrome Operator Certificate was issued. The new certificate is valid until 31 October 2023.

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

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 3 months of the end of the financial year.
   Achieved
2. All statutory requirements for reporting under the Companies Act 1993 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
3. 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
4. Invercargill City Holdings Limited (ICHL) has continued its communication programme with Council. As part of this, ICHL held an Annual General Meeting (AGM) on 8 November 2018. During the AGM each of the subsidiaries made presentations.

   ICHL has ran three workshops with Councillors during the year to keep them informed on the progress of ICHL's work programme for the year and to discuss the ICHL Statement of Intent.

   The Chairman of ICHL has attended Council Finance & Policy meetings when appropriate during the year.
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. The subsidiary reports to ICHL include financial results, strategic issues, health and safety information and any current issues facing the company.

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Invercargill City Holdings Limited's group financial statements and Statement of Service Performance for the year ended 30 June 2019

The Auditor-General is the auditor of Invercargill City Holdings Limited group (the group). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the Statement of Service Performance of the group, on his behalf.

Opinion

We have audited:

- the financial statements of the group on pages 14 to 69, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the Statement of Service Performance of the group on pages 70 to 71.

In our opinion:

- the financial statements of the group on pages 14 to 69:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards; and
- the Statement of Service Performance of the group on pages 70 to 71 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 2019.

Our audit was completed on 30 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the Statement of Service Performance, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the Statement of Service Performance

The Board of Directors is responsible on behalf of the 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 Statement of Service Performance 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 Statement of Service Performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the Statement of Service Performance, the Board of Directors is responsible on behalf of the 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 Statement of Service Performance

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

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

We did not evaluate the security and controls over the electronic publication of the financial statements and the Statement of Service Performance.

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

- We identify and assess the risks of material misstatement of the financial statements and the Statement of Service Performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Statement of Service Performance 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 Statement of Service Performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

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

- We obtain sufficient appropriate audit evidence regarding the financial statements and the Statement of Service Performance of the entities or business activities within the group to express an opinion on the consolidated financial statements and the consolidated Statement of Service Performance. 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 Statement of Service Performance, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the Statement of Service Performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the Statement of Service Performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report 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.

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

ICHL

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