



# Annual Report 2021

**ICPL**

INVERCARGILL CITY PROPERTY LTD



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# Approval by Directors

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

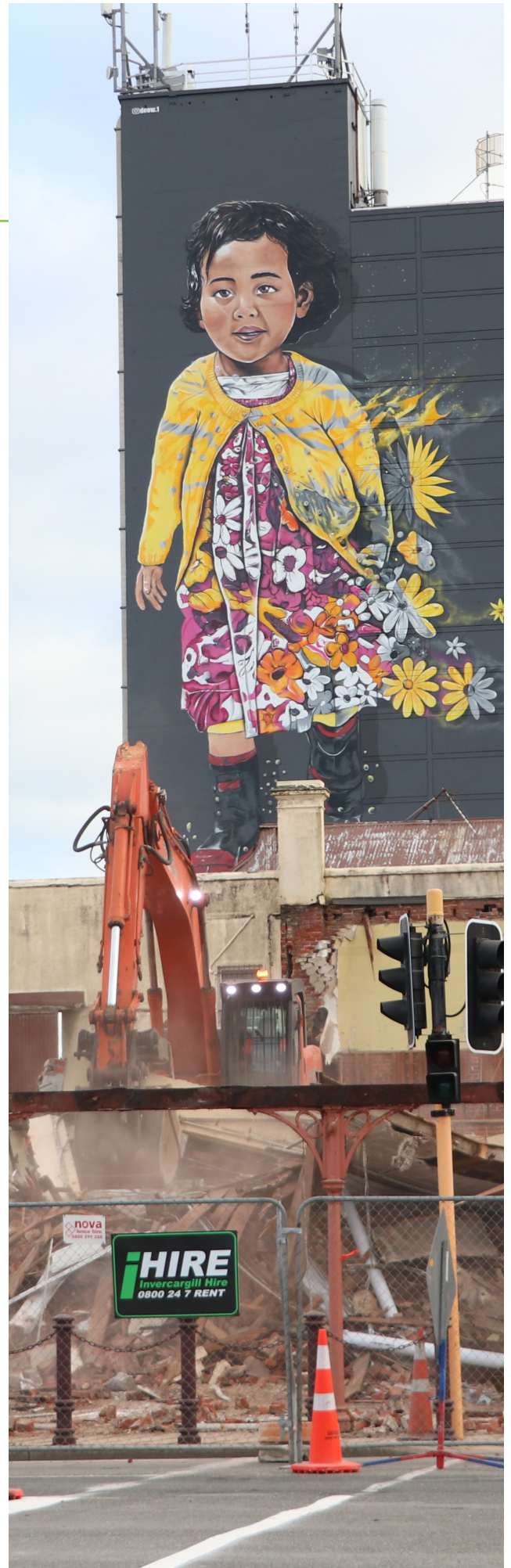


**P Carnahan**  
Chairman



**J Schol**  
Director

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



# Company Directory

## Directors who Held Office During the Year Ended 30 June 2021

P Carnahan - Chairman  
T D R Loan (until 6 November 2020)  
J Schol  
J Bestwick  
M English (from 7 November 2020)

## Registered Office

C/- Invercargill City Council  
101 Esk Street, Invercargill 9840

## Physical Address

101 Esk Street, Invercargill  
Phone (03) 211 1777  
Fax (03) 211 1433

## Postal Address

Private Bag 90104, Invercargill 9840

## Auditor

Audit New Zealand, Dunedin

## Bankers

BNZ

## Solicitors

Preston Russell Law  
45 Yarrow Street, Invercargill 9810



# Statutory Information

## DIRECTORS' REMUNERATION

### INVERCARGILL CITY PROPERTY LTD \$

T D R Loan	-
B J Wood	-
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.

## DIRECTORS' INTERESTS

Except for Related Parties disclosures in note 10 of the notes to the financial statements, during the year, no Directors had an interest in any transaction or proposed transaction with the Company.

## USE OF COMPANY INFORMATION BY DIRECTORS

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

## SHAREHOLDING BY DIRECTORS

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

## DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

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

## EMPLOYEES' REMUNERATION

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

## AUDITORS' REMUNERATION

Audit fees for the Company totalled \$23,093. Details of fees payable are contained in Note 1.

## RECOMMENDED DIVIDEND

There is no dividend recommended.

## DONATIONS

No donations have been made.



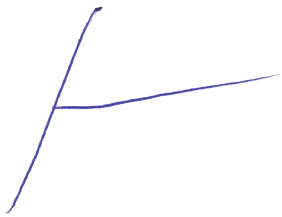
# Chairman's Report

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I am pleased to provide the 2021 Annual Report for Invercargill City Property Limited.

Invercargill City Property Limited has an investment in, HWCP Management Limited and has advanced funds to HWCP Management Limited.

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



**P Carnahan**  
Chairman

# Statement of Financial Position

AS AT JUNE 30, 2021

	NOTE	2021 \$000	2020 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		5	2
Trade and other receivables	4	-	-
<b>Total current assets</b>		<b>5</b>	<b>2</b>
<b>Non-current assets</b>			
Investment in associate	8	-	-
Advance to associate	8	-	-
<b>Total non-current assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>5</b>	<b>2</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	5	404	161
Borrowings	6	5,970	5,948
<b>Total current liabilities</b>		<b>6,374</b>	<b>6,109</b>
<b>Total liabilities</b>		<b>6,374</b>	<b>6,109</b>
<b>EQUITY</b>			
Share capital	9	-	-
Retained earnings	9	(6,369)	(6,107)
<b>Total equity attributable to the equity holders of the company</b>		<b>(6,369)</b>	<b>(6,107)</b>

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

# Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	2021 \$000	2020 \$000
<b>INCOME</b>			
<b>Total income</b>		-	-
<b>EXPENDITURE</b>			
Other expenses	1	25	32
<b>Total operating expenditure</b>		<b>25</b>	<b>32</b>
Finance income	2	-	-
Finance expenses	2	237	253
<b>Net finance income</b>		<b>(237)</b>	<b>(253)</b>
<b>OPERATING PROFIT/(LOSS) BEFORE TAX</b>		(262)	(285)
Share of associate profit/(loss)	8	-	-
<b>SURPLUS PROFIT/(LOSS) BEFORE TAX</b>		(262)	(285)
Income tax expense	3	-	-
<b>Profit/(loss) after tax</b>		<b>(262)</b>	<b>(285)</b>
<b>Total comprehensive income</b>		<b>(262)</b>	<b>(285)</b>

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



# Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	2021 \$000	2020 \$000
<b>BALANCE AT 1 JULY</b>		(6,107)	(5,822)
Total Comprehensive Income for the year		(262)	(285)
<b>Balance at 30 June</b>	<b>9</b>	<b>(6,369)</b>	<b>(6,107)</b>

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

# Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	2021 \$000	2020 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(19)	(28)
Interest paid		-	(110)
<b>Net cash from operating activities</b>		<b>(19)</b>	<b>(138)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Advances made to associates		-	-
<b>Net cash from investing activities</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from advance from Invercargill City Holdings Limited		22	139
<b>Net cash from financing activities</b>		<b>22</b>	<b>139</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<b>3</b>	<b>1</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year		2	1
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>		<b>5</b>	<b>2</b>
<b>RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES</b>		<b>2021 \$000</b>	<b>2020 \$000</b>
<b>Reconciliation with reported operating surplus</b>			
Net profit after tax		(262)	(285)
<b>Add/(less) movements in working capital:</b>			
Increase/(decrease) in accounts payable and accruals		243	147
		<b>243</b>	<b>147</b>
<b>Net cash inflow (outflow) from operating activities</b>		<b>(19)</b>	<b>(138)</b>

## RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	LONG-TERM BORROWINGS \$000
1 July 2020	5,948
<b>Cashflows</b>	
Proceeds	22
30 June 2021	5,970

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2021

## REPORTING ENTITY

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

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

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

The financial statements for the year ended 30 June 2021 were approved and authorised for issue by the Board of Directors 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 Company have been prepared in accordance with the requirements of the Local Government Act 2002, the Financial Reporting Act 2013 and the Companies Act 1993.

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

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

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

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

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

The functional currency of the Company is New Zealand dollars.

## ACCOUNTING POLICIES AND STANDARDS

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

## GOING CONCERN BASIS

The financial statements have been prepared on the going concern basis. To address uncertainty over going concern due to the Company's negative equity, the Directors of the Company have received a letter of support from Invercargill City Holdings Limited. The letter confirms that Invercargill City Holdings Limited will continue to support the Company in its capacity as sole shareholder and financier of the Company. Specifically, Invercargill City Holdings Limited has undertaken not to demand its existing and any future advance facilities within 12 months from the date of the signing of the Company's financial statements for the year ending 30 June 2021. Invercargill City Holdings Limited has also undertaken to support the operating costs of Invercargill City Property Limited.

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

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

## REVENUE

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



Interest income is recognised using the effective interest method.

### **CASH AND CASH EQUIVALENTS**

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

### **GOODS AND SERVICES TAX (GST)**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department ("IRD") is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

In preparing these financial statements, the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

### **NEW STANDARDS ADOPTED**

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

### **CHANGES IN ACCOUNTING POLICIES**

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

## 1. OTHER EXPENSES (INCLUDES)

	2021 \$000	2020 \$000
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	23	22

## 2. FINANCE INCOME

### Finance Income

Interest income	-	-
Total finance income	-	-

### Financial expense

Interest expense	237	253
Total finance expense	237	253
<b>Net finance costs</b>	<b>(237)</b>	<b>(253)</b>

## 3. INCOME TAX EXPENSE IN THE INCOME STATEMENT

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

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

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

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

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

	2021 \$000	2020 \$000
<b>CURRENT TAX EXPENSE</b>		
Current period	-	-
Adjustment for prior periods	-	-
<b>Total current tax expense</b>	<b>-</b>	<b>-</b>
<b>DEFERRED TAX EXPENSE</b>		
Origination and reversal of temporary differences	-	-
Adjustment for prior periods	-	-
<b>Total deferred tax expense</b>	<b>-</b>	<b>-</b>
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>

	2021 \$000	2020 \$000
<b>RECONCILIATION OF EFFECTIVE TAX RATE</b>		
Profit for the year	(262)	(285)
<b>Profit excluding income tax</b>	<b>(262)</b>	<b>(285)</b>
Tax at 28%	(73)	(80)
Under/(over) provided in prior periods	-	-
Tax loss not recognised	(73)	(80)
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>
Effective Tax Rate	0%	0%

#### 4. TRADE AND OTHER RECEIVABLES

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

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

	2021 \$000	2020 \$000
Trade receivables	1,090	776
Less allowance for expected credit losses	(1,090)	(776)
	-	-

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

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

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

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

	TOTAL	NEITHER PAST DUE NOR IMPAIRED \$000	PAST DUE BUT NOT IMPAIRED <30 DAYS \$000	PAST DUE BUT NOT IMPAIRED >30 DAYS \$000	IMPAIRED \$000
<b>2021</b>	1,090	-	-	-	1,090
<b>2020</b>	776	-	-	-	776



## 5. TRADE AND OTHER PAYABLES

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

	2021 \$000	2020 \$000
Accrued expenses	404	161
<b>Total trade and other payables</b>	<b>404</b>	<b>161</b>

## 6. BORROWINGS

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

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

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

	2021 \$000	2020 \$000
<b>CURRENT</b>		
Invercargill City Holdings Limited	5,970	5,948
<b>Total current borrowings</b>	<b>5,970</b>	<b>5,948</b>

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

The term loan has been advanced by Invercargill City Holdings Limited. The current effective interest rate is 3.86% (2020: 3.75%). The loan is unsecured. The fair value of the loan is also its carrying value.

The ICHL loan agreement contains the covenants:

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

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

### Shareholder's undertaking:

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

## 7. DEFERRED TAX ASSETS AND LIABILITIES

A deferred tax asset has not been recognised in relation to tax losses of \$279,765 (2020: \$337,700) and temporary differences of \$18,416 (2020: \$15,254).

## 8. INVESTMENT IN ASSOCIATES

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

ASSOCIATE COMPANIES	Country of Incorporation	Percentage Held by Group		Balance date
		2021	2020	
HWCP Management Limited	NZ	49.99%	49.99%	30 June

HWCP Management Limited was incorporated on 29 March 2017.

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

	2021 \$000	2020 \$000
Investment in associates	-	-
<b>Total investment in associates</b>	<b>-</b>	<b>-</b>

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

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

### Advances to Associate

The Company's advances to associate are as follows:

	2021 \$000	2020 \$000
HWCP Management Limited	-	-
Less allowance for expected credit loss	-	-
<b>Total advance in associates</b>	<b>-</b>	<b>-</b>

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

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

## 9. EQUITY

### ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	SHARE CAPITAL \$000	RETAINED EARNINGS \$000	TOTAL \$000
Balance at 1 July 2019	-	(5,822)	(5,822)
Profit/(loss) ) after tax		(285)	(285)

#### Contributions from Shareholders

Shares issued and paid up	-	-	-
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>(6,107)</b>	<b>(6,107)</b>

Balance at 1 July 2020	-	(6,107)	(6,107)
Profit/(loss) ) after tax		(262)	(262)

#### Contributions from Shareholders

Shares issued and paid up	-	-	-
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>(6,369)</b>	<b>(6,369)</b>

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

## 10. RELATED PARTY TRANSACTIONS

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

	2021 \$000	2020 \$000
<b>(a) Invercargill City Holdings Limited</b>		
<b>Revenue</b>		
Provision of services	-	-
<b>Expenditure</b>		
Provision of services and interest payments	237	259
Outstanding at balance date by the Company	-	-
Shareholder advance outstanding to Invercargill City Holdings Limited	5,970	5,948
<b>(b) HWCP Management Limited</b>		
<b>Revenue</b>		
Provision of services and interest charges	315	315
Outstanding at balance date to the Company	1,090	776
<b>Expenditure</b>		
Provision of services	-	-
Outstanding at balance date by the Company	-	-
Impairment of interest receivable	315	315
Key management personnel compensation comprises:		
Short term employment benefits	-	-



## 11. COMMITMENTS

There are no capital or operating commitments contracted for at 30 June 2021 (2020: Nil).

## 12. CONTINGENCIES

There are no contingent liabilities or assets at 30 June 2021 (2020: Nil).

## 13. EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after balance date.

## 14. FINANCIAL INSTRUMENTS

- **Receivables**

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

- **Cash and cash equivalents**

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

- **Trade and Other Payables**

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

- **Borrowings**

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

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

## 15. IMPACT OF COVID-19

COVID-19 had no significant impact on the Company.

# Statement of Service Performance

FOR THE YEAR ENDED JUNE 30, 2021

The Statement of Service Performance for Invercargill City Property Limited prepared for the year ended 30 June 2021 set a number of financial performance measures. The targets and the Company's achievement, as reported under IFRS, in relation to those targets are set out in the following table.

## FINANCIAL:

	Actual 2021 \$000	Target 2021 \$000	Actual 2020 \$000	Target 2020 \$000
Net Profit before Tax (NPBT)	(262)	(22)	(285)	(2)
Interest (net)	(237)	-	(253)	275
Net Profit before Interest and tax (NPBIT)	(25)	(22)	(32)	273
Total Assets	5	2	2	4,821

The Company 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 objective is to recover its loans to HWCP Management Limited when those transactions are completed. The Company continues to incur interest costs on funds borrowed from Invercargill City Holdings Limited to on-lend to HWCP Management Limited.

## Non Financial:

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

## ACHIEVED

The Company has received monthly reports from HWCP.

HWCP holds the balance of the land purchased and not sold to Invercargill Central Limited. HWCP has a sale of the land on the corner of Esk and Dee Streets. HWCP had a conditional sale of the land on the corner of Tay and Kelvin Street that was terminated post end of financial year. HWCP holds separate parcels of land on the corner of Dee and Tay Streets. Post financial year Invercargill Central Limited purchased the adjoining and intervening parcels of land. HWCP will work with Invercargill Central Limited to realise the value in those parcels. Progression of sales has been hindered by a delay in the creation of new titles. There was a significant number of separate titles, of varying ages, with numerous rights of way and easements. This has made the resolution of all issues on the titles complicated and timely. It is hoped that these new titles will issue during the 2022 financial year.

# Audit Report

## Independent Auditor's Report

### To the readers of Invercargill City Property Limited's financial statements and statement of service performance for the year ended 30 June 2021

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

#### Opinion

We have audited:

- the financial statements of the company on pages 7 to 18, 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 company on page 19.

In our opinion:

- the financial statements of the company on pages 7 to 18:
  - 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 Reduced Disclosure Regime; and
- the statement of service performance of the company on page 19 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 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, and we highlight that the Company is reliant on financial support from Invercargill City Holdings Limited (ICHL). In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements



and the statement of service performance, we comment on other information, and we explain our independence.

### **Emphasis of matter – The company is reliant on financial support from ICHL**

Without modifying our opinion, we draw attention to the going concern basis disclosure on page 11, which outlines the financial statements have been prepared on the going concern basis of accounting. To address uncertainty over going concern, caused by the company's negative equity position, the Board of Directors of the company obtained a letter of support from ICHL. The letter of support confirms that ICHL will not demand its existing and any future advance facilities within 12 months from the date of signing of the financial statements, and will support the operating costs of the company.

### **Basis for our opinion**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

## Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 6, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

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

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



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



