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Approval by Directors

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

B J Wood

Director

T D R Loan

Director

For and on behalf of the Board of Directors.

30 September 2019



Directory

DIRECTORS WHO HELD OFFICE DURING THE YEAR ENDED 30 JUNE 2019

B J Wood

Chairman (from 19 December 2018)

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)

REGISTERED OFFICE

C/- Invercargill City Council 101 Esk Street Invercargill 9840

PHYSICAL ADDRESS

101 Esk Street Invercargill

Phone (03) 211 1777 Fax (03) 211 1433

POSTAL ADDRESS

Private Bag 90104 Invercargill 9840

AUDITOR

Audit New Zealand Dunedin

BANKERS

BNZ

SOLICITORS

Preston Russell Law 92 Spey Street Invercargill 9810

Statutory Information

DIRECTORS' REMUNERATION

Invercargill City Property Ltd	\$
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.

DIRECTORS' INTERESTS

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

USE OF COMPANY INFORMATION BY DIRECTORS

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

SHAREHOLDING BY DIRECTORS

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

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

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

EMPLOYEES' REMUNERATION

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

AUDITORS' REMUNERATION

Audit fees for the Company totalled \$18,505. Details of fees payable are contained in Note 1.

RECOMMENDED DIVIDEND

There is no dividend recommended.



Chairman's Report

I am pleased to provide the 2019 Annual Report for Invercargill City Property Limited.

Invercargill City Property Limited has investments in one entity HWCP Management Limited. It has shares in and an advance to HWCP Management Limited. This year's results reflect the change foreshadowed in the last annual report of HWCP Management Limited from a land consolidator to a land developer.

While HWCP Management Limited was successful in obtaining resource consent for the development of the land in June 2019. As at 30 June 2019 funding for the project had not been finalised. HWCP Management Limited incurred significant costs in the preparation of the resource consent application and commenced relocating tenants to enable commencement of demolition work. To assist with this Invercargill City Property Limited advanced an additional \$250,000 to HWCP Management Limited this financial year. The net result of this was that as at 30 June 2019 the Board formed the view that on the information currently available it should impair its advance to HWCP Management Limited to zero. This has resulted in Invercargill City Property Limited recording a deficit of \$5,268,000.

Subsequent to 30 June 2019 Invercargill City Council, Community Trust of Southland and the Provincial Growth Fund have all determined to invest funds into the development of the inner city commenced by HWCP Management Limited. Further the Invercargill Licencing Trust and Southern institute of Technology have announced their intention to develop part of the land owned by HWCP Management Limited. While the sale of the land from HWCP Management Limited to interested third parties has not been finalised at this time the Board remains optimistic about the prospects of recovering its investment in HWCP Management Limited when those transactions are completed.

B J Wood Chairman

ICPL ANNIIAL REPORT 2019

Statement of Financial Position

As at June 30, 2019

		2019	2018
	Note	\$000	\$000
Assets			
Current assets			
Cash and cash equivalents		1	4
Trade and other receivables	4	-	149
Total current assets		1	153
Non-current assets			
Investment in associate	8	-	-
Advance to associate	8	-	4,571
Total non-current assets		-	4,571
Total assets	_	1	4,724
Liabilities			
Current liabilities			
Trade and other payables	5	13	63
Borrowings	6	5,809	-
Total current liabilities		5,822	63
Non-current liabilities			
Borrowings	6	-	5,215
Total non-current liabilities		-	5,215
Total liabilities	_	5,822	5,278
Equity			
Share capital	9	-	-
Retained earnings	9	(5,822)	(554)
Total equity attributable to the equity holders of the company		(5,822)	(554)

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



Statement of Comprehensive Income

For the year ended June 30, 2019

		2019	2018
	Note	\$000	\$000
Income			
Loan forgiven		-	240
Total income		-	240
Expenditure			
Impairment of advance to associate		4,821	429
Impairment of trade receivables		460	-
Other expenses	1	42	52
Total operating expenditure		5,323	481
Finance income	2	313	253
Finance expenses	2	258	212
Net finance income		55	41
Operating profit/(loss) before tax		(5,268)	(200)
Share of associate profit/(loss)	8	-	(183)
Surplus profit/(loss)before tax		(5,268)	(383)
Income tax expense	3	-	
Profit/(loss) after tax	_	(5,268)	(383)
	<u> </u>		
Total comprehensive income		(5,268)	(383)

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	2019 \$000	2018 \$000
Balance at 1 July		(554)	(171)
Total Comprehensive Income for the year		(5,268)	(383)
Balance at 30 June	9	(5,822)	(554)

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

Statement of Cash Flows

For the year ended June 30, 2019

		2019	2018
	Note	\$000	\$000
Cash flows from operating activities			
Interest received		1	127
Payments to suppliers and employees		(91)	(33)
Interest paid		(258)	(182)
Goods and services tax [net]		1	-
Net cash from operating activities		(347)	(88)
Cash flows from investing activities			
Advances made to associates		(250)	(3,485)
Net cash from investing activities	_	(250)	(3,485)
Cash flows from financing activities			
Proceeds from advance from Invercargill City Holdings Limited		594	3,215
Net cash from financing activities	_	594	3,215
Net (decrease)/increase in cash, cash equivalents and bank			
overdrafts		(3)	(358)
Cash, cash equivalents and bank overdrafts at the beginning of		4	362
the year	_	4	302
Cash, cash equivalents and bank overdrafts at the end of the year		1	4
•	_		

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.



	2019	2018
	\$000	\$000
Reconciliation with reported operating surplus		
Net profit after tax	(5,268)	(383)
Add/(deduct) non-cash items:		
Impairment of advance to associate	4,821	429
Impairment of trade receivables	460	
Loan forgiven	-	(240)
Share of associates profit(loss)	-	183
		372
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	(312)	(126)
Increase/(decrease) in accounts payable and accruals	(49)	49
Increase/(decrease) in GST/taxation	1	<u>-</u>
-	(360)	(77)
Net cash inflow (outflow) from operating activities	(347)	(88)
Reconciliation of changes in liabilities arising from financing activities		
The changes in the liabilities arising from financing activities can be classified a	as follows:	
		Long-term borrowings
		\$000
1 July 2018		5,215

Cashflows

Proceeds
Non Cash

30 June 2019

Derecognition of loan

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

594

5,809

Notes to the Financial Statements

For the year ended June 30, 2019

REPORTING ENTITY

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

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

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

The financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors 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 Financial Reporting Act 2013 and the Companies Act 1993.

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

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

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

The accounting policies that have been applied to these financial statements are based on the External Reporting Board A1, Accounting Standards Framework (For-profit Entities Update). The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$'000), except when otherwise indicated.

The functional currency of the Company is New Zealand dollars.

ACCOUNTING POLICIES AND STANDARDS

Accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

GOING CONCERN BASIS

The financial statements have been prepared on the going concern basis. To address uncertainty over going concern due to the Company's negative equity, the Directors of the Company have received a letter of support from Invercargill City Holdings Limited. The letter confirms that Invercargill City Holdings Limited will continue to support the Company in its capacity as sole shareholder and financier of the Company. Specifically, Invercargill City Holdings Limited has undertaken not to demand its existing advance facility within 12 months from the date of the signing of the Company's financial statements for the year ending 30 June 2019. Invercargill City Holdings Limited has also undertaken to support the operating costs of Invercargill City Property Limited.

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

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

REVENUE

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



Interest income is recognised using the effective interest method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

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 transition provisions of IFRS 9, 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.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the period except for those arising from the adoption of the new standards. All accounting policies have been consistently applied throughout the period covered by these financial statements.

1 Other expenses (includes)	2019	2018
N	lote \$000	\$000
Director fees	20	13
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	19	18
· other audit-related services	-	-
2 Finance income	2019	2018
	\$000	\$000
Finance Income		
Interest income	313	253
Total finance income	313	253
Financial expense		
Interest expense	258	212
Total finance expense	258	212
Net finance costs	55	41

3 Income tax expense in the Income Statement

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

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.



		2019 \$000	2018 \$000
Current tax expense			
Current period		-	-
Adjustment for prior periods		-	-
Total current tax expense	_	-	-
Deferred tax expense			
Origination and reversal of temporary differences		-	-
Adjustment for prior periods		-	-
Total deferred tax expense	_	-	-
Total income tax expense	_	-	
Reconciliation of effective tax rate		2019	2018
	Note	\$000	\$000
Profit for the year		(5,268)	(145)
Permanent differences		5,281	134
Profit excluding income tax		13	(11)
Tax at 28%		4	(3)
Under/(over) provided in prior periods		-	-
Tax loss not recognised		4	(3)
Total income tax expense	_	-	-
Effective Tax Rate		0%	0%

4 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.

A provision for impairment of receivables is between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

	2019 \$000	2018 \$000
Trade receivables	460	148
Less allowance for expected credit losses	(460)	-
GST receivable	-	1
	-	149

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

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

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

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

	Total	Neither past due nor impaired		Past due but not impaired >30 days	Impaired
		\$000	\$000	\$000	\$000
2019	460	-	-	-	460
2018	148	25	25	98	-

5 Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are non-interest bearing and are normally settled within 30 day terms.

	2019	2018
	\$000	\$000
Trade payables	-	37
Accrued expenses	13	26
Total trade and other payables	13	63



6 **Borrowings**

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

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

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

	2019 \$000	2018 \$000
Current		
Invercargill City Holdings Limited	5,809	-
Total current borrowings	5,809	-
Non-current		
Invercargill City Holdings Limited	-	5,215
Total non-current borrowing	-	5,215

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

Shareholder's undertaking:

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

The term loan has been advanced by Invercargill City Holdings Limited. The current average interest rate is 4.55% (2018:4.69%). The loan is unsecured. The fair value of the loan is also its carrying value.

Deferred Tax Assets and Liabilities

A deferred tax asset has not been recognised in relation to tax losses of \$371,834 (2018: \$373,884) and temporary differences of \$25,640 (2018: \$5,908).

8 Investment in associates

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

		Percentage Held			
	Country of	by Group		Balance	
Associate Companies	Incorporation	2019	2018	date	
HWCP Management Limited	NZ	49.99%	49.99%	30 June	

HWCP Management Limited was incorporated on 29 March 2017.

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

	2019 \$000	2018 \$000
Investment in associates Total investment in associates	-	<u>-</u>

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.

The HWCP Management Limited associate has contingent liabilities as at 30 June 2019 of nil (2018: nil).

Advances to Associate

The Company's advances to associate are as follows:

	2019	2018
	\$000	\$000
HWCP Management Limited	4,821	4,571
Less allowance for expected credit loss	(4,821)	_
Total advance in associates	<u> </u>	4,571

The Company applies the general approach to measuring expected credit losses. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

The unsecured advance commenced on 30 March 2017 for a term of three years with interest payable at 6%. For the 2018 year, the face value of the loan of \$5,000,000 has been impaired on the basis of the orderly sale of the associate company's assets.



9 Equity

	Attributable t	Attributable to equity holders of the Company		
	Share capital	Retained earnings	Total	
	\$000	\$000	\$000	
Balance at 1 July 2017	-	(171)	(171)	
Profit/(loss)) after tax	-	(383)	(383)	
Other comprehensive income				
Contributions from Shareholders				
Shares issued and paid up	-	-		
Balance at 30 June 2018	-	(554)	(554)	
Balance at 1 July 2018	-	(554)	(554)	
Profit/(loss)) after tax	-	(5,268)	(5,268)	
Other comprehensive income				
Contributions from Shareholders				
Shares issued and paid up		-	<u>-</u>	
Balance at 30 June 2019	-	(5,822)	(5,822)	

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

10 Related party transactions

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

	2019 \$000	2018 \$000
(a) Invercargill City Holdings Limited		
Revenue		
Provision of services	-	-
Expenditure		
Provision of services and interest payments	281	144
Outstanding at balance date by the Company	-	37
Shareholder advance outstanding to Invercargill City Holdings Limited	5,809	5,215
(b) Invercargill City Council		
Revenue		
Provision of services	-	-
Expenditure		
Provision of services and interest payments	-	86
Outstanding at balance date by the Company	-	-
(c) HWCP Management Limited		
Revenue		
Provision of services and interest charges	312	251
Outstanding at balance date to the Company	460	149
Expenditure		
Provision of services	-	-
Outstanding at balance date by the Company	-	4,571
Impairment of interest receivable	460	-
Impairment of advance	4,821	429
Key management personnel compensation comprises:	2019	2018
	\$000	\$000
Short term employment benefits		
HWCP Management Limited Directors Fees	20	13



Commitments

There are no capital or operating commitments contracted for at 30 June 2019 (2018: Nil).

12 **Contingencies**

There are no contingent liabilities or assets at 30 June 2019 (2018: Nil).

Events after the Balance Sheet date 13

There are no significant events after balance date.

Financial Instruments 14

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.

Statement of Service Performance

For the year ended June 30, 2019

The Statement of Service Performance for Invercargill City Property Limited prepared for the year ended 30 June 2019 set a number of financial performance measures. The targets and the Company's achievement, as reported under IFRS, in relation to those targets are set out in the following table.

Financial:

	Actual	Target	Actual	Target
	2019	2019	2018	2018
	\$000	\$000	\$000	\$000
Net Profit before Tax (NPBT)	(5,268)	23	(200)	(1)
Interest (net)	55	242	41	11
Net Profit before Interest and tax (NPBIT)	(5,323)	265	(241)	96
Total Assets	1	5,196	4,724	2,110
EBIT %	-5323%	5.10%	-5.10%	4.55%

The advance to HWCP Management Limited of \$4,821,000 and the interest receivable of \$460,000 were fully impaired during the year.

Non Financial:

The Company has no non-financial performance targets.



Audit Report

AUDIT NEW ZEALAND

Independent Auditor's Report

To the readers of Invercargill City Property Limited's financial statements and statement of service performance for the year ended 30 June 2019

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

Opinion

We have audited:

- the financial statements of the Company on pages 8 to 21, 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 Company on page 22.

In our opinion:

- the financial statements of the Company on pages 8 to 21:
 - o 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 with reduced disclosure requirements; and
- the statement of service performance of the Company on page 22 presents fairly, in all
 material respects, the Company's actual performance compared against the performance
 targets and other measures by which performance was judged in relation to the Company's
 objectives for the year ended 30 June 2019.

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

Without modifying our opinion, we draw your attention to the going concern disclosure on page 12, which notes that the financial statements have been prepared using the going concern basis of accounting. The Directors of the Company have used the going concern basis because they have

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

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

The basis for our opinion is explained below and we highlight that the Company is reliant on financial support from ICHL. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance for the Company.

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

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

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



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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

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

Independence

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

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

Andy Burns

Audit New Zealand

On behalf of the Auditor-General

Dunedin, New Zealand



