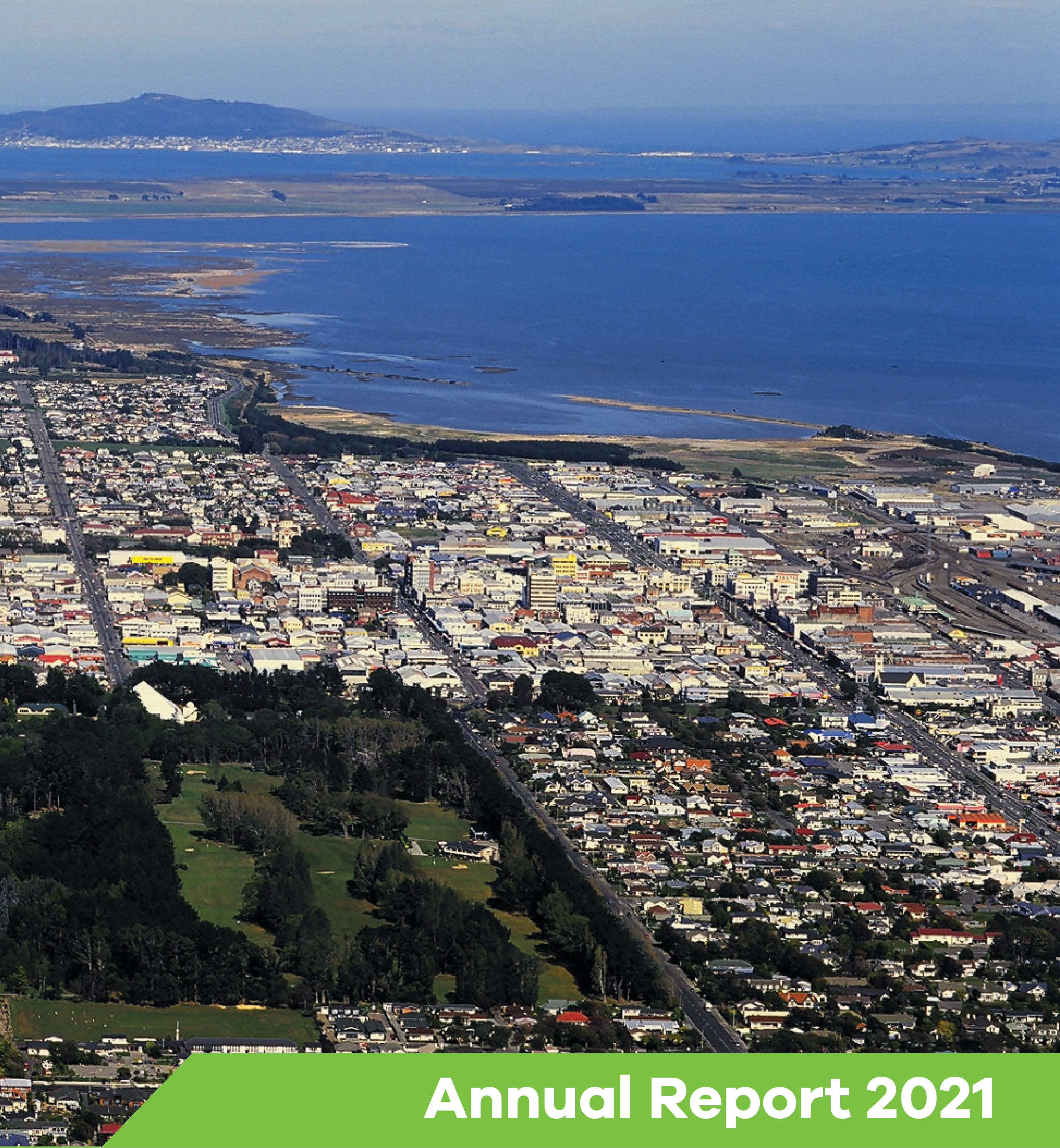


Annual Report 2021

ICHL
INVERCARGILL CITY HOLDINGS LTD

Table of Contents

Approval by Directors

The Directors have approved for issue the financial statements of Invercargill City Holdings Limited for the year ended 30 June 2021.

B Wood
Director

J Schol
Director

For and on behalf of the Board of Directors.
26 November 2021

Directory

Registered Office
C/- Invercargill City Council
101 Esk Street, Invercargill 9810

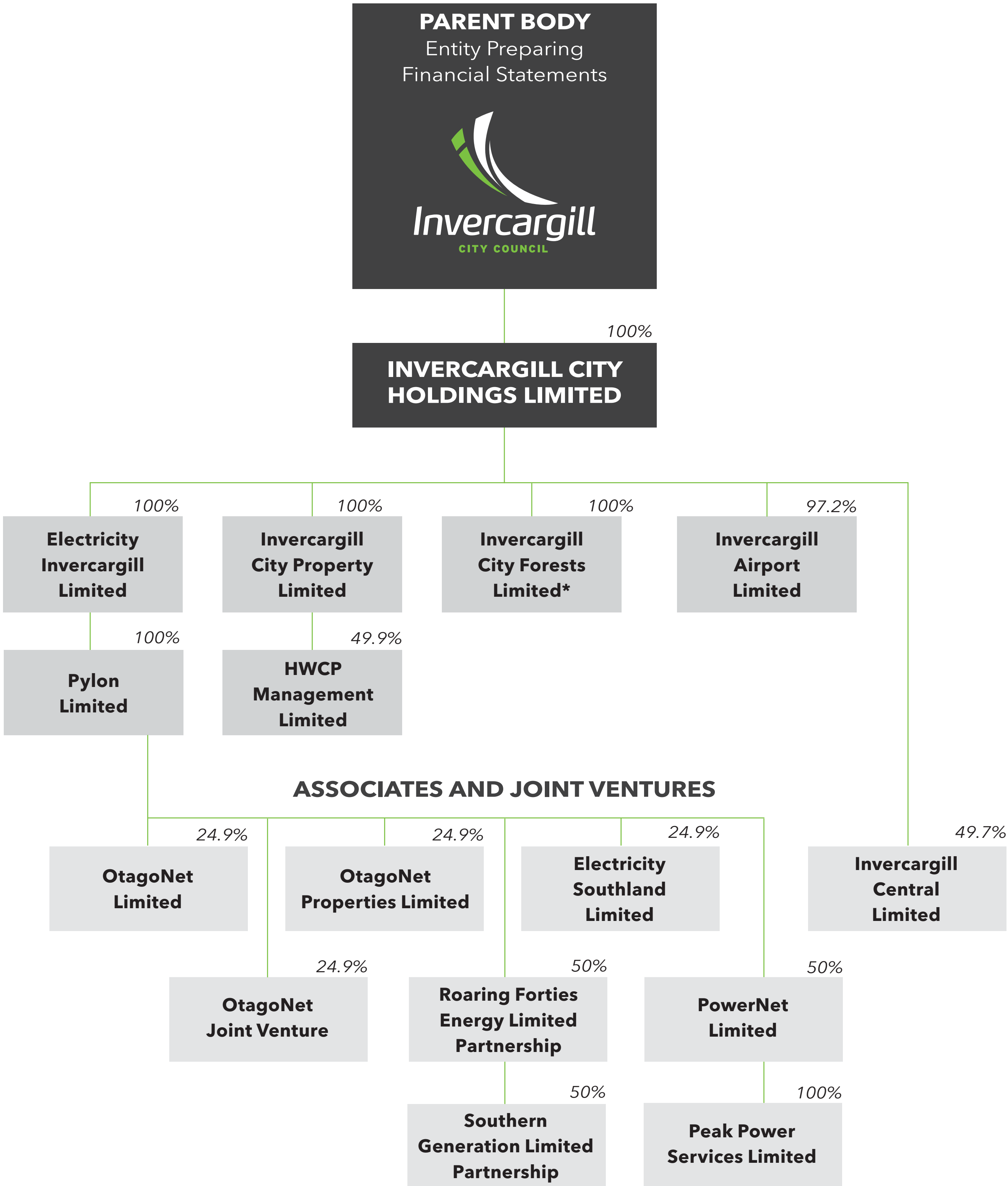
Auditor
Audit New Zealand on behalf of the Office of the Auditor-General

Bankers
BNZ

Solicitors
Preston Russell Law
45 Yarrow Street, Invercargill 9810

Treasury Manager
Bancorp Treasury Services

Group Structure



Invercargill City Forests Limited was wound up during the year and removed from the Companies register in August 2021.

An Overview

INVERCARGILL CITY HOLDINGS LIMITED

Activities:

- Treasury advice and systems.
- Overview of Group operations.
- Shareholding in Invercargill Central Limited.

2021 Financial Year:

- Overall financial result of after tax profit of $5.204 million for the Group.

ELECTRICITY INVERCARGILL LIMITED

Activities:

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

2021 Financial Year:

- The operating surplus before tax, subvention and fair value adjustments for the year ended 31 March of $8.55 million was lower than last year's $8.81million due to the fall in line charge prices in accordance with the Allowable National Revenue levels set by the Commerce Commission.
- Recommended dividend of $4.0 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.

2021 Financial Year:

- The after tax profit was $1,268,000 compared to $125,000 for the prior year.
- Passenger numbers increased from last year by 4%.
- Health and safety, risk management and operational compliance remain a priority for the company.

INVERCARGILL CITY FORESTS LIMITED

Activities:

- The Company was wound up following the completion of the sale of it's forest estate.

INVERCARGILL CITY PROPERTY LIMITED

Activities:

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

2021 Financial Year:

- The Company continued to support HWCP Management Limited.

Board of Directors

COMPANY DIRECTORS

Invercargill City Holdings Limited

B Wood - Chairman
T Loan - Director (until 6 November 2020)
J Bestwick - Director
J Schol - Director
P Carnahan - Director
M English - Director (from 1 November 2020)

Electricity Invercargill Limited

T Campbell - Chairman
S J Brown - Director
A J O'Connell - Director
P Kiesanowski - Director

Invercargill Airport Limited

G Lilly - Chairman
J D Green - Director
J Franklin - Director (until 30 November 2020)
J George - Director (from 1 November 2020)
A Hercus - Director (from 1 November 2020)

Invercargill City Forests Limited

B Wood - Chairman
T Loan - Director (until 6 November 2020)
J Bestwick - Director
J Schol - Director
P Carnahan - Director
M English - Director (from 1 November 2020)

Invercargill City Property Limited

P Carnahan - Chairman
J Bestwick - Director
J Schol - Director
M English - Director (from 1 November 2020)
T Loan - Director (until 6 November 2020)

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 provides a service to the subsidiaries 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.

DIRECTORS REMUNERATION

Invercargill City Holdings Limited

B Wood	$57,500
T Loan	$11,767
J Bestwick	$30,300
P Carnahan	$30,300
J Schol	$33,633
M English	$20,200

Electricity Invercargill Limited

T Campbell	$58,000
S Brown	$16,916
A O'Connell	$29,000
P Kiesanowski	$29,000
S Lewis	$12,083
R Taylor	$8,456

Invercargill City Forests Limited

B Wood	-
T Loan	-
J Bestwick	-
J Schol	-
P Carnahan	-
M English	-

Invercargill Airport Limited

J Green	$24,600
J George	$14,350
A Hercus	$16,400
J Franklin	$10,250
G Lilly	$49,200

Invercargill City Property Limited

T Loan	-
P Carnahan	-
J Bestwick	-
J Schol	-
M English	-

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.

Statutory Information

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

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

$'000	No. of employees
170 - 180	1
100 - 110	1

AUDITOR'S REMUNERATION

Audit fees for the Group totalled $226,690. Details of fees payable are contained in Note 4.

LOANS TO DIRECTORS

There are no loans to Directors.

RECOMMENDED DIVIDEND

It is recommended that a dividend of $4,886,000 be paid.

DIRECTORS' INTERESTS

Invercargill City Holdings Limited maintains an interests register in which particulars of certain transactions and matters involving the directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register during the year ended 30 June 2021.

Brian Wood

Chairman .... Buller Holdings Limited
Chairman .... Westreef Services Limited
Chairman .... Buller Recreation Limited
Chairman .... Canterbury Linen Services Limited
Director .... Harrison Grierson Holdings Limited
Chairman .... Delta Utility Services Limited
Director .... Mainpower New Zealand Limited
Director .... Espatial Limited
Director .... Mt Cass Wind Farm Limited
Director .... Greenpower New Zealand Limited
Oversight Group .... Ministry of Transport - New Zealand Upgrade Programme

John Schol

Director .... South Alive Limited
Director .... Malloch McClean Limited
Director .... Amberly Trustees Limited

Jenn Bestwick

Chair .... Tertiary Education Commissioner
Board Member .... New Zealand Qualifications Authority
Director .... Arrow Irrigation
Advisory Board Member .... Development West Coast
Trustee/Beneficiary .... The Governors Trust
Contractor .... State Services Commission
Board Member .... Antarctica NZ
Chair .... Nga Haerenga, the New Zealand Cycle Trail Inc
Chair .... Tonkin + Taylor Group

Mervyn English

Employee .... Department of Conservation

Peter Carnahan

Director/Shareholder (as Trustee) .... Peak Consulting Limited

Director/Shareholder (as Trustee) .... OKC Holdings Limited

Chairman .... Southfuels Limited

Director .... Trojan Holdings Limited

Director .... BCL Management Limited

Director .... Allied Queenstown Concrete Limited

Director .... Aoraki / Mount Cook Alpine Village Limited

DIRECTORS' REGISTER

The Directors register for Invercargill City Holdings Limited and its related entities is as follows:

	Invercargill City Holdings Limited	Invercargill City Forests Limited*	Invercargill City Property Limited	Invercargill Central Limited	HWCP Management Limited
Brian Wood	•	•		•	•
Jenn Bestwick	•	•	•		
John Schol	•	•	•		
Peter Carnahan	•	•	•		
Mervyn English	•	•	•		

* Invercargill City Forests Limited was wound up during the year and removed from the Companies register in August 2021.

Chairman's Report

I am pleased to present the 2021 Annual Report of Invercargill City Holdings Limited.

Invercargill City Holdings Limited has continued the journey it commenced with Invercargill City Council in 2019. Major events for the year include:

- Settlement of the sale of Invercargill City Forests Limited forest estate;
- Repayment of $30m loan from Invercargill City Council;
- Restructure of Invercargill Airport Limited shareholding;
- Transitioning to borrowing from the Local Government Funding Authority;
- Completing the equity investment of $38.5M in Invercargill Central Limited. This has been funded by an increase in the equity holding of Invercargill City Council. An additional investment of $4.7M has been made post year end.

The Group produced a profit after tax of $5.204M compared to $9.042M (restated) last year. The Directors of Invercargill City Holdings Limited are satisfied that the changes 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 resolved a dividend of $4.886M for the financial year. In working with Invercargill City Council on a group tax strategy a further subvention payment of $1.492M was identified and utilised in this financial year. This led to a total distribution of $6.378M to ICC.

Invercargill City Property Limited produced an after tax loss of $262,000 this year compared to a loss of $285,000 last year. Invercargill City Property Limited has loans to HWCP Management Limited which still retains some land. While sales of those parcels have not been finalised at this time, the Directors of Invercargill City Property Limited's objective is to recover its investment in HWCP Management Limited when those transactions are completed.

The Electricity Invercargill Limited group produced an after tax profit of $6.13m compared to $5.75m last year. The profit reflects the impact of the fall in line charges set by the Commerce Commission. There was a prior period adjustment for the investment of Electricity Invercargill Limited in the Southern Generation Limited Partnership. This has no impact on cash flow. Operating surplus before taxation, subvention and fair value adjustments, was $8.550m compared to $8.811m last year. Both SAIDI (System Average Interruption Duration Index) and SAFI (System Average Interruption Frequency Index) were within the limit set for it. Electricity Invercargill Limited was able to claim the incentive for SADI. The Company continues to diversify its investments, including settlement of a small hydro scheme. Invercargill City Holdings Limited will continue to work with the Company in accordance with direction received from Invercargill City Council.

Invercargill Airport Limited continues to be impacted by COVID-19 however produced an after tax profit of $1.268M compared to $125,000 last year. Passenger numbers increased 4% from the year before and returned to pre COVID-19 levels by year end. Invercargill Airport Limited has continued to function without needing to draw further funds from Invercargill City Holdings Limited. Invercargill Airport Limited is exploring opportunities for development of its existing infrastructure. The jet service direct to Auckland, when it is able to operate, remains very popular and continues to be one of Air New Zealand's best performing routes. The focus now is on continuing to grow flight and passenger volumes and stabilising the financial performance of the Company.

Invercargill Central Limited has progressed with the construction of the inner city development. Invercargill City Holdings Limited continues to monitor the investment on behalf of Invercargill City Council with stage 1 planned for opening in June 2022.

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, 2021

	NOTE	GROUP 2021 $000	GROUP RESTATED* 2020 $000	GROUP RESTATED* 1 JULY 2019 $000
ASSETS				
Current assets				
Cash and cash equivalents	8	8,381	3,201	4,147
Trade and other receivables	9	3,142	2,576	2,678
Inventories		5	8	8
Non-current assets held for sale		-	11,396	-
Forestry assets held for sale	11	-	31,041	-
Intangible assets		-	3,195	-
Total current assets		**11,528**	**51,417**	**6,833**
Non-current assets				
Property, plant and equipment	10	119,994	114,303	124,248
Intangible assets		-	-	320
Investment property	12	5,170	4,200	4,250
Forestry assets		-	-	24,249
Capital work in progress		2,848	2,727	2,368
Investments in associates and joint ventures	13, 14	137,138	117,796	80,434
Advances to associates and joint ventures		10,301	10,105	13,170
Other financial assets		118	118	118
Deferred tax asset	18	1,314	2,099	1,618
Total non-current assets		**276,883**	**251,348**	**250,775**
Total assets		**288,411**	**302,765**	**257,608**
LIABILITIES				
Current liabilities				
Derivative financial instruments	25	123	175	88
Trade and other payables	15	4,103	3,862	5,567
Employee benefit liabilities	16	124	100	56
Provisions		-	1,000	-
Borrowings	17	101,931	16,777	16,777
Tax payable		1,310	1,107	(18)
Total current liabilities		**107,591**	**23,021**	**22,470**
Non-current liabilities				
Derivative financial instruments	25	4,257	7,321	5,689
Borrowings	17	-	115,450	107,800
Deferred tax liability	18	23,739	27,041	24,256
Total non-current liabilities		**27,996**	**149,812**	**137,745**
Total liabilities		**135,587**	**172,833**	**160,215**

	NOTE	GROUP 2021 $000	GROUP RESTATED* 2020 $000	GROUP RESTATED* 1 JULY 2019 $000
EQUITY				
Share capital	19	65,793	50,293	25,292
Retained earnings	19	54,562	48,843	44,552
Other reserves	19	32,469	30,796	27,549
Total equity attributable to the equity holders of the company		**152,824**	**129,932**	**97,393**
Equity is attributable to:				
Parent entity	19	151,040	128,184	95,649
Minority interest	19	1,784	1,748	1,744
		152,824	**129,932**	**97,393**

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.

** The prior period comparative numbers have been restated as set out in Note 1.*

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	GROUP 2021 $000	GROUP RESTATED* 2020 $000
INCOME			
Revenue from contracts with customers	2	23,994	25, 831
Rental income		2,103	2,049
Other gains	3	970	7,985
Total income		**27,067**	**35,865**
EXPENDITURE			
Employee expenses	5	1,178	982
Depreciation	10	6,065	6,123
Biological asset Cost of Goods Sold		-	228
Other expenses	4	15,310	19,283
Total operating expenditure		**22,553**	**26,616**
Finance income	6	356	590
Finance expenses	6	3,372	3,898
Net finance expense		**(3,016)**	**(3,308)**
Operating profit/(loss) before tax		**1,498**	**5,941**
Share of associate and joint ventures surplus/(deficit)	13, 14	4,399	5,295
Profit/(loss) before tax		**5,897**	**11,236**
Income tax expense	7	693	2,194
Profit/(loss) after tax		**5,204**	**9,042**
OTHER COMPREHENSIVE INCOME			
To be classified to surplus or deficit in subsequent periods:			
Property, Plant and Equipment revaluation gains/(losses) - pre tax	19	4,830	3,244
Carbon credit revaluation gains/losses	19	-	1,291
Cash flow hedges	19	2,244	(1,238)
Total other comprehensive income		**7,074**	**3,297**
TOTAL COMPREHENSIVE INCOME		**12,278**	**12,339**
Total comprehensive income attributable to:			
Equity holders of the Company		12,242	12,316
Minority interest		36	23
		12,278	**12,339**

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.

** The prior period comparative numbers have been restated as set out in Note 1.*

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	GROUP 2021 $000	GROUP RESTATED* 2020 $000
BALANCE AT 1 JULY		129,932	97,393
Total Comprehensive Income for the year	19	12,278	12,339
Distributions to shareholders			
Dividends paid/declared	19	(4,886)	(4,800)
Contributions from Shareholders			
Shares issued and paid up	19	15,500	25,000
Balance at 30 June		152,824	129,932
Attributable to:			
Equity holders of the company		151,040	128,184
Minority Interest		1,784	1,748
Balance at 30 June		152,824	129,932

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.

** The prior period comparative numbers have been restated as set out in Note 1.*

Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	GROUP 2021 $000	GROUP 2020 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		428	517
Receipts from other revenue		26,000	27,837
Payments to suppliers and employees		(15,845)	(18,693)
Interest paid		(3,473)	(3,813)
Income tax (paid) / refund		(5,404)	861
Goods and services tax [net]		111	(66)
Subvention payment		(1,504)	(2,189)
Net cash from operating activities		**312**	**4,454**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		11,303	34
Proceeds from sale of biological assets		31,041	1,004
Dividends received from associates/joint ventures		5,731	6,223
Proceeds from sale of carbon credits		3,195	-
Purchase of intangible assets		-	(1,082)
Purchase of property, plant and equipment		(5,246)	(7,427)
Advances made to associates/joint ventures		(196)	3,064
Investments in associates/joint ventures		(20,674)	(35,066)
Net cash from investing activities		**25,154**	**(33,250)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		31,500	18,500
Repayment of borrowings		(62,400)	(10,850)
Proceeds from equity (share issue)		15,500	25,000
Dividends paid		(4,886)	(4,800)
Net cash from financing activities		**(20,286)**	**27,850**
NET (DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS		**5,180**	**(946)**
Cash, cash equivalents and bank overdrafts at the beginning of the year		3,201	4,147
Cash, cash equivalents and bank overdrafts at the end of the year	8	**8,381**	**3,201**

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 PROFIT / (LOSS) TO NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES

	GROUP 2021 $000	GROUP RESTATED* 2020 $000
RECONCILIATION WITH REPORTED OPERATING SURPLUS		
Net profit after tax	5,204	9,042
Add/(deduct) non-cash items:		
Depreciation	6,065	6,123
Net (profit)/loss on sale of fixed assets	195	136
Impairment of trade receivables	49	-
Change in fair value of investment property	(970)	50
Change in fair value of biological assets	-	(8,035)
Biological assets - Cost of Goods Sold	-	228
Increase/(decrease) in deferred taxation	(5,269)	1,380
Associate /joint venture post-acquisition profits	(4,399)	(5,295)
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	(974)	(17)
(Increase)/decrease in inventories	3	-
(Increase)/decrease in prepayments	77	(31)
Increase/(decrease) in accounts payable and accruals	1,030	(1,266)
Increase/(decrease) in provisions	(1,000)	1,000
Increase/(decrease) in GST/taxation	301	1,139
Net cash inflow (outflow) from operating activities	**312**	**4,454**

** The prior period comparative numbers have been restated as set out in Note 1.*

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 2020	16,777	115,450	132,227
CASHFLOWS			
Proceeds	-	31,500	31,500
Repayments	-	(62,400)	(62,400)
30 June 2021	**16,777**	**84,550**	**101,327**

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2021

REPORTING ENTITY

Invercargill City Holdings Limited ("the Company") is a Council Controlled Trading 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% owned)
- 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 2021. The financial statements were authorised for issue by the Board on 26 November 2021. The entities directors do not have the right to amend the financial statements after issue.

BASIS OF PREPARATION

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

The Group is a Tier 1 for profit entity, as the Group 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 Group is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the reporting date.

SUBSIDIARIES

The Company consolidates as subsidiaries in the group financial statements all entities where the Company has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity.

This power exists where the Company controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Company or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Company measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

BASIS OF CONSOLIDATION

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

ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the 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 Group's share of the surplus or deficit after the date of acquisition. The Group's share of the surplus or deficit is recognised in the Group's Statement of Comprehensive Income. Distributions received reduce the carrying amount of the investment.

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

GOVERNMENT GRANTS

Government grants related to assets are recognised by deducting the grant in arriving at the carrying amount of the asset when they become receivable, unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation the grant is initially recorded as grants received in advance and then recognised as a deduction to the asset when the conditions of the grant are satisfied.

Government grants related to income are recognised as revenue or a deduction in expenses when they become receivable, unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue or a deduction in expenses when conditions of the grant are satisfied.

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 Groups 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 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 Group 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

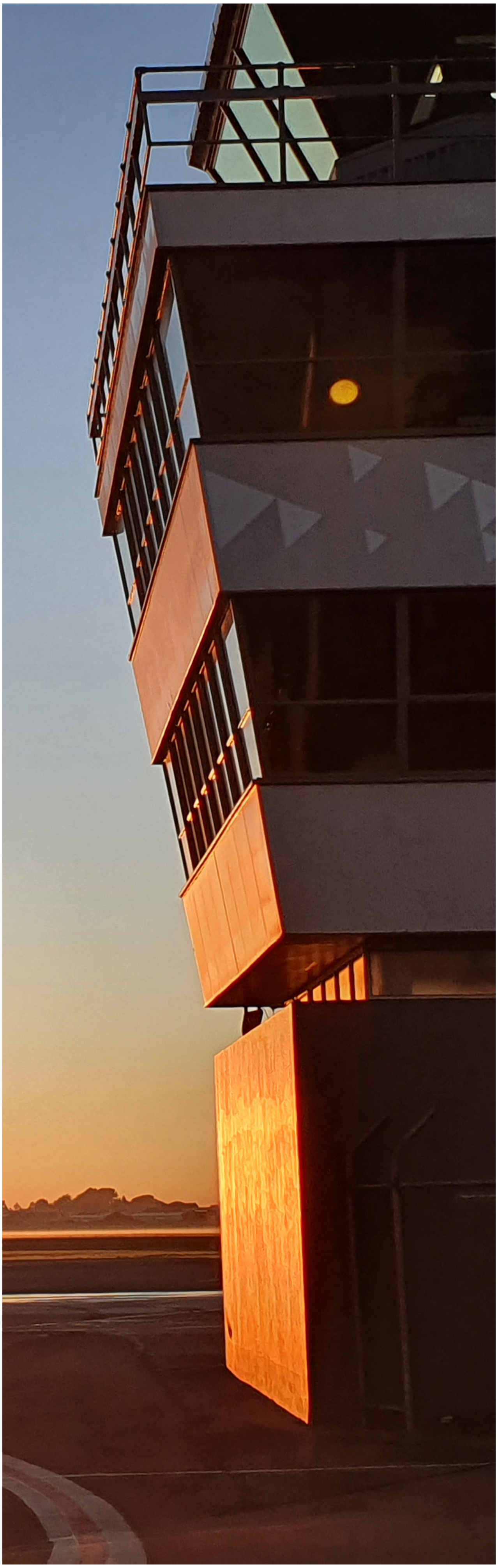
The Company uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

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 are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

All leases are classified as leases of right-of-use assets unless they meet the definition of short term or low value leases, or are sub-let. Lease payments that are short-term or low value are recognised as an expense on a straight-line basis over the lease term.

Lease liability payments are allocated between principal and finance cost over the term of the lease.

Right-of-use assets are depreciated over the shorter of the assets estimated useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the assets useful life.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

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.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required and the amount can be estimated reliably. The timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date.

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:

- There are estimates and judgements made to determine the fair value of investment property. These are discussed in Note 12. The most sensitive assumption on the valuation is that Hangar 1 and 2 will be demolished in the next two years (2020: two years).
- Invercargill Airport Limited - determination of the recoverable amount of assets.

  For 2020, due to the impact of COVID-19, and its impact on the economy and air travel, an impairment assessment was carried out by Peter Seed of Airbiz, an independent expert effective 30 June 2020. The following major inputs and assumptions were adopted:

  - The forecast free cashflows reflect the charges determined following the 2019 aeronautical pricing consultation with airline customers.
  - Expected revenues also reflect expected passenger numbers. There is uncertainty around forecast future passenger movements. The forecasts assume a significant reduction in passengers during the 2021 and 2022 financial years with a recovery back to pre-COVID-19 levels occurring in the 2023 financial year.
  - The weighted average cost of capital (WACC) used ranges from 4.51% to 5.91% (average WACC rate of 5.33%) depending on the asset class.

    The assessment indicated that the value of property, plant and equipment was not impaired. The assessment is sensitive to the WACC applied. An impairment arises if the WACC for all asset classes is increased by any amount more than 1.85% (resulting average WACC of 7.17%).

    As at 30 June 2020, The Company's estimates of passengers, recovery and growth rates remain uncertain and dependent on a number of factors with respect to COVID-19 including restrictions on domestic travel, border controls for international travel, public demand and behaviour with respect to travel and airline scheduling. Material changes in any of these factors might have a material impact on the Company's estimates of income and cashflows used in the valuations and fair value assessments at 30 June 2020.

    For 30 June 2021, the directors have assessed that there are no indicators of impairment and no impairment assessment has been performed. This is because the Company exceeded its estimates for passengers, recovery and growth rates, and its profit exceeded budget.

- 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 31 March 2021. 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

There have been no new standards adopted during the financial year.

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

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the period 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.

IMPACT OF COVID-19

The COVID-19 pandemic continues to cause widespread economic and social disruption around the world.

Invercargill Airport Limited (IAL):
The recovery from 2020 lockdown has been a lot quicker than anticipated due to the strength of domestic travel. Passenger numbers have recovered to pre COVID-19 levels.

The Company continues to monitor the risks and ongoing impacts from COVID-19 on the business.

Electricity Invercargill Limited Group (EIL):
As an electricity distribution and generation business, the Group is deemed to be an essential service provider and was not largely impacted by the COVID-19 restrictions during the year. New industry operating and health an safety procedures were adopted to enable the Group to continue maintaining the network assets and deliver electricity services.

The Group continues to monitor the risks and ongoing impacts from COVID-19 on the business.

Invercargill City Property Limited (ICPL):
COVID-19 had no significant impact on the Company.

1. RESTATEMENT OF INVESTMENT IN SOUTHERN GENERATION LIMITED PARTNERSHIP

The investment in joint ventures for the 2020 and 2019 opening Statement of Financial Position and the share of result of joint ventures for 2020 have been restated. The adjustment reflects the impact on the historic share of the result of joint ventures from a restatement associated with the incorrect accounting treatment of power purchase and off take agreements within the financial statements of the joint venture Southern Generation Ltd Partnership.

Within the joint venture, the nature of the power purchase and off take agreements entered into was reconsidered during the year. These agreements were historically treated as derivatives carried at fair value. However, on reassessment it was determined that the joint venture is not a market participant and has no ability to sell electricity directly to the market, therefore the agreements do not meet the definition of derivatives. On reassessment, one of the power purchase agreements previously treated as a derivative was deemed to be a favourable customer contract acquired with the original fixed assets and is now recognised as an asset at cost and amortised over the life of the contract within the joint venture.

The following tables summarise the impact of the incorrect accounting treatment on the financial statements in the prior period. There has been no impact on cash flows:

	30 JUNE 2020			30 JUNE 2019		
STATEMENT OF FINANCIAL POSITION (EXTRACT)	**PREVIOUS AMOUNT $000**	**ADJUSTMENT $000**	**RESTATED AMOUNT $000**	**PREVIOUS AMOUNT $000**	**ADJUSTMENT $000**	**RESTATED AMOUNT $000**
Investment in associates and joint ventures	119,246	(1,450)	117, 796	79,434	1,000	80,434
Retained earnings	50,293	(1,450)	48,843	43,552	1,000	44,552
STATEMENT OF COMPREHENSIVE INCOME (EXTRACT)						
Share of associate and joint ventures surplus/(deficit)	7,745	(2,450)	5,295			
Profit/(loss) after tax	11,492	(2,450)	9,042			
Total comprehensive income	14,789	(2,450)	12,339			

2. 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.

Finance 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 2021 $000	GROUP 2020 $00
Electricity Distribution Services	19,541	20,883
Airport Services	4,419	4,158
Forestry Services	-	744
Other income	92	46
	24,052	**25,831**

3. OTHER GAINS AND LOSSES

Change in fair value of biological assets	-	8,035
Change in fair value of investment property	970	(50)
	970	**7,985**

4. OTHER EXPENSES (INCLUDES)

	GROUP 2021 $000	GROUP 2020 $00
Forestry costs	234	2,245
Network costs	8,993	9,250
Transmission costs	5,651	6,604
Auditor's renumeration to Audit New Zealand comprises:		
• audit of financial statements	87	107
• 2020 audit fee recovery	24	-
Auditor's remuneration to other auditors comprises:		
• audit of financial statements	59	49
• audit of default price path	34	30
• audit of regulatory disclosures	47	46

5. EMPLOYEE EXPENSES

Wages and salaries	1,145	953
Defined contribution expenses	33	29
Total employee expenses	1,178	982

During 2020 Invercargill Airport received the Government's 12 week wage subsidy. This has been netted against staff costs. The Company also received the Government's 8 week wage subsidy extension. The wage subsidy extension has been recognised as grants in advance at balance date. There is an obligation to repay the wage subsidy extension if the Company no longer meets the criteria for the subsidy during the 8 week period.

6. FINANCE INCOME AND EXPENSE

	GROUP 2021 $000	GROUP 2020 $000
Finance income		
Interest income on bank deposits	356	590
Total finance income	356	590
Financial expense		
Interest expense on financial liabilities measured at amortised cost	3,372	3,898
Total financial expenses	3,372	3,898
Net finance costs	(3,016)	(3,308)

7. INCOME TAX EXPENSE

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.

In March 2020, the Government re-introduced the deductibilty of depreciation on buildings for tax purposes for buildings not primarily used for residential accommodation. This amendment applies from 1 April 2020. The impact of this change increases the tax base for these assets, giving rise to a reduced difference between the carrying cost and tax base and results in a reduction in deferrred tax liability and reduction in tax expense. In general, the reduction in deferred tax on buildings only applies to pre-May 2010 buildings, and has therefore not had a significant impact on the accounts.

	GROUP 2021 $000	GROUP RESTATED* 2020 $000
Current tax expense		
Current period	8,316	2,410
Adjustment for prior periods	(2,354)	(1,596)
Total current tax expense	**5,962**	**814**
Deferred tax expense		
Origination and reversal of temporary differences	(5,226)	1,394
Adjustment for prior periods	(43)	(11)
Other	-	(3)
Total deferred tax expense	**(5,269)**	**1,380**
Total income tax expense	**693**	**2,194**
Reconciliation of effective tax rate		
Profit for the year	4,956	11,236
Permanent difference	941	-
Profit excluding income tax	5,897	11,236
Tax at 28%	1,651	3,146
Group loss offset	-	(12)
Permanent Differences	(116)	649
Change in recognised temporary differences	-	-
Under/(over) provided in prior periods	(258)	(7)
• Subvention payment made in respect of prior period	(1,147)	(1,600)
• Expenses not deductible	563	18
Total income tax expense	693	2,194
Effective Tax Rate	14%	20%
Imputation credits available for use in subsequent periods	**3,556**	**5,456**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquied 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 2021 $000	GROUP 2020 $000
Call deposits	3,800	530
Cash and cash equivalents	4,581	2,671
Cash and cash equivalents in the statement of financial position and statement of cashflows	**8,381**	**3,201**

9. 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 2021 $000	GROUP 2020 $000
Trade receivables	2,769	2,154
Less allowance for expected credit losses	(49)	-
GST receivable	-	21
Prepayments	54	186
Related party receivables	77	95
Accrued revenue	291	120
	3,142	**2,576**

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 20.

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 2021 $000	GROUP 2020 $000
Not past due	2,607	2,138
Past due 30-60 days	39	6
Past due 61-90 days	-	-
Past due more than 90 days	123	10
Total	**2,769**	**2,154**

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 Group 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 Group 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%–19.2% Straight Line
(b) Furniture and Fittings	
- Invercargill Airport Limited	9.6%–30% Diminishing Value and 6% to 21% Straight Line
(c) Plant	
- Invercargill Airport Limited	8%–67% Diminishing Value and 6% - 67% Straight Line
- Invercargill City Forests Limited	13%–67% Diminishing Value
(d) Motor Vehicles	
- Invercargill Airport Limited	10%–15.6% Diminishing Value
(e) Network Assets	
- Electricity Invercargill Limited	1%–15% Straight Line
(f) Other Airport Assets	
- Carpark and fencing	1%–21% Straight Line
- Runway, Apron and Taxiway (Base-course and sub-base)	3% Straight Line
- Top Surface (Runway)	8.3% Straight Line
- Top Surface (Apron and Taxiway)	6.7% Straight Line
- Roads, carparks and stop banks	3% Straight Line
(g) Forestry Road improvements	6% Diminishing Value

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 Group 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.

GROUP ($000)	COST/ REVALUATION	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES	CARRYING AMOUNT	CURRENT YEAR ADDITIONS - COST	CURRENT YEAR DISPOSALS - COST	CURRENT YEAR DISPOSALS - DEPRECIATION	CURRENT YEAR DEPRECIATION	REVALUATION - SURPLUS	REVALUATION CORRECTION DEPRECIATION	COST/ REVALUATION	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES	CARRYING AMOUNT
2021	**1 July 2020**									**30 June 2021**		
Land	509	-	509	-	-	-	-	-	-	509	-	509
Gravel and Fencing	4,305	1,334	2,971	2	18	5	173	-	-	4,289	1,502	2,787
Buildings, Yards and Terminals	7,285	1,104	6,181	-	-	-	217	-	-	7,285	1,321	5,964
Network Assets	124,019	29,196	94,823	4,997	343	261	4,293	590	(6,119)	129,263	27,109	102,154
Plant and Equipment	2,714	2,166	548	23	22	17	112	-	-	2,715	2,261	454
Motor Vehicles	2,610	2,528	82	-	-	-	10	-	-	2,610	2,538	72
Furniture and Fittings	5,538	2,175	3,363	127	5	2	431	-	-	5,660	2,604	3,056
Runway, Taxiways and Apron	14,974	9,148	5,826	-	-	-	829	-	-	14,974	9,977	4,997
Total assets	**161,954**	**47,651**	**114,303**	**5,149**	**388**	**285**	**6,065**	**590**	**(6,119)**	**167,305**	**47,312**	**119,994**

GROUP ($000)	COST/ REVALUATION	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES	CARRYING AMOUNT	CURRENT YEAR ADDITIONS - COST	CURRENT YEAR DISPOSALS - COST	CURRENT YEAR DISPOSALS - DEPRECIATION	TRANSFERS TO NON-CURRENT ASSETS HELD FOR SALE - COST	TRANSFER TO NON-CURRENT ASSETS HELD FOR SALE - DEPRECIATION	CURRENT YEAR DEPRECIATION	REVALUATION - SURPLUS	COST/ REVALUATION	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES	CARRYING AMOUNT
2020	**1 July 2019**										**30 June 2020**		
Land	509	-	509	-	-	-	-	-	-	-	509	-	509
Forestry Land	9,038	-	9,038	-	-	-	9,961	-	-	923	-	-	-
Gravel and Fencing	4,050	1,162	2,888	262	7	3	-	-	175	-	4,305	1,334	2,971
Buildings, Yards and Terminals	7,043	887	6,156	242	-	-	-	-	217	-	7,285	1,104	6,181
Network Assets	119,211	25,452	93,759	5,458	650	499	-	-	4,243	-	124,019	29,196	94,823
Plant and Equipment	2,694	2,048	646	47	27	21	-	-	139	-	2,714	2,166	548
Motor Vehicles	2,610	2,517	93	-	-	-	-	-	11	-	2,610	2,528	82
Furniture and Fittings	4,953	1,757	3,196	585	-	-	-	-	418	-	5,538	2,175	3,363
Runway, Taxiways and Apron	14,756	8,320	6,436	218	-	-	-	-	828	-	14,974	9,148	5,826
Roading	2,151	623	1,528	-	-	-	2,151	715	92	-	-	-	-
Total assets	**167,015**	**42,766**	**124,249**	**6,812**	**684**	**523**	**12,112**	**715**	**6,123**	**923**	**161,954**	**47,651**	**114,303**

During the 2020 year the Group received a $500,000 grant from the Provincial Growth Fund. The grant was in recognition that Air New Zealand was to commence a 12 month pilot of scheduled jet services from Auckland to Invercargill on 25 August 2019 and the Group needed to rapidly deliver urgent airside and non-airside upgrades to handle the scheduled jet services including:

- construction of facilities to manage increased freight volumes, specialised loading and security screening for baggage and passengers;
- installation of hardstands suitable for A320 and A321 aircraft;
- security designation changes including enhanced physical security arrangements; and
- increased emergency response support.

The grant funds have been deducted in arriving at the carrying amount of the asset.

There are no unfulfilled conditions but a contingency for repayment exists for a 10 year term from 31 October 2019 if the Group either:

- sells, disposes or transfers the asset , without the Ministry's prior written consent; or
- the asset will no longer be used for the purpose intended.

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

Forestry 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 2020. All forestry land was sold during the year.

For 2020, while the parties had agreed the terms of sale of the estate prior to 30 June 2020 the sale was not completed until 2021. The assets held for sale have been reclassified as non-current assets held for sale. The recorded value reflects the terms of the negotiated sale less the costs to sell.

Network assets:
The value of the network assets owned by Electricity Invercargill Limited, had it been carried at the cost model, would be $70,753,000 at 31 March 2021 ($70,129,000 at 31 March 2020).

The network assets of Electricity Invercargill Limited were revalued to fair value using discounted cash flow methodology on 31 March 2021 by Ernst & Young, who is an independent valuer. This resulted in a revaluation increase movement of $6,709,000.

The following valuation assumptions were adopted:

- The free cash flows was based on the Company's three year business plan, an inflationary increase of 2% in year four, and last five years have been prepared based on Default Price Quality Path regime for 2025-2030, and asset management plan adjusted for non recurring or non-arms length transactions and for transactions and for transactions that arise from expansionary growth in the network after the date of the valuation
- Estimated forward inflation rate range of 1.5% to 2.0% on capital expenditure
- The corporate tax rate used was 28%
- The weighted average cost of capital (WACC) used was 4.8%
- RAB multiple range of 1.0 times for the terminal value

11. BIOLOGICAL ASSETS AND FORESTRY ASSETS HELD FOR SALE

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 $000
Balance at 1 July 2019	24,249
Disposals	(1,015)
Forest Assets logged at cost	(228)
Change in fair value less estimated point-of-sale costs	8,035
Balance at 30 June 2020	**31,041**
Balance at 1 July 2020	31,041
Disposals	(31,041)
Balance at 30 June 2021	**-**

Biological assets held by the Group are forestry assets, which comprise of standing timber. At 30 June 2020, standing timber comprised approximately 3,301 hectares of plantations at 16 different locations. All forestry assets were sold during the year.

For 2020, while the parties had agreed the terms of sale of the estate prior to 30 June the sale was not completed until 2021. The assets held for sale have been reclassified as forestry assets held for sale. The recorded value reflects the terms of the negotiated sale less the costs to sell.

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.

For 2020, Invercargill City Forests has harvested a total of 47 hectares of pre-1990 forest that has to be replanted.

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.

12. 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 2021 $000	Group 2020 $000
Balance at 1 July	4,200	4,250
Change in fair value	970	(50)
Balance at 30 June	**5,170**	**4,200**

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 2021 and 2020, 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 (2020: 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 2021 and 2020 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.

For 2020 due to the impact of COVID-19 and the severe market disruption and lack of transactional data, the valuation of investment properties has been reported on the basis of material uncertainty, meaning less certainty and a higher degree of caution should be applied. The following major inputs and assumptions were adopted:

- An explicit allowance for rent rebates has been calculated. This does not include an allowance for operating expenses
- The capitalisation rate adopted on rental car tenancies pre COVID-19 has been softened by 50 points to price in the additional risks.
- With exception of Hangers 1 and 2, yields have been softened by 25 points.
- Hangers 1 and 2 have a remaining useful life of two years.

A material change in tenancy or a tenants' ability to meet lease payments from those used in the valuation model, may be a material impact on the investment property values.

For 2021 there is no uncertainty applied to the valuation and the capitalisation rate has not been adjusted for any COVID-19 impacts. It has been assumed that Hangars 1 and 2 have a remaining useful life of two years.

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

13. EQUITY ACCOUNTED ASSOCIATES

Associate Companies	Principal activity	Country of Incorporation	Percentage Held by Group 2021	Percentage Held by Group 2020	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

During the 2020 year, the Group acquired an additional 3,361,500 shares in Electricity Southland Limited, of the issue of 13,500,000 new shares.

The initial investment in HWCP Management Limited of $200,000 has been reduced to nil after the share of losses have been recognised. Further losses of $312,259 have not been recognised as the Groups share of the losses exceeds its interest in the associate.

The HWCP Management Limited associate has contingent liabilites as at 30 June 2021 of nil (2020:nil).

	Group 2021 $000	Group 2020 $000
Balance at beginning of year	4,965	1,562
Share of profit/(loss) from associates recognised in surplus or deficit the statement of comprehensive income	89	42
Investments in associates	-	3,361
Balance at end of year	**5,054**	**4,965**

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% 2021 $000	Electricity Southland Ltd 100% 2020 $000
Cash and cash equivalents	21	80
Other current assets	648	678
Total current assets	669	758
Non-current assets	33,796	28,864
Total assets	**34,465**	**29,622**
Current liabilities	2,223	1,891
Non-current liabilities	11,943	7,787
Total Liabilities	**14,166**	**9,678**
Net assets	**20,299**	**19,944**

Summarised Statement of Comprehensive Income includes:	Electricity Southland Ltd	
	100%	100%
	2021	2020
	$000	$000
Operating revenue	3,182	2,831
Interest expense	(276)	(603)
Depreciation	(737)	(643)
Profit before tax from continuing activities	692	456
Income tax expense	(337)	(287)
Total comprehensive income	**355**	**169**

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

	Electricity Southland Ltd	
	100%	100%
	2021	2020
	$000	$000
Closing net assets	20,299	19,944
Interest in associate	5,054	4,966

Summarised Statement of Financial Position	HWCP Management Ltd	
	100%	100%
	2021	2020
	$000	$000
Cash and cash equivalents	2,000	530
Other current assets	3,748	18,392
Total current assets	5,748	18,922
Non-current assets	499	500
Total assets	**6,247**	**19,422**
Current liabilities	6,872	19,620
Non-current liabilities	-	-
Total Liabilities	**6,872**	**19,620**
Net assets	**(625)**	**(198)**

Summarised Statement of Comprehensive Income includes:	HWCP Management Ltd	
	100%	100%
	2021	2020
	$000	$000
Operating revenue	15	314
Interest revenue	-	-
Interest expense	(315)	(446)
Depreciation	(1)	(3)
Profit before tax from continuing activities	(426)	4,868
Income tax expense	-	-
Total comprehensive income	**(426)**	**4,868**

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

	HWCP Management Ltd	
	100%	100%
	2021	2020
	$000	$000
Closing net assets	-	-
Interest in associate	-	-

14. EQUITY ACCOUNTED JOINT VENTURES

Joint Ventures	Principal activity	Country of Incorporation	Percentage Held by Group 2021	Percentage Held by Group 2020	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
Invercargill Central Limited****	Property Development	NZ	49.7%	46.4%	30 June

* *In February 2020, the remaining 9.68% shareholding in PowerNet Central Ltd was purchased by PowerNet Ltd. Following the completion of the acquisition, PowerNet Central Ltd was amalgamated in PowerNet Ltd on 31 March 2020.*

** *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.*

**** *In December 2020 Invercargill City Holdings Limited made an additional investment of $13,500,000 in Invercargill Central Limited.*

In March 2021, the partners entered into a conditional agreement to purchase three Hydro Stations from The Lines Company in the Eastland and King Country area with an expected settlement date in July 2021.

	Group 2021 $000	Group Restated* 2020 $000
Balance at beginning of year	112,830	78,871
Investments in joint ventures	20,674	31,705
Share of profit from joint ventures recognised in surplus or deficit the statement of comprehensive income	4,311	5,253
Revaluation gain on network assets	-	3,224
Distributions from joint ventures	(5,731)	(6,223)
Balance at end of year	**132,084**	**112,830**

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% 2021 $000	PowerNet Limited Group 100% 2020 $000
Cash and cash equivalents	1,399	3,503
Other current assets	23,689	25,679
Total current assets	25,088	29,182
Non-current assets	36,658	36,095
Total assets	**61,746**	**65,277**
Current liabilities	12,583	13,088
Non-current liabilities	44,851	46,614
Total Liabilities	**57,434**	**59,702**
Net assets	**4,312**	**5,575**

Summarised Statement of Comprehensive Income includes:	PowerNet Limited Group	
	100%	100%
	2021	2020
	$000	$000
Operating revenue	81,218	88,795
Interest revenue	-	2
Interest expense	(1,511)	(2,092)
Depreciation	(3,424)	(3,592)
Profit before tax from continuing activities	2,694	3,409
Income tax expense	(645)	(718)
Total comprehensive income	**2,049**	**2,691**

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

	PowerNet Limited Group	
	100%	100%
	2021	2020
	$000	$000
Closing net assets	4,312	5,575
Interest in joint venture	2,156	2,788

Summarised Statement of Financial Position	OtagoNet Joint Venture	
	100%	100%
	2021	2020
	$000	$000
Cash and cash equivalents	767	809
Other current assets	4,007	4,247
Total current assets	4,774	5,056
Non-current assets	214,260	206,327
Total assets	**219,034**	**211,383**
Current liabilities	4,914	7,850
Non-current liabilities	894	687
Total Liabilities	**5,808**	**8,537**
Net assets	**213,226**	**202,846**

Summarised Statement of Comprehensive Income includes:	OtagoNet Joint Venture	
	100%	100%
	2021	2020
	$000	$000
Operating revenue	31,970	34,584
Interest revenue	3	10
Interest expense	(7)	(8)
Depreciation	(8,071)	(7,369)
Profit before tax from continuing activities	10,060	10,618
Income tax expense	-	-
Other comprehensive income	-	12,945
Total comprehensive income	**10,060**	**23,563**

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

	OtagoNet Joint Venture 100% 2021 $000	OtagoNet Joint Venture 100% 2020 $000
Closing net assets	213,226	202,846
Interest in joint venture	53,093	50,509

Summarised Statement of Financial Position

	Roaring Forties Energy Limited Partnership 100% 2021 $000	Roaring Forties Energy Limited Partnership 100% Restated* 2020 $000
Cash and cash equivalents	34	15
Other current assets	-	7
Total current assets	34	22
Non-current assets	80,247	72,139
Total assets	**80,281**	**72,161**
Current liabilities	30	21
Non-current liabilities	-	-
Total Liabilities	**30**	**21**
Net assets	**80,251**	**72,140**

Summarised Statement of Comprehensive Income includes:

	Roaring Forties Energy Limited Partnership 100% 2021 $000	Roaring Forties Energy Limited Partnership 100% Restated* 2020 $000
Operating revenue	4,306	4,382
Profit before tax from continuing activities	4,001	4,064
Income tax expense		-
Total comprehensive income	**4,001**	**4,064**

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

	Roaring Forties Energy Limited Partnership 100% 2021 $000	Roaring Forties Energy Limited Partnership 100% Restated* 2020 $000
Closing net assets	80,251	72,140
Interest in joint venture	40,126	36,070

Summarised Statement of Financial Position	Invercargill Central Limited 100% 2021 $000	Invercargill Central Limited 100% 2020 $000
Cash and cash equivalents	1,772	4,502
Other current assets	1,096	29,508
Total current assets	2,868	34,010
Non-current assets	78,071	37,863
Total assets	**80,939**	**71,873**
Current liabilities	4,812	18,039
Non-current liabilities	-	-
Total Liabilities	**4,812**	**18,039**
Net assets	**76,127**	**53,834**

Summarised Statement of Comprehensive Income includes:	Invercargill Central Limited 100% 2021 $000	Invercargill Central Limited 100% 2020 $000
Operating revenue	-	-
Interest revenue	5	-
Depreciation	(2)	-
Profit before tax from continuing activities	(1,207)	(83)
Income tax expense	-	-
Total comprehensive income	**(1,207)**	**(83)**

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

	Invercargill Central Limited 100% 2021 $000	Invercargill Central Limited 100% 2020 $000
Closing net assets	76,127	53,834
Interest in joint venture	37,859	24,962

15. TRADE AND OTHER PAYABLES

	Group 2021 $000	Group 2020 $000
Trade payables	140	514
Directors fees payable	5	6
Accrued expenses	1,009	1,446
Retentions	49	49
Amounts due to other related parties	2,060	1,761
GST payable	130	-
Income in advance	710	86
Total trade and other payables	**4,103**	**3,862**

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.

16. 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 2021 $000	Group 2020 $000
Annual leave	124	100
	124	**100**
Comprising		
Current	124	100
Non-current	-	-
Total employee benefit liabilities	**124**	**100**

17. 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 2021 $000	Group 2020 $000
Current		
Redeemable preference shares	16,777	16,777
Secured loans	85,154	-
Total current borrowings	**101,931**	**16,777**
Non-current		
Secured loans	-	115,450
Total non-current borrowings	**-**	**115,450**

The BNZ borrowing facility matured in August 2021 and was replaced with a Local Government Funding Agency facility. The loan has been reclassified to a current liability due to the change in provider and the facility maturing within 12 months of balance date.

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 3.26% (2020: 3.41%) with hedging refer note 27.

The total BNZ borrowing facility is $100m (2020: $100m) made up of $35m maturing in August 2021 and $65m maturing in August 2021. 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 $100m facility has been subsequently replaced with a Local Government Funding Agency (LGFA) facility in August 2021.

ICHL borrows from ICC based on the borrowing rate of ICC plus a margin. For 2020, the total ICC borrowing facility of $30m is made up of two loans, being:

- $15m maturing in April 2021 with a fixed interest rate of 3.66%
- $15m maturing in December 2020 with a current effective interest rate payable of 2.09%

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

The ICC borrowings of $30m was repaid during the year.

The Redeemable Preference Shares (RPS) 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 RPS the amounts paid up on the RPS, 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.

On July 8 2021 Invercargill City Holdings Limited issued a redemption notice in relation to the RPS on issue and the RPS were redeemed on 12 July 2021.

18. 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-19			30-JUN-20			30-JUN-21
	$000	$000	$000	$000	$000	$000	$000
Property, plant and equipment	20,339	77	903	21,319	145	1,879	23,343
Biological assets	3,836	2,819	-	6,655	(6,655)	-	-
Carbon Credits	-	-	495	495	(495)	-	-
Investment property	336	(14)	-	322	34	-	356
Derivatives	(1,617)	-	(481)	(2,098)	-	872	(1,226)
Provisions	-	(280)	-	(280)	280	-	-
Other items	49	(15)	-	34	6	-	40
Tax losses	(303)	(1,201)	-	(1,504)	1,416	-	(88)
Total movements	**22,640**	**1,386**	**917**	**24,943**	**(5,269)**	**2,751**	**22,425**

19. EQUITY

GROUP

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
	SHARE CAPITAL $000	**CASHFLOW HEDGING RESERVE $000**	**REVALUATION RESERVE $000**	**RETAINED EARNINGS $000**	**TOTAL $000**	**MINORITY INTEREST $000**	**TOTAL $000**
Balance at 1 July 2019	25,293	(4,161)	31,708	44,552	97,392	1,744	95,648
Surplus/(deficit) after tax	-	-	-	9,042	9,042	4	9,038
Other comprehensive income							
Property, Plant and Equipment Revaluation gains/(losses) - pre tax	-	-	3,244	-	3,244	-	3,244
Carbon credit revaluation gains/(losses)	-	-	1,793	-	1,793	-	1,793
Deferred tax on revaluation	-	-	(502)	-	(502)	-	(502)
Transfer of revaluation reserve to retained earnings due to asset disposal	-	-	(50)	50	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	(1,238)	-	-	(1,238)	-	(1,238)
Distributions to Shareholders							
Dividends paid/declared	-	-	-	(4,800)	(4,800)	-	(4,800)
Contributions from Shareholders							
Shares issued and paid up	25,000	-	-	-	25,000	-	25,000
Balance at 30 June 2020	**50,293**	**(5,399)**	**36,193**	**48,844**	**129,932**	**1,748**	**128,184**
Balance at 1 July 2020	50,293	(5,399)	36,193	48,844	129,932	1,748	128,184
Surplus/(deficit) after tax	-	-	-	5,204	5,204	36	5,168
Other comprehensive income							
Property, Plant and Equipment Revaluation gains/(losses) - pre tax	-	-	4,830	-	4,830	-	4,830
Transfer of revaluation reserve to retained earnings due to asset disposal	-	-	(5,400)	5,400	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	2,245	-	-	2,245	-	2,245
Distributions to Shareholders							
Dividends paid/declared	-	-	-	(4,886)	(4,886)	-	(4,886)
Contributions from Shareholders							
Shares issued and paid up	15,500	-	-	-	15,500	-	15,500
Balance at 30 June 2021	**65,793**	**(3,154)**	**35,623**	**54,562**	**152,824**	**1,784**	**151,040**

The Company has 42,398,202 ordinary shares that have been called and a further $100,000,000 (2020: $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).

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

The $100,000,000 of uncalled shares are held as security on the BNZ facility, refer note 17.

The Company issued a further 16,777,000 ordinary shares at $1.00 on 14 July 2021.

20. RELATED PARTY TRANSACTIONS

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

	Group 2021 $000	Group 2020 $000
Ultimate parent:		
(A) INVERCARGILL CITY COUNCIL		
Revenue		
Provision of services	30	30
Expenditure		
Provision of services	307	335
Interest payments	777	984
Purchase of management services	152	106
Dividends from Subsidiary to Parent	4,886	4,800
Subvention payment	1,492	2,227
Loss offset	3,807	5,727
Outstanding at balance date by Parent and Group	-	30,000
Outstanding at balance date to Parent and Group	-	-
B) POWERNET LIMITED		
Revenue		
Provision of services	229	374
Expenditure		
Provision of goods and services	8,970	10,554
Outstanding at balance date by Parent and Group	2,033	1,745
Outstanding at balance date to Parent and Group	58	80
Advances provided to (repaid by)	(775)	(334)
(C) ELECTRICITY SOUTHLAND LIMITED		
Revenue		
Provision of services	67	151
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	19	15
Advances provided to (repaid by)	971	(2,730)
(D) HWCP MANAGEMENT LIMITED		
Revenue		
Provision of services	315	315
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	1,090	776

	Group 2021 $000	Group 2020 $000
(E) SOUTHROADS LIMITED		
Revenue		
Provision of services	-	-
Expenditure		
Provision of goods and services	-	15
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-

There has been no related party transactions with Invercargill Central Limited with the exception of share transactions per note 14.

No related party transactions have been written off or were forgiven during the 2021 year (2020: nil).

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

Key management personnel compensation comprises:

	Group 2021 $000	Group 2020 $000
Short term employment benefits	346	276
Directors Fees	452	547

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.

21. COMMITMENTS AND OPERATING LEASES

	Group 2021 $000	Group 2020 $000
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	3,178	3,215

Investment commitments

In March 2021, the Group entered into a conditional agreement to purchase three small Hydro Stations from The Lines Company Ltd in the Eastland and King Country area. Settlement is expected to occur in July 2021.

Other commitments

The Group has a conditional commitment as at 31 March 2021 of $415,000 (2020: $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 (2020: Nil).

Operating leases as lessor

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.

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 2021 $000	Group 2020 $000
Non-cancellable operating leases as lessor		
Not later than one year	478	397
Later than one year and not later than five years	1,026	838
Later than five years	147	141
Total non-cancellable operating leases	**1,651**	**1,376**

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

22. CONTINGENCIES

Contingent assets:

2021 Year: Nil

2020 Year: Nil

Contingent liabilities:

During the 2020 year the Group received a $500,000 grant from the Provincial Growth Fund. The grant was in recognition that Air New Zealand was to commence a 12 month pilot of scheduled jet services from Auckland to Invercargill on 25 August 2019 and the Company needed to rapidly deliver urgent airside and non-airside upgrades to handle the scheduled jet services.

A contingency for repayment exists for a 10 year term from 31 October 2019 if the Company either:

- sells, disposes or transfers the asset, without the Ministry's prior written consent; or
- the asset will no longer be used for the purpose intended

23. 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.

24. EVENTS AFTER THE BALANCE SHEET DATE

On 7 July 2021 the Company issued a redemption notice in relation to the redeemable preference shares (RPS) on issue and the RPS were redeemed on 12 July 2021.

The Company issued a further 16,777,000 ordinary shares at $1.00 on 14 July 2021.

The Company made additional investments in Invercargill Central Limited of $2,000,000 in July 2021 and $2,700,000 in August 2021.

On 17 August 2021 New Zealand went into Alert Level 4 lockdown following the discovery of community transmission of COVID-19. The Airport's operations ceased during Level 4 and Level 3 restrictions with the exception of essential travel services.

The Airport had a reduction in revenue of more than 40% and claimed the wage subsidy from the Ministry of Social Development which mitigated some of the impact of lockdown. Upon entering Alert Level 2 the Airport was able to resume operations and the flight schedule has built to almost the pre-lockdown schedule with the exception of the Auckland jet which is not expected to resume until Auckland moves to Level 2.

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

25. 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 $8.3 million (2020: $3.2 million) and trade receivables of $2.7 million (2020: $2.1 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.

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 2021:

			MATURITY DATES			
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-3 YEARS	> 3 YEARS	TOTAL
Group 2021	$000	$000	$000	$000	$000	$000
Financial Assets						
Cash and cash equivalents	8,381	8,381	8,381	-	-	8,381
Trade and other receivables	3,091	3,091	3,091	-	-	3,091
	11,472	**11,472**	**11,472**	**-**	**-**	**11,472**
Financial Liabilities						
Trade and other payables	3,944	3,944	3,944	-	-	3,944
Borrowings - secured loans	85,154	85,435	85,435	-	-	85,435
Borrowings - redeemable preference shares	16,777	16,777	16,777	-	-	16,777
	105,271	**106,157**	**106,157**	**-**	**-**	**106,157**

The following table details the exposure to liquidity risk as at 30 June 2020:

			MATURITY DATES			
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-3 YEARS	> 3 YEARS	TOTAL
Group 2020	$000	$000	$000	$000	$000	$000
Financial Assets						
Cash and cash equivalents	3,201	3,201	3,201	-	-	3,201
Trade and other receivables	2,275	2,275	2,275	-	-	2,275
	5,476	**5,476**	**5,476**	**-**	**-**	**5,476**
Financial Liabilities						
Trade and other payables	3,809	3,809	3,809	-	-	3,809
Borrowings - secured loans	115,450	117,778	31,514	86,264	-	117,778
Borrowings - redeemable preference shares	16,777	16,777	16,777	-	-	16,777
	136,036	**138,364**	**52,100**	**86,264**	**-**	**138,364**

The interest rates on the Group's borrowings are disclosed in note 17.

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 2021:

			MATURITY DATES			
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-3 YEARS	> 3 YEARS	TOTAL
Group 2021	$000	$000	$000	$000	$000	$000
Financial Assets						
Derivative financial instruments	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
Financial Liabilities						
Derivative financial instruments	4,380	5,060	1,655	2,452	953	5,060
	4,380	**5,060**	**1,655**	**2,452**	**953**	**5,060**
Net derivative financial liabilities	**4,380**	**5,060**	**1,655**	**2,452**	**953**	**5,060**

The following table details the exposure to liquidity risk as at 30 June 2020:

			MATURITY DATES			
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-3 YEARS	> 3 YEARS	TOTAL
Group 2020	$000	$000	$000	$000	$000	$000
Financial Assets						
Derivative financial instruments	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
Financial Liabilities						
Derivative financial instruments	7,496	8,269	1,776	3,535	2,958	8,269
	7,496	**8,269**	**1,776**	**3,535**	**2,958**	**8,269**
Net derivative financial liabilities	**7,496**	**8,269**	**1,776**	**3,353**	**2,958**	**8,269**

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 17.

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 2021 $000	Group 2020 $000
	Liability	**Liability**
Maturity < 1 year	8,000	10,000
Maturity 1-2 years	17,000	8,000
Maturity 2-3 years	17,500	17,000
Maturity 3-4 years	10,000	17,500
Maturity 4-5 years	14,000	10,000
Maturity 5-6 years	8,000	14,000
Maturity 6-7 years	-	8,000
Maturity 7-10 years	-	-
	74,500	84,500

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 2021 %	Company/Group 2020 %
Effectiveness	100	100

Sensitivity analysis on Financial Instruments

Borrowings: If interest rates on borrowings at 30 June 2021 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax by $143,022 (2020: $141,888) 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 2021 $000	+0.5% $000	-0.5% $000
Net Derivative financial asset/(Liability) - Cashflow Hedge	(4,380)	874	(892)
	Year 2020 $000	+0.5% $000	-0.5% $000
Net Derivative financial asset/(Liability) - Cashflow Hedge	(7,496)	1,178	(1,208)

26. 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 2021				Group 2020			
	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	-	-	-	-	-	-	31,041	31,041
Network Assets	-	-	93,627	93,627	-	-	86,415	86,415
Investment Property	-	-	5,170	5,170	-	-	4,200	4,200
Total Assets at Fair Value	**-**	**-**	**98,797**	**98,797**	**-**	**-**	**121,656**	**121,656**
Liabilities at Fair Value								
Derivatives	-	4,380	-	-	-	7,496	-	7,496
Total Liabilities at Fair Value	**-**	**4,380**	**-**	**-**	**-**	**7,496**	**-**	**7,496**

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.

For 2020, while the parties had agreed the terms of sale of the estate prior to 30 June 2020 the sale was not completed until 2021. The assets held for sale have been reclassified as forestry assets held for sale. The recorded value reflects the terms of the negotiated sale less the costs to sell.

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 (2020: 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 9.25% for 2021 (2020: 10.0%).

27. 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 five months of the end of the financial year. This time frame has been met.

Statement of Service Performance

FOR THE YEAR ENDED JUNE 30, 2021

The performance targets established in the 2021 Statement of Corporate Intent for Invercargill City Holdings Limited (ICHL) and the results achieved for the year ended 30 June 2021 follow.

Group Financial Performance Targets

	Group 2021 Target $000	Group 2021 Actual $000	Group 2020 Actual $000
Gross Revenue	16,896	31,822	41,750
Expenditure	(12,350)	(25,925)	(30,514)
Net Profit (Loss)	4,546	5,897	11,236
Tax	(345)	(693)	(2,194)
Group Net Profit/(Loss) after tax	4,201	5,204	9,042
Dividend to Invercargill City Council	4,886	4,886	4,800
Rate of Return (after tax) on Shareholders Funds	N/A	N/A	6.96%
Shareholder Funds to Total Assets	40.00%	52.98%	42.92%

Return on Commercial Investments (ICHL, EIL, ICFL)

ICHL is currently reviewing the manner in which its returns are reported to Invercargill City Council. In the interim ICHL will report, for its commercial investments rates of return on equity:

Rate of Return (after tax) on Shareholders Funds	6.13%	2.65%	N/A

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 2021 Target $000	Group 2021 Actual $000	Group 2020 Actual $000
System Average Interruption Duration Index (SAIDI)			
The average total time in minutes each customer connected to the network is without supply.			
SAIDI	33.95	22.98	49.23
System Average Interruption Frequency Index (SAIFI)			
The average number of times each customer connected to the network is without supply.			
SAIFI	0.70	0.38	0.98

EIL has met the SAIDI and SAIFI target for the year and were well below the supply quality limits set by the Commerce Commission.

EIL continues to respond to operating challenges through network upgrades to uphold the reliability of electricity supply. Investment is ongoing for the automation of network equipment to allow faster location, isolation and supply restoration following a fault.

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

Financial

The recovery from the 2020 COVID-19 lockdown has been a lot quicker than anticipated due to the strength of domestic travel. Passenger numbers have recovered to pre COVID-19 levels. As a result, financial results showed an after tax profit $1,268,000 compared to $125,000 for the prior year.

Passenger Numbers

Passenger numbers were 303,878 for the year against the passenger number target of 230,069. The passenger number target was not shown in the Statement of Intent, but was the number used for budgeting purposes. Actual passenger numbers increased by 4% from the prior year.

Operations

- Retain aerodrome certification via assessment from the Civil Aviation Authority

ACHIEVED

Regular programme of audits is undertaken by external auditor to verify ongoing compliance with exposition. Findings reviewed at safety management system review meetings and captured in the reporting system.

Infrastructure

- No significant disruption to airport operations due to infrastructure failure

There have been no significant disruptions to airport operations due to IAL owned or managed infrastructure failures. The condition of airside assets, particularly the sealed surfaces, were reviewed during the year with no significant issues identified.

Invercargill City Forests Limited (ICFL)

The Company was wound up following the completion of the sale of its estate.

Invercargill Central Limited

Invercargill Central Limited is an investment that has been fully funded by injection of further equity into Invercargill City Holdings Limited by Invercargill City Council. Invercargill Central Limited completed demolition in early 2020 with the building contractor mobilised to the site in August 2020. Invercargill Central Limited has actively managed the supply chain for the development given the size of the project and to date has not suffered any increase in costs or delay in the project as a result of supply chain issues. Project completion dates for Stage 1 of the development have been impacted by COVID restrictions however remain within required parameters. There has been no increase in the budgeted costs for the delivery of the project.

Parent Non-Financial Performance Targets

Corporate Governance

1. ICHL will clearly delineate the respective roles of ICHL, ICC and the subsidiary boards.

   ACHIEVED

   ICHL has engaged with the subsidiary boards to understand the role of ICHL as equity investor on behalf of ICC and debt funder through its treasury role. ICHL is working with the subsidiaries to ensure that they understand the requirements of ICC regarding strategic or investment objectives.

2. ICHL will ensure that its board is of an appropriate size and collectively has the skills, commitment and knowledge of ICHL and its subsidiaries to enable it to discharge its duties effectively and to add value.

   ACHIEVED

   ICHL has conducted board self-appraisal and assessment to monitor its ability to discharge its duties.

3. ICHL will instil and continually reinforce a culture of acting lawfully, ethically and responsibly.

   ACHIEVED

   ICHL monitors its subsidiaries through quarterly board attendance, to ensure that they have processes in place, and do in fact act in the manner expected by ICHL.

4. ICHL will have appropriate processes, including a audit and risk committee, to verify the integrity of its corporate reports.

   ACHIEVED

   Audit and risk committee meetings held during the year.

5. ICHL will make timely and balanced disclosure to ICC of all matters concerning it that a reasonable shareholder would expect to be made aware.

   ACHIEVED

   ICHL has regular meetings with ICC to inform it of ICHL's activities.

6. ICHL will provide ICC with appropriate information and opportunities to allow ICC to exercise its rights as shareholder.

   ACHIEVED

   ICHL has regular meetings with ICC where proposed actions are discussed and ICC is provided opportunity for input.

7. ICHL will have in place a risk management framework and will periodically review the effectiveness of that framework.

   ACHIEVED

   ICHL has a risk management framework that is reviewed by the audit and risk committee.

8. ICHL will work with ICC to ensure that its directors and staff are remunerated in a manner that attracts and retains high quality candidates and

aligns their interest with the creation of value for ICC and ICHL's values and risk appetite.

ACHIEVED

ICHL is undertaking a review of director remuneration.

Strategic Planning
ICHL will work with all subsidiary and associate companies to develop and implement a strategic plan for the company, in consultation with ICHL, which reflects the policies and objectives of the shareholder for the business.

ACHIEVED

ICHL produces a draft and final Statement of Intent with ICC input.

As part of strategic planning, ICHL will encourage all subsidiary and associate companies to seek out opportunities for innovation and growth that are relevant for the strategic objectives of the investment. ICHL will encourage its subsidiaries to share investment or growth opportunities and ideas with it at an early stage for feedback.

ACHIEVED

ICHL is reviewing current investments and strategy with its subsidiaries. ICHL discusses, as part of its funding responsibility early opportunities.

Dividends
ICHL expects a long term sustainable dividend flow to the shareholder, while maintaining an appropriate balance between dividends and reinvestment. ICHL will require all its subsidiaries to provide projections of at least 10 years of capital requirements for at least asset replacement to enable it to monitor the balance between these competing demands.

ICHL will work with its subsidiaries to achieve the most efficient use of staff resources, capital assets and working capital through innovative management and sound business practices.

ACHIEVED

Review of investments and funding structure completed, including movement to LGFA funding.

Public Expectations
ICHL will work with its subsidiaries to ensure that they are mindful of the public scrutiny that comes with being a Council Controlled Organisation. Specifically, ICHL and ICC expect that ICHL Group companies:

a. Build an accountability and constructive working practices between their company, shareholder and ultimate shareholder.

   ACHIEVED

   ICHL has worked with its subsidiaries and ICC to ensure a no surprises approach to communication.

b. Commit to transparency and accountability to the public. This includes fulfilling the planning, reporting and disclosure requirements of the Local Government Act 2002 as it applies to CCOs, and the requirements of the Local Government Official Information and Meetings Act 1987 as it applies to CCOs, and any other company specific legislation.

   ACHIEVED

   ICHL has responded to any requests for information in an appropriate manner.

c. Ensure their company is fiscally disciplined with expenditure.

   ACHIEVED

   ICHL monitors expenditure to ensure compliance with statement of intent.

d. Embrace the ICC's Strategic priorities as set out in its long Term Plan 2018-2028 and any other relevant documents.

   ACHIEVED

   ICHL works with ICC to ensure, where practicable the group actions are aligned. .

Audit Report

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 2021

The Auditor-General is the auditor of Invercargill City Holdings Limited Group (the Group). The Auditor-General has appointed me, Chris Genet, 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 11 to 52, that comprise the statement of financial position as at 30 June 2021, 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 53 to 55.

In our opinion:

- the financial statements of the Group on pages 11 to 52:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2021; 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 53 to 55 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 2021.

Our audit was completed on 26 November 2021. 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.

For the budget information reported in the statement of service performance, our procedures were limited to checking that the information agreed to the Group's statement of intent.

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 present 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 2 to 10, 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: International 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.

Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

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