



# Annual Report 2020

**ICPL**

INVERCARGILL CITY PROPERTY LTD







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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 2020.



**T D R Loan**  
Chairman



**J Schol**  
Director

For and on behalf of the Board of Directors.  
5 November 2020





# Company Directory

## Directors who Held Office During the Year Ended 30 June 2020

T D R Loan - Chairman

J Schol (from 7 November 2019)

J Bestwick (from 7 November 2019)

P Carnahan (from 7 November 2019)

B J Wood (until 7 November 2019)

D J Ludlow (until 31 October 2019)

G D Lewis (until 31 October 2019)

## 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 \$

T D R Loan	-
B J Wood	-
P Carnaghan	-
J Bestwick	-
J Schol	-
D J Ludlow	-
G D Lewis	-

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 10 of the notes to the financial statements, during the year, no Directors had an interest in any transaction or proposed transaction with the Company.

## 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 \$21,791. Details of fees payable are contained in Note 1.

## RECOMMENDED DIVIDEND

There is no dividend recommended.

# Chairman's Report

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I am pleased to provide the 2020 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 successful sale of land held by HWCP Management Limited to Invercargill Central Limited.

While HWCP Management Limited received resource consent for the development of land held by it in June 2019 the core of the development has been sold to Invercargill Central Limited. As part of the sale HWCP Management limited was able to recover the costs incurred in the preparation of the resource consent application and demolition work undertaken.

HWCP Management Limited still retains some land. While sales of those parcels have not been finalised at this time, the Board's objective is to recover its investment in HWCP Management Limited when those transactions are completed.



**T D R Loan**  
Chairman

# Statement of Financial Position

AS AT JUNE 30, 2020

	NOTE	2020 \$000	2019 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		2	1
Trade and other receivables	4	-	-
<b>Total current assets</b>		<b>2</b>	<b>1</b>
<b>Non-current assets</b>			
Investment in associate	8	-	-
Advance to associate	8	-	-
<b>Total non-current assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>2</b>	<b>1</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	5	161	13
Borrowings	6	5,948	5,809
<b>Total current liabilities</b>		<b>6,109</b>	<b>5,822</b>
<b>Total liabilities</b>		<b>6,109</b>	<b>5,822</b>
<b>EQUITY</b>			
Share capital	9	-	-
Retained earnings	9	(6,107)	(5,822)
<b>Total equity attributable to the equity holders of the company</b>		<b>(6,107)</b>	<b>(5,822)</b>

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, 2020

	NOTE	2020 \$000	2019 \$000
<b>INCOME</b>			
<b>Total income</b>		-	-
<b>EXPENDITURE</b>			
Impairment of advance to associate		-	4,821
Impairment of trade receivables		-	460
Other expenses	1	32	42
<b>Total operating expenditure</b>		<b>32</b>	<b>5,323</b>
Finance income	2	-	313
Finance expenses	2	253	258
<b>Net finance income</b>		<b>(253)</b>	<b>55</b>
<b>OPERATING PROFIT/(LOSS) BEFORE TAX</b>		(285)	(5,268)
Share of associate profit/(loss)	8	-	-
<b>SURPLUS PROFIT/(LOSS) BEFORE TAX</b>		(285)	(5,268)
Income tax expense	3	-	-
<b>Profit/(loss) after tax</b>		<b>(285)</b>	<b>(5,268)</b>
<b>Total comprehensive income</b>		<b>(285)</b>	<b>(5,268)</b>

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, 2020

	NOTE	2020 \$000	2019 \$000
<b>BALANCE AT 1 JULY</b>		(5,822)	(554)
Total Comprehensive Income for the year		(285)	(5,268)
<b>Balance at 30 June</b>	<b>9</b>	<b>(6,107)</b>	<b>(5,822)</b>

*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, 2020

	NOTE	2020 \$000	2019 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		-	1
Payments to suppliers and employees		(28)	(91)
Interest paid		(110)	(258)
Goods and services tax [net]		-	1
<b>Net cash from operating activities</b>		<b>(138)</b>	<b>(347)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Advances made to associates		-	(250)
<b>Net cash from investing activities</b>		<b>-</b>	<b>(250)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from advance from Invercargill City Holdings Limited		139	594
<b>Net cash from financing activities</b>		<b>139</b>	<b>594</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<b>1</b>	<b>(3)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year		1	4
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>		<b>2</b>	<b>1</b>



**RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH INFLOWS  
(OUTFLOWS) FROM OPERATING ACTIVITIES**

**2020**      **2019**  
**\$000**      **\$000**

**Reconciliation with reported operating surplus**

Net profit after tax (285) (5,268)

**Add/(deduct) non-cash items:**

Impairment of advance to associate - 4,821

Impairment of trade receivables - 460

Share of associates profit (loss) - -

**Add/(less) movements in working capital:**

(Increase)/decrease in receivables - (312)

Increase/(decrease) in accounts payable and accruals 147 (49)

Increase/(decrease) in GST/taxation - 1

**147 (360)**

Net cash inflow (outflow) from operating activities **(138) (347)**

**RECONCILIATION OF CHANGES IN LIABILITIES ARISING  
FROM FINANCING ACTIVITIES**

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

**LONG-TERM  
BORROWINGS**

**\$000**

1 July 2019 5,809

**Cashflows**

Proceeds 139

**Non Cash**

Derecognition of loan -

30 June 2020 **5,948**

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

## 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 2020 were approved and authorised for issue by the Board of Directors on 5 November 2020. 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 and any future advance facilities within 12 months from the date of the signing of the Company's financial statements for the year ending 30 June 2020. 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 2019:

NZ IFRS 16 - Leases

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.

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)

	2020 \$000	2019 \$000
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	22	19
· other audit-related services	-	-

## 2. FINANCE INCOME

	2020 \$000	2019 \$000
<b>Finance Income</b>		
Interest income	-	313
Total finance income	-	313
<b>Financial expense</b>		
Interest expense	253	258
Total finance expense	253	258
<b>Net finance costs</b>	<b>(253)</b>	<b>55</b>

## 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.

	2020 \$000	2019 \$000
<b>CURRENT TAX EXPENSE</b>		
Current period	-	-
Adjustment for prior periods	-	-
<b>Total current tax expense</b>	-	-
<b>DEFERRED TAX EXPENSE</b>		
Origination and reversal of temporary differences	-	-
Adjustment for prior periods	-	-
<b>Total deferred tax expense</b>	-	-
<b>Total income tax expense</b>	-	-
<b>RECONCILIATION OF EFFECTIVE TAX RATE</b>		
Profit for the year	(285)	(5,268)
Permanent differences	-	5,281
<b>Profit excluding income tax</b>	<b>(285)</b>	<b>13</b>
Tax at 28%	(80)	4
Under/(over) provided in prior periods	-	-
Tax loss not recognised	(80)	4
<b>Total income tax expense</b>	-	-
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.

	2020 \$000	2019 \$000
Trade receivables	776	460
Less allowance for expected credit losses	(776)	(460)
	-	-

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:

	<b>TOTAL</b>	<b>NEITHER PAST DUE NOR IMPAIRED</b>	<b>PAST DUE BUT NOT IMPAIRED &lt;30 DAYS</b>	<b>PAST DUE BUT NOT IMPAIRED &gt;30 DAYS</b>	<b>IMPAIRED</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2020</b>	776	-	-	-	776
<b>2019</b>	460	-	-	-	460

## 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.

	<b>2020 \$000</b>	<b>2019 \$000</b>
Accrued expenses	161	13
<b>Total trade and other payables</b>	<b>161</b>	<b>13</b>

## 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.

	<b>2020 \$000</b>	<b>2019 \$000</b>
<b>CURRENT</b>		
Invercargill City Holdings Limited	5,948	5,809
<b>Total current borrowings</b>	<b>5,948</b>	<b>5,809</b>
<b>NON-CURRENT</b>		
<b>Total non-current borrowing</b>	<b>-</b>	<b>-</b>

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.

The term loan has been advanced by Invercargill City Holdings Limited. The current effective interest rate is 3.75% (2019: 4.55%). The loan is unsecured. The fair value of the loan is also its carrying value.

The ICHL loan agreement contains the covenants:

- Interest cover ratio is not less than 1.2 times; and
- Shareholders funds are not less than 150% of total liabilities

These covenants were breached for the year and the loan is shown as a current liability. The breach has not been remedied and the terms of the loan have not been renegotiated before the financial statements were authorised for issue.



### Shareholder's undertaking:

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

## 7. DEFERRED TAX ASSETS AND LIABILITIES

A deferred tax asset has not been recognised in relation to tax losses of \$337,700 (2019: \$371,834) and temporary differences of \$15,254 (2019: \$25,640).

## 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 profit or loss of the associate after the date of acquisition. The Company's share of the profit or loss of the associate is recognised in the Company's Statement of Comprehensive Income. Distributions received from an associate reduce the carrying amount of the investment. The Company's share in the associate's profit or loss resulting from unrealised gains on transactions between the Company and its associates are eliminated.

ASSOCIATE COMPANIES	Country of Incorporation	Percentage Held by Group		Balance date
		2020	2019	
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.

	2020	2019
	\$000	\$000
Investment in associates	-	-
<b>Total investment in associates</b>	<b>-</b>	<b>-</b>

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 2020 of nil (2019: nil).

## Advances to Associate

The Company's advances to associate are as follows:

	2020 \$000	2019 \$000
HWCP Management Limited	-	4,821
Less allowance for expected credit loss	-	(4,821)
<b>Total advance in associates</b>	<b>-</b>	<b>-</b>

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 face value of the loan is \$5,250,000.

## 9. EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
	\$000	\$000	\$000
Balance at 1 July 2018	-	(554)	(554)
Profit/(loss) ) after tax	-	(5,268)	(5,268)
<b>Contributions from Shareholders</b>			
Shares issued and paid up	-	-	-
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>(5,822)</b>	<b>(5,822)</b>
Balance at 1 July 2019	-	(5,822)	(5,822)
Profit/(loss) ) after tax		(285)	(285)
<b>Contributions from Shareholders</b>			
Shares issued and paid up	-	-	-
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>(6,107)</b>	<b>(6,107)</b>

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.

	2020 \$000	2019 \$000
<b>(a) Invercargill City Holdings Limited</b>		
<b>Revenue</b>		
Provision of services	-	-
<b>Expenditure</b>		
Provision of services and interest payments	259	281
Outstanding at balance date by the Company	-	-
Shareholder advance outstanding to Invercargill City Holdings Limited	5,948	5,809
<b>(b) Invercargill City Council</b>		
<b>Revenue</b>		
Provision of services	-	-
<b>Expenditure</b>		
Provision of services and interest payments	-	-
Outstanding at balance date by the Company	-	-
<b>(c) HWCP Management Limited</b>		
<b>Revenue</b>		
Provision of services and interest charges	315	312
Outstanding at balance date to the Company	776	460
<b>Expenditure</b>		
Provision of services	-	-
Outstanding at balance date by the Company	-	-
Impairment of interest receivable	315	460
Impairment of advance	-	4,821
Key management personnel compensation comprises:		
Short term employment benefits	-	-

## 11. COMMITMENTS

There are no capital or operating commitments contracted for at 30 June 2020 (2019: Nil).

## 12. CONTINGENCIES

There are no contingent liabilities or assets at 30 June 2020 (2019: Nil).

## 13. EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after balance date.

## 14. 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.

## 15. IMPACT OF COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 pandemic. New Zealand went into Level 4 lockdown from 26 March until 27 April and remained in Level 3 lockdown until 13 May. COVID-19 had no significant impact on the Company.

# Statement of Service Performance

FOR THE YEAR ENDED JUNE 30, 2020

The Statement of Service Performance for Invercargill City Property Limited prepared for the year ended 30 June 2020 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 2020 \$000	Target 2020 \$000	Actual 2019 \$000	Target 2019 \$000
Net Profit before Tax (NPBT)	(285)	(2)	(5,268)	23
Interest (net)	(253)	275	55	242
Net Profit before Interest and tax (NPBIT)	(32)	273	(5,323)	265
Total Assets	2	4,821	1	5,196
EBIT %	-1600%	5.66%	-5323%	5.10%

## Non Financial:

The Company will receive monthly reports on the status of its investment in HWCP Management Limited.

## ACHIEVED

The Company has received monthly reports from HWCP Management Limited.



# Audit Report

## 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 2020

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 2020, 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:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of service performance 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 2020.

Our audit was completed on 5 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to other matters. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

## **Emphasis of matters**

Without modifying our opinion, we draw attention to the following disclosures in the financial statements.

### ***The company is reliant on financial support from Invercargill City Holdings Limited***

The going concern basis disclosure on page 13, outlines that the financial statements have been prepared on the going concern basis of accounting. To address uncertainty over going concern, caused by the company's negative equity position, the Board of Directors of the company obtained a letter of support from Invercargill City Holdings Limited (ICHL). The letter of support confirms that ICHL will not demand its existing and any future advance facilities within 12 months from the date of signing of the financial statements, and will support the operating costs of the company.

### ***Impact of COVID-19***

Note 15 outlines the impact of COVID-19 on the company.

## **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 statement of service performance that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

statements and the statement of 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. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independence**

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners 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





