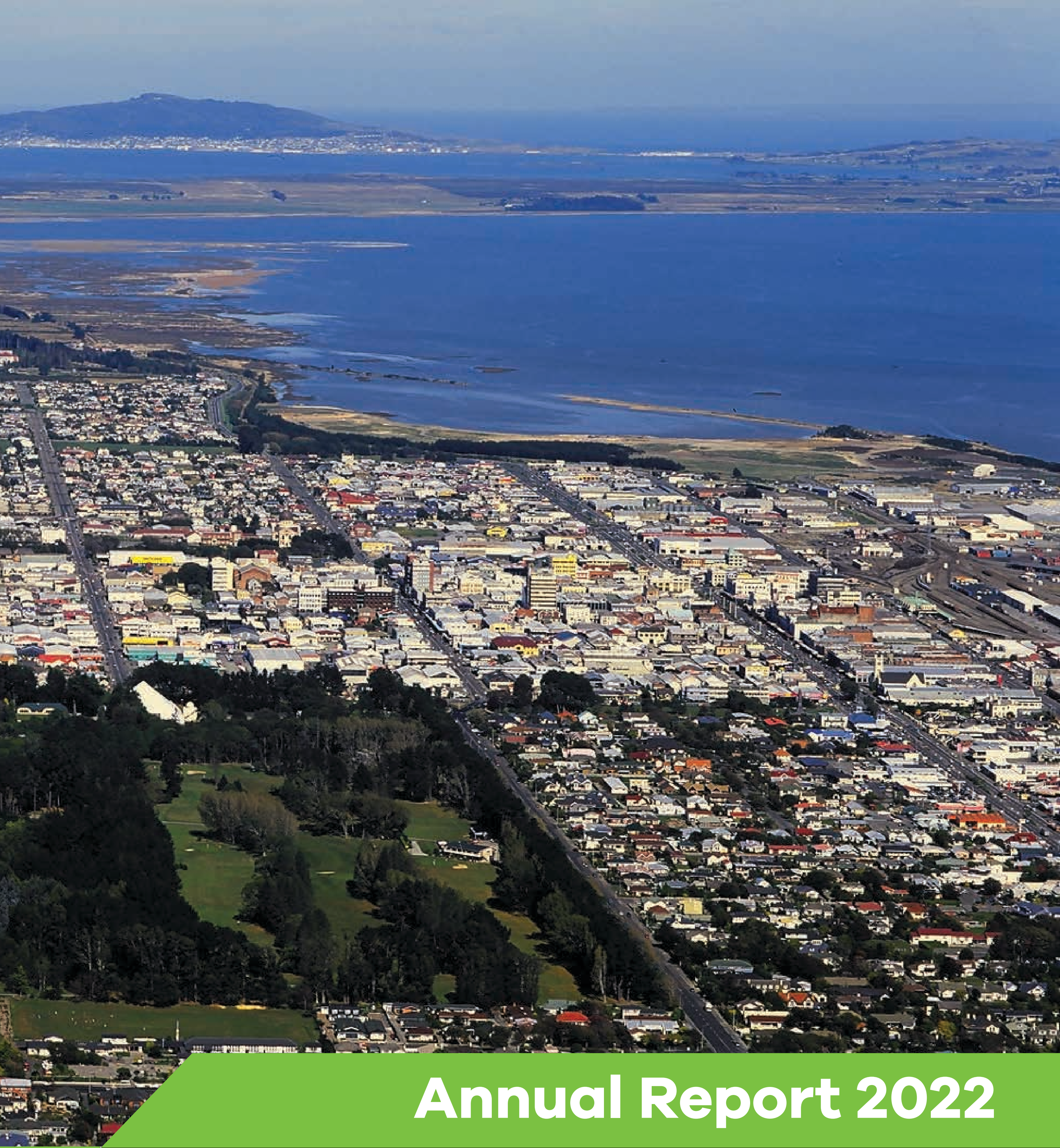

Annual Report 2022

ICHL

INVERCARGILL CITY HOLDINGS LTD

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Approval by Directors

The Directors have approved for issue the financial statements of Invercargill City Holdings Limited for the year ended 30 June 2022.

B Wood
Director

J Schol
Director

For and on behalf of the Board of Directors.
2 March 2023

Directory

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

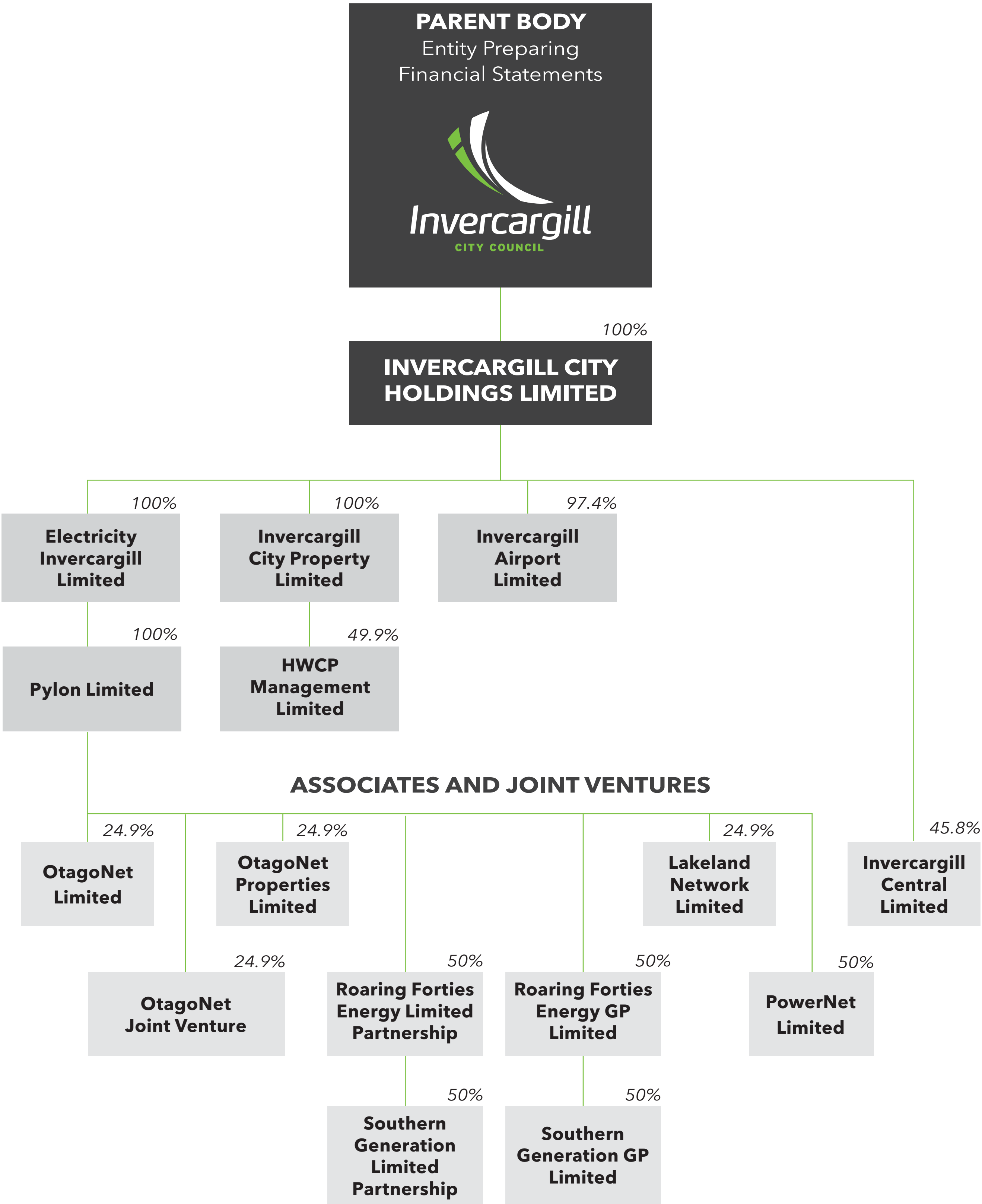
Auditor
Audit New Zealand on behalf of the Office of the Auditor-General

Bankers
BNZ

Solicitors
Preston Russell Law
45 Yarrow Street, Invercargill 9810

Treasury Advisor
Bancorp Treasury Services

Group Structure



Invercargill City Forests Limited was disestablished in August 2021.

An Overview

INVERCARGILL CITY HOLDINGS LIMITED

Activities:

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

2022 Financial Year:

- Overall financial result of after tax profit of $5.164 million for the Group before the impairment of investment in joint venture.

ELECTRICITY INVERCARGILL LIMITED

Activities:

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

2022 Financial Year:

- The after tax profit for the year ended 31 March was $5.73 million compared to $6.13 million for the prior year.
- EIL continues to focus on initiatives that will maintain network safety, efficiency and reliability.

INVERCARGILL AIRPORT LIMITED

Activities:

- Owners and operator of regional airport.

2022 Financial Year:

- The after tax profit was $203,000 before investment property revaluations compared to $298,000 for the prior year.
- Passenger numbers decreased from last year largely due to COVID restrictions in the early part of the year.
- Health and safety, risk management and operational compliance remain a priority for the company.

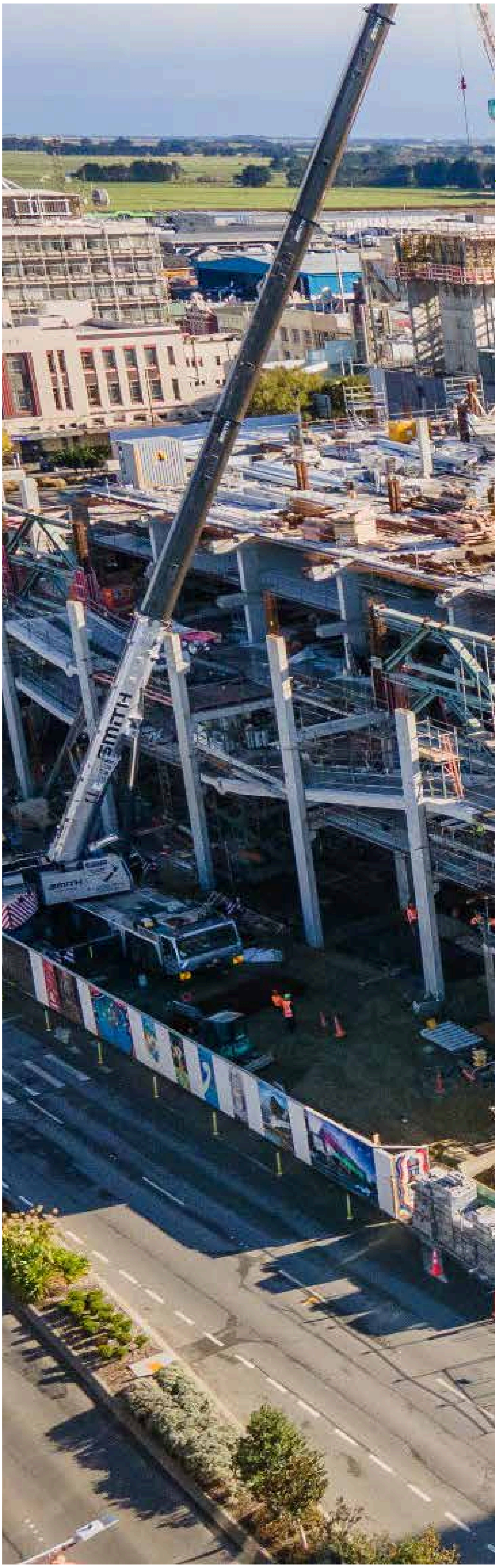
INVERCARGILL CITY PROPERTY LIMITED

Activities:

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

2022 Financial Year:

- The after tax profit was $0 compared to $3,076,000 for the prior year, which included a gain in fair value of a loan that had previously been impaired.
- The Company continued to support HWCP Management Limited.



Board of Directors

COMPANY DIRECTORS

Invercargill City Holdings Limited

B Wood - Chairman
J Bestwick
J Schol
P Carnahan
M English

Electricity Invercargill Limited

R Jamieson - Chairman
E Ihaia
S Lewis
S Young
P Kiesonowski
T Campbell (until 31 October 2021)
A O'Connell (until 30 June 2021)

Invercargill Airport Limited

G Lilly - Chairman
J George
A Hercus
P Halstead (from 1 November 2021)
J Green (until 31 October 2021)

Invercargill City Property Limited

P Carnahan - Chairman
J Bestwick
J Schol
M English

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	$64,791
J Bestwick	$33,041
P Carnahan	$33,041
J Schol	$39,500
M English	$33,041

Electricity Invercargill Limited

T Campbell	$33,833
E Ihaia	$13,083
A O'Connell	$7,250
P Kiesanowski	$30,000
S Lewis	$30,000
R Jamieson	$31,333
S Young	$13,083

Invercargill Airport Limited

J Green	$8,200
J George	$26,000
A Hercus	$26,000
P Halstead	$17,800
G Lilly	$52,000

Invercargill City Property Limited

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

Invercargill Central Limited/HWCP Management Limited

B Wood	$33,041

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
180 - 190	1
110 - 120	1

AUDITOR'S REMUNERATION

2022 audit fees for the Group totalled $229,000. Details of fees payable are contained in Note 4.

LOANS TO DIRECTORS

There are no loans to Directors.

DIVIDEND

A dividend of $4,886,000 was paid during the year.

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 2022:

Brian Wood

Director ....Invercargill Central Limited
Director ....HWCP Management Limited

DIRECTORS' REGISTER

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

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

Chairman's Report

I am pleased to present the 2022 Annual Report of Invercargill City Holdings Limited.

The Group produced a profit after tax of $5.164M (excluding the impairment of investment in joint venture) compared to $8.542M (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.

Invercargill City Property Limited produced an after tax profit of $0 this year compared to a $3.076M profit as a result of a prior period fair value adjustment last year. Invercargill City Property Limited has loans to HWCP Management Limited which still retains some land. Whilst 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 $5.73M compared to $6.13M last year. In the last financial year Invercargill City Council approved the sale of the investment in Roaring Forties Energy Limited from the Electricity Invercargill Limited Group to Invercargill City Holdings Limited. Invercargill City Holdings Limited will continue to work with Invercargill City Council to clarify the group structure.

Invercargill Airport Limited continues to be impacted by COVID-19. It produced an after tax profit, $203,000 compared to $298,000 in the prior year, before investment property revaluations. 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.

Invercargill Central Limited has progressed with the construction of the inner city development. Stage 1 of the development opened in July 2022 and stage 2 in November. Feedback and operations of the mall to date have been positive and the investment by Invercargill City Holdings Limited appears to be achieving the key objective of re-invigorating the inner city. The final stages are due for completion before the end of the 2023 financial year.

Invercargill City Holdings Limited is required to assess the fair value of its investment in Invercargill Central Limited. A "fair value" assessment requires Invercargill City Holdings to consider the value of its shares if they were sold today. Invercargill City Holdings Limited has no intention of selling its investment in Invercargill Central limited and at all times has agreed with Invercargill City Council that this investment is for the longer term, 10 years or more. Based on anticipated dividends over the coming period if Invercargill City Holdings Limited were to try and sell it shares in Invercargill Central Limited it is likely to only receive around $500,000. On that basis Invercargill City Holdings Limited has reduced the value of its shares in Invercargill Central limited to $500,000. This has no impact on cash flow or any of Invercargill City Holdings Limited's other activities.

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, 2022

	NOTE	GROUP 2022 $000	GROUP RESTATED* 2021 $000
ASSETS			
Current assets			
Cash and cash equivalents	8	5,102	8,381
Trade and other receivables	9	2,519	3,142
Inventories		6	5
Total current assets		**7,627**	**11,528**
Non-current assets			
Property, plant and equipment	10	121,959	119,994
Investment property	11	5,505	5,170
Capital work in progress		3,245	2,848
Investments in associates and joint ventures	12, 13	102,995	137,138
Advances to associates and joint ventures		13,428	13,639
Other financial assets		1,823	118
Deferred tax asset	16	78	1,314
Derivative financial instruments	23	643	-
Total non-current assets		**249,676**	**280,221**
Total assets		**257,303**	**291,749**
LIABILITIES			
Current liabilities			
Derivative financial instruments	23	61	123
Trade and other payables	14	4,238	4,103
Employee benefit liabilities		127	124
Borrowings	15	22,746	101,931
Tax payable		2,001	1,310
Total current liabilities		**29,173**	**107,591**
Non-current liabilities			
Derivative financial instruments	23	-	4,257
Borrowings	15	68,200	-
Deferred tax liability	16	24,525	23,739
Total non-current liabilities		**92,725**	**27,996**
Total liabilities		**121,898**	**135,587**

	NOTE	GROUP 2022 $000	GROUP RESTATED* 2021 $000
EQUITY			
Share capital	17	82,570	65,793
Retained earnings	17	16,818	57,900
Other reserves	17	36,017	32,469
Total equity attributable to the equity holders of the company		**135,405**	**156,162**
Equity is attributable to:			
Parent entity	17	133,607	154,378
Minority interest	17	1,798	1,784
		135,405	**156,162**

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, 2022

	NOTE	GROUP 2022 $000	GROUP RESTATED* 2021 $000
INCOME			
Revenue from contracts with customers	2	23,662	23,657
Rental income		2,058	2,103
Other income		368	337
Other gains	3	539	4,308
Total income		**26,627**	**30,405**
EXPENDITURE			
Employee expenses	5	1,252	1,178
Depreciation	10	6,312	6,065
Other expenses	4	14,607	15,310
Total operating expenditure		**22,171**	**22,553**
Finance income	6	432	356
Finance expenses	6	2,704	3,372
Net finance expense		**(2,272)**	**(3,016)**
Operating profit/(loss) before tax		**2,184**	**4,836**
Share of associate and joint ventures surplus/(deficit)	12, 13	4,993	4,399
Impairment of investment in joint venture		(41,385)	-
Profit/(loss) before tax		**(34,208)**	**9,235**
Income tax expense	7	2,013	693
Profit/(loss) after tax		**(36,221)**	**8,542**
OTHER COMPREHENSIVE INCOME			
To be classified to surplus or deficit in subsequent periods:			
Property, Plant and Equipment revaluation gains/(losses) - pre tax	17	-	4,830
Cash flow hedges	17	3,573	2,244
Total other comprehensive income		**3,573**	**7,074**
TOTAL COMPREHENSIVE INCOME		**(32,648)**	**15,616**
Total comprehensive income attributable to:			
Equity holders of the Company		(32,662)	15,580
Minority interest		14	36
		(32,648)	**15,616**

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, 2022

	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 2020	50,293	(5,399)	36,193	48,844	129,931	1,748	128,183
Surplus/(deficit) after tax	-	-	-	8,542	8,542	36	8,506
Other comprehensive income	-	2,245	(570)	5,400	7,075	-	7,075
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**	**57,900**	**156,162**	**1,784**	**154,378**
Balance at 1 July 2021	65,793	(3,154)	35,623	57,900	156,162	1,784	154,378
Surplus/(deficit) after tax	-	-	-	(36,221)	(36,221)	14	(36,235)
Other comprehensive income	-	3,573	(25)	25	3,573	-	3,573
Distributions to Shareholders							
Dividends paid/declared	-	-	-	(4,886)	(4,886)	-	(4,886)
Contributions from Shareholders							
Shares issued and paid up	16,777	-	-	-	16,777	-	16,777
Balance at 30 June 2022	**82,570**	**419**	**35,598**	**16,818**	**135,405**	**1,798**	**133,607**

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

Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2022

	NOTE	GROUP 2022 $000	GROUP 2021 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		232	428
Receipts from other revenue		26,110	26,000
Payments to suppliers and employees		(15,646)	(15,845)
Interest paid		(2,356)	(3,473)
Income tax (paid) / refund		(688)	(5,404)
Goods and services tax [net]		22	111
Subvention payment		(251)	(1,504)
Net cash from operating activities		**7,423**	**312**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1	11,303
Proceeds from sale of biological assets		-	31,041
Dividends received from associates/joint ventures		6,326	5,731
Proceeds from sale of carbon credits		-	3,195
Purchase of property, plant and equipment		(7,407)	(5,246)
Purchase of investments		(1,705)	-
Purchase of construction work in progress		(422)	-
Advances made to associates/joint ventures		416	(196)
Investments in associates/joint ventures		(8,575)	(20,674)
Net cash from investing activities		**(11,366)**	**25,154**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		90,100	31,500
Repayment of borrowings		(84,550)	(62,400)
Proceeds from equity (share issue)		-	15,500
Dividends paid		(4,886)	(4,886)
Net cash from financing activities		**664**	**(20,286)**
NET (DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS		**(3,279)**	**5,180**
Cash, cash equivalents and bank overdrafts at the beginning of the year		8,381	3,201
Cash, cash equivalents and bank overdrafts at the end of the year	8	**5,102**	**8,381**

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 2022 $000	GROUP RESTATED* 2021 $000
RECONCILIATION WITH REPORTED OPERATING SURPLUS		
Net profit after tax	(36,221)	8,542
Add/(deduct) non-cash items:		
Depreciation	6,312	6,065
Net (profit)/loss on sale of fixed assets	99	195
Impairment of trade receivables	51	49
Change in fair value of investment property	(335)	(970)
Increase/(decrease) in deferred taxation	634	(5,269)
Associate /joint venture post-acquisition profits	(4,993)	(4,399)
Change in fair value of loan	(204)	(3,338)
Impairment of investment in joint venture	41,385	-
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	918	(974)
(Increase)/decrease in inventories	(1)	3
(Increase)/decrease in prepayments	(15)	77
Increase/(decrease) in accounts payable and accruals	(876)	1,030
Increase/(decrease) in provisions	-	(1,000)
Increase/(decrease) in GST/taxation	669	301
Net cash inflow (outflow) from operating activities	**7,423**	**312**

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 2021	16,777	84,550	101,327
CASHFLOWS			
Proceeds	22,746	68,200	90,946
Repayments	(16,777)	(84,550)	(101,327)
30 June 2022	**22,746**	**68,200**	**90,946**

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2022

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). Disestablished in August 2021.
- Invercargill Airport Limited (97.47% 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 2022. The financial statements were authorised for issue by the Board on 2 March 2023. 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, the Financial Reporting Act 2013 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 forestry land, investment property, biological assets, network 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.

Loans to HWCP Management Limited (Associate)

Loans to HWCP Management Limited are measured at fair value through profit or loss, transaction costs are expensed as incurred. Subsequently, these loans are measured at fair value through profit or loss with any realised and unrealised gains or losses recognised in profit or loss in the statement of comprehensive income. Refer to critical accounting estimates and assumptions for the valuation techniques and key assumptions used in the valuation.

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.

The Group has elected to apply the practical expedient not to apply to requirements of NZ IFRS 16 to leases for which the lease terms ends within 12 months of the date of initial application.

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.

DIVIDEND

A dividend is recognised when it is declared and approved by the Board.

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 11. The most sensitive assumption on the valuation is that one hangar will be demolished within the next year and the other hangar within the next two years (2021: both within the next two years).
- Invercargill City Property Limited - determination of the fair value of the loan to HWCP Management Limited.

  The fair value of the loan to HWCP Management Limited was determined using discounted cashflow methodology.

  The valuation is based on forecast free cashflows to 2029. The following assumptions were adopted:

  - A discount rate of 12.44% (2021: 10.97%) was used to reflect the unsecured loan including the credit margin of 2.6%.
  - The forecast cashflows reflect a realisation of the remaining assets in 2029.

  Changes in the discount rate and the final cashflow have an impact on the fair value of the loan.
- Invercargill Central Limited – determination of the fair value of the Class B Shares.

  The fair value of the Class B Shares was determined using the dividend discount model.

  The following valuation assumptions were adopted:

  - The development is expected to be completed in the 2023 calendar year.
  - The free cashflows are based on the Company's 10 year forecast.
  - The cost of equity (Ke) used was 17%.

    Changes in the cost of equity and the cashflow have an impact on the fair value of the shares.
- Invercargill Airport Limited - determination of the recoverable amount of assets.

  For 2022, due to the impact of COVID-19 on air travel and global supply chains around the world creating high inflation and a rising interest rate environment in New Zealand and globally, an impairment assessment was carried out.

  The following major inputs and assumptions were adopted:

  - The forecast free cash flows reflect the charges determined following the 2022 aeronautical pricing consultation with airline customers.
  - Expected revenues reflect expected passenger numbers and other contractual revenues.
  - The weighted average cost of capital (WACC) used ranges from 5.6% to 7.16% (2021: 4.51% to 5.91%) 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 7.87% (resulting in an average WACC of 14.02%).
- 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.
  - Network assets valuation.
  - Revenue estimation - Network Charges.

Property, Plant and Equipment

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.

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. The fair values are recognised in the financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying amount of the distribution network is not materially different from its fair value.

The carrying amounts of the property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Revenue Estimation

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.

NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new standards and amendments that are relevant to the Company and Group are:

Amendments to NZ IAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify a criterion in NZ IAS 1 for classifying a liability, such as loans, as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Company and Group are assessing the effect of these amendments on its financial statements.

Other new accounting standards and amendments have been issued and the Company and Group have assessed that these are not likely to have an effect on its financial statements.

The Company and Group have not elected to early adopt any new standards and amendments.

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 City Holdings Limited (ICHL):
COVID-19 had no significant impact on the Company.

Invercargill Airport Limited (IAL):
The COVID-19 pandemic continues to cause widespread economic and social disruption around the world.

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 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 ADVANCE TO ASSOCIATE

The loan to HWCP Management Limited for the 2021 year has been restated. The treatment of the loan was reconsidered during the year. The loan was historically treated as a financial asset at amortised cost. However, on reassessment it was determined that the loan should be measured at fair value through profit or loss as there are characteristics of the loan agreement that are additional to a business model which is solely to collect payments of principal and interest.

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 cashflows:

	30 JUNE 2021		
Statement of Financial Position (extract)	**PREVIOUS AMOUNT $000**	**ADJUSTMENT $000**	**RESTATED AMOUNT $000**
Advances to associates and joint ventures	10,301	3,338	13,639
Retained earnings	54,562	3,338	57,900
Statement of Comprehensive Income (extract)			
Other gains	970	3,338	4,308
Total income	27,067	3,338	30,405
Profit/(loss) before tax	5,897	3,338	9,235
Profit/(loss) after tax	5,204	3,338	8,542
Total comprehensive income	12,278	3,338	15,616

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.

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 2022 $000	GROUP 2021 $000
Electricity delivery services	17,736	19,492
Electricity capital contributions	1,451	49
Airport services	4,445	4,086
Other income	30	30
	23,662	**23,657**

	GROUP 2022 $000	GROUP 2021 $000
3. OTHER GAINS AND LOSSES		
Change in fair value of investment property	335	970
Gain on financial assets at fair value through profit or loss	204	3,338
	539	**4,308**

	GROUP 2022 $000	GROUP 2021 $000
4. OTHER EXPENSES (INCLUDES)		
Forestry costs	-	234
Network costs	9,670	8,993
Transmission costs	5,486	5,651
Auditor's renumeration to Audit New Zealand comprises:		
• audit of financial statements	109	87
• 2021 audit fee recovery	19	-
• 2020 audit fee recovery	-	24
Auditor's remuneration to other auditors comprises:		
• audit of financial statements	49	59
• audit of default price path	32	34
• audit of regulatory disclosures	39	47

	GROUP 2022 $000	GROUP 2021 $000
5. EMPLOYEE EXPENSES		
Wages and salaries	1,219	1,145
Defined contribution expenses	33	33
Total employee expenses	1,252	1,178

	GROUP 2022 $000	GROUP 2021 $000
6. FINANCE INCOME AND EXPENSE		
Finance income		
Interest income on bank deposits	432	356
Total finance income	432	356
Financial expense		
Interest expense on financial liabilities measured at amortised cost	2,704	3,372
Total financial expenses	2,704	3,372
Net finance costs	(2,272)	(3,016)

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.

	GROUP 2022 $000	GROUP RESTATED* 2021 $000
Current tax expense		
Current period	1,501	8,316
Adjustment for prior periods	(121)	(2,354)
Total current tax expense	**1,380**	**5,962**
Deferred tax expense		
Origination and reversal of temporary differences	637	(5,226)
Adjustment for prior periods	(4)	(43)
Total deferred tax expense	**633**	**(5,269)**
Total income tax expense	**2,013**	**693**
Reconciliation of effective tax rate		
Profit for the year	(34,208)	9,235
Tax at 28%	(9,578)	2,585
Group loss offset	-	-
Permanent Differences	11,582	(1,050)
Change in recognised temporary differences	(31)	-
Under/(over) provided in prior periods	160	(258)
• Subvention payment made in respect of prior period	(181)	(1,147)
• Expenses not deductible	61	563
Total income tax expense	2,013	693
Effective Tax Rate	61%	14%
Imputation credits available for use in subsequent periods	**1,656**	**3,556**

8. CASH AND CASH EQUIVALENTS

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

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

	GROUP 2022 $000	GROUP 2021 $000
Call deposits	10	3,800
Cash and cash equivalents	5,092	4,581
Cash and cash equivalents in the statement of financial position and statement of cashflows	**5,102**	**8,381**

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 2022 $000	GROUP 2021 $000
Trade receivables	1,991	2,769
Less allowance for expected credit losses	(100)	(49)
Prepayments	107	54
Related party receivables	117	77
Accrued revenue	404	291
	2,519	**3,142**

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

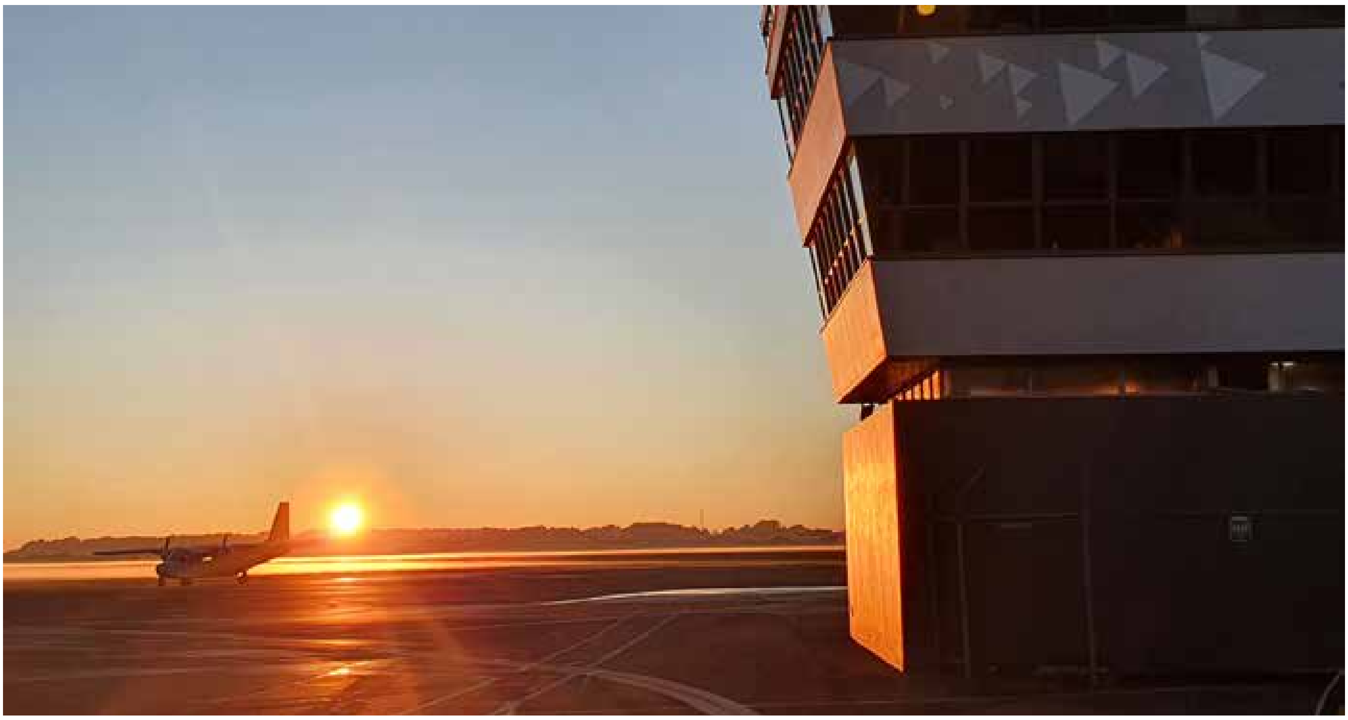
For terms and conditions relating to related party receivables, refer to note 18.

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 2022 $000	GROUP 2021 $000
Not past due	1,776	2,607
Past due 30-60 days	32	39
Past due 61-90 days	-	-
Past due more than 90 days	183	123
Total	**1,991**	**2,769**



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 30% Straight Line

(c) Plant

- Invercargill Airport Limited	8%–50% Diminishing Value and 6% - 40% Straight Line

(d) Motor Vehicles

- Invercargill Airport Limited	10%–15.6% Diminishing Value and 10%-25% straight Line

(e) Network Assets

- Electricity Invercargill Limited	1%–15% Straight Line

(f) Other Airport Assets

- 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, fencing and stop banks	1%–30% Straight Line

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Revaluation

Those asset classes that are revalued are valued on a valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Valuation

All assets are valued at historic cost, except the following:

- The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic valuation, at a maximum of every five years based on discounted cash flow methodology.

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
2022	**1 July 2021**									**30 June 2022**		
Land	509	-	509	-	-	-	-	-	-	509	-	509
Gravel and Fencing	4,289	1,502	2,787	48	-	-	166	-	-	4,337	1,668	2,669
Buildings, Yards and Terminals	7,285	1,321	5,964	-	-	-	217	-	-	7,285	1,538	5,747
Network Assets	129,263	27,109	102,154	8,089	121	30	4,551	-	-	137,231	31,630	105,601
Plant and Equipment	2,715	2,261	454	65	10	10	85	-	-	2,770	2,336	434
Motor Vehicles	2,610	2,538	72	108	40	26	31	-	-	2,678	2,543	135
Furniture and Fittings	5,660	2,604	3,056	72	-	-	433	-	-	5,732	3,037	2,695
Runway, Taxiways and Apron	14,974	9,977	4,997	-	-	-	829	-	-	14,974	10,806	4,168
Total assets	**167,305**	**47,312**	**119,994**	**8,382**	**171**	**66**	**6,312**	**-**	**-**	**175,516**	**53,558**	**121,959**

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**

Revaluation:

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

Network assets:

The value of the network assets owned by Electricity Invercargill Limited, had it been carried at the cost model, would be $74,201,000 at 31 March 2022 ($70,753,000 at 31 March 2021).

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

Impairment and Fair Value Assessment

No events or circumstances identified that indicate the electricity network assets may be impaired as at 31 March 2022. Presently the listed assets of the electricity distribution network and other property, plant and equipment are generating business cash flow, the value of the assets are not deemed to require an impairment adjustment.

There have been no significant changes or events that result in a material increase in the value of the network assets that requires an update to valuation to be performed 31 March 2022.

11. 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 2022 $000	Group 2021 $000
Balance at 1 July	5,170	4,200
Change in fair value	335	970
Balance at 30 June	**5,505**	**5,170**

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 2022 and 2021, all investment properties were valued based on the income approach and comparable sales approach except for two properties being less than 5% of the portfolio value. One of these properties is planned to be replaced within the next year and the other is planned to be replaced within the next two years (2021: both properties in the 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 2022 and 2021 valuations were performed by Robert Todd, an independent valuer from Telfer Young from CBRE. The valuer is an experienced valuer who holds a recognised and relevant professional qualification and has extensive market knowledge in the types of investment properties owned by the Group.

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

12. EQUITY ACCOUNTED ASSOCIATES

Associate Companies	Principal activity	Country of Incorporation	Percentage Held by Group 2022	Percentage Held by Group 2021	Balance date
Lakeland Network Limited*	Electricity network owners	NZ	24.9%	24.9%	31-March
HWCP Management Limited	Property investment	NZ	49.9%	49.9%	30-June

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 $551,968 have not been recognised as the Groups share of the losses exceeds its interest in the associate.

The HWCP Management Limited associate has no contingent liabilites as at 30 June 2022 of nil (2021:nil).

** In December 2021 Electricity Southland Ltd's name was changed to Lakeland Network Ltd.*

	Group 2022 $000	Group 2021 $000
Balance at beginning of year	5,054	4,965
Share of profit/(loss) from associates recognised in surplus or deficit the statement of comprehensive income	139	89
Investments in associates	-	-
Balance at end of year	**5,193**	**5,054**

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	Lakeland Network Ltd 100% 2022 $000	Lakeland Network Ltd 100% 2021 $000
Cash and cash equivalents	175	21
Other current assets	759	648
Total current assets	934	669
Non-current assets	40,807	33,634
Total assets	**41,741**	**34,303**
Current liabilities	2,188	2,223
Non-current liabilities	18,697	11,781
Total Liabilities	**20,885**	**14,004**
Net assets	**20,856**	**20,299**

Summarised Statement of Comprehensive Income includes:	Lakeland Network Ltd	
	100%	100%
	2022	2021
	$000	$000
Operating revenue	4,024	3,182
Interest expense	(493)	(276)
Depreciation	(897)	(740)
Profit before tax from continuing activities	927	692
Income tax expense	(370)	(337)
Total comprehensive income	**557**	**355**

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

	Lakeland Network Ltd	
	100%	100%
	2022	2021
	$000	$000
Closing net assets	20,856	20,299
Interest in associate	5,193	5,054

Summarised Statement of Financial Position	HWCP Management Ltd	
	100%	100%
	2022	2021
	$000	$000
Cash and cash equivalents	61	2,000
Other current assets	3,757	3,748
Total current assets	3,818	5,748
Non-current assets	498	499
Total assets	**4,316**	**6,247**
Current liabilities	5,419	6,872
Non-current liabilities	-	-
Total Liabilities	**5,419**	**6,872**
Net assets	**(1,103)**	**(625)**

Summarised Statement of Comprehensive Income includes:	HWCP Management Ltd	
	100%	100%
	2022	2021
	$000	$000
Operating revenue	-	15
Interest revenue	-	-
Interest expense	(315)	(315)
Depreciation	(1)	(1)
Profit before tax from continuing activities	(479)	(426)
Income tax expense	-	-
Total comprehensive income	**(479)**	**(426)**

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

	HWCP Management Ltd	
	100%	100%
	2022	2021
	$000	$000
Closing net assets	-	-
Interest in associate	-	-

13. EQUITY ACCOUNTED JOINT VENTURES

Joint Ventures	Principal activity	Country of Incorporation	Percentage Held by Group 2022	2021	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	45.8%	49.7%	30 June

* *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.*

	Group 2022 $000	Group 2021 $000
Balance at beginning of year	132,084	112,830
Investments in joint ventures	8,575	20,674
Share of profit from joint ventures recognised in surplus or deficit the statement of comprehensive income	4,854	4,311
Impairment of joint venture*	(41,385)	-
Distributions from joint ventures	(6,326)	(5,731)
Balance at end of year	**97,802**	**132,084**

*The impairment losses arising in the current period have been included in the profit or loss in the impairment of investment in joint venture line in the statement of comprehensive income.

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% 2022 $000	100% 2021 $000
Cash and cash equivalents	616	1,399
Other current assets	21,366	23,689
Total current assets	21,982	25,088
Non-current assets	43,255	35,723
Total assets	**65,237**	**60,812**
Current liabilities	10,409	12,583
Non-current liabilities	49,212	43,917
Total Liabilities	**59,621**	**56,500**
Net assets	**5,616**	**4,312**

Summarised Statement of Comprehensive Income includes:	PowerNet Limited Group 100% 2022 $000	100% 2021 $000
Operating revenue	84,672	81,218
Interest revenue	-	-
Interest expense	(2,413)	(1,511)
Depreciation	(3,592)	(3,424)

Profit before tax from continuing activities	3,073	2,694
Income tax expense	(783)	(645)
Total comprehensive income	**2,290**	**2,049**

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

	PowerNet Limited Group	
	100%	100%
	2022	2021
	$000	$000
Closing net assets	5,616	4,312
Interest in joint venture	2,808	2,156

Summarised Statement of Financial Position	OtagoNet Joint Venture	
	100%	100%
	2022	2021
	$000	$000
Cash and cash equivalents	994	767
Other current assets	3,793	4,007
Total current assets	4,787	4,774
Non-current assets	218,613	214,260
Total assets	**223,400**	**219,034**
Current liabilities	4,946	4,914
Non-current liabilities	693	894
Total Liabilities	**5,639**	**5,808**
Net assets	**217,761**	**213,226**

Summarised Statement of Comprehensive Income includes:	OtagoNet Joint Venture	
	100%	100%
	2022	2021
	$000	$000
Operating revenue	31,572	31,970
Interest revenue	2	3
Interest expense	(39)	(44)
Depreciation	(8,133)	(8,071)
Profit before tax from continuing activities	10,235	10,060
Income tax expense	-	-
Other comprehensive income	-	-
Total comprehensive income	**10,235**	**10,060**

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

	OtagoNet Joint Venture	
	100%	100%
	2022	2021
	$000	$000
Closing net assets	217,761	213,226
Interest in joint venture	54,222	53,093

Summarised Statement of Financial Position	Roaring Forties Energy Limited Partnership 100% 2022 $000	100% 2021 $000
Cash and cash equivalents	23	34
Other current assets	-	-
Total current assets	23	34
Non-current assets	84,235	80,247
Total assets	**84,258**	**80,281**
Current liabilities	19	30
Non-current liabilities	-	-
Total Liabilities	**19**	**30**
Net assets	**84,239**	**80,251**

Summarised Statement of Comprehensive Income includes:	Roaring Forties Energy Limited Partnership 100% 2022 $000	100% 2021 $000
Operating revenue	5,616	4,306
Profit before tax from continuing activities	5,295	4,001
Income tax expense	-	-
Total comprehensive income	**5,295**	**4,001**

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

	Roaring Forties Energy Limited Partnership 100% 2022 $000	100% 2021 $000
Closing net assets	84,239	80,251
Interest in joint venture	42,120	40,126

Summarised Statement of Financial Position	Invercargill Central Limited 100% 2022 $000	100% 2021 $000
Cash and cash equivalents	665	1,772
Other current assets	927	1,096
Total current assets	1,592	2,868
Non-current assets	144,205	78,071
Total assets	**145,797**	**80,939**
Current liabilities	7,050	4,812
Non-current liabilities	47,300	-
Total Liabilities	**54,350**	**4,812**
Net assets	**91,447**	**76,127**

Summarised Statement of Comprehensive Income includes:	Invercargill Central Limited	
	100%	100%
	2022	2021
	$000	$000
Operating revenue	-	-
Interest revenue	284	5
Interest expense	(455)	-
Depreciation	(25)	(2)
Profit before tax from continuing activities	(1,581)	(1,207)
Income tax expense	-	-
Total comprehensive income	**(1,581)**	**(1,207)**

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

	Invercargill Central Limited	
	100%	100%
	2022	2021
	$000	$000
Closing net assets	91,447	76,127
Interest in joint venture	41,885	37,859
Impairment	(41,385)	-
Adjusted interest in joint venture	500	37,859

ICC has supported the redevelopment of the Invercargill central business district. Due to the commercial nature of the redevelopment, the Council requested that ICHL hold the investment in ICL and govern it on their behalf. Key determinations for Council investment balanced the private sectors ability to invest in the project given the low commercial returns with the community wellbeing outcomes sought by ICC. "Redevelopment of the inner city is likely to achieve the objective of maintenance and enhancement of the primacy of the Invercargill Central Business District as the primary centre for retailing, business, culture, entertainment, education and social services for Invercargill City and the wider Southland region". At 30 June 2022, ICHL has invested $43.2M and holds 45.8% of the shares.

Due to the impact of COVID-19 on global supply chains around the world creating high inflation and a rising interest rate environment in New Zealand, an impairment assessment was carried out. A valuation of the Class B Shares (only held by ICHL) on the basis of fair value using the dividend discount model was carried out by William Word, an independent valuer from Deloitte. This resulted in an impairment of $41,385,000 after taking into account the share of ICL's losses. ICC through ICHL has invested for the long term with the community feedback to date showing it is providing the desired wellbeing outcomes. However the absence of a commercial return has resulted in a significant write-down of this long-life asset to a nominal value.

The following valuation assumptions were adopted:

- The development is expected to be completed in the 2023 calendar year
- The free cashflows are based on the Company's 10 year forecast
- The cost of equity (Ke) used was 17%

14. TRADE AND OTHER PAYABLES

	Group	Group
	2022	2021
	$000	$000
Trade payables	254	140
Directors fees payable	-	5
Accrued expenses	1,821	1,009
Retentions	49	49
Amounts due to other related parties	1,860	2,060
GST payable	75	130
Income in advance	179	710
Total trade and other payables	**4,238**	**4,103**

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.

15. 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 2022 $000	Group 2021 $000
Current		
Redeemable preference shares	-	16,777
Secured loans	22,746	85,154
Total current borrowings	**22,746**	**101,931**
Non-current		
Secured loans	68,200	-
Total non-current borrowings	**68,200**	**-**

The BNZ borrowing facility of $100m matured in August 2021 and was replaced with a Local Government Funding Agency (LGFA) multi-option facility. For 2021 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 2.94% (2021: 3.26%) with hedging refer note 23.

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 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.

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.

Borrower notes

Borrower notes are subordinated convertible debt instruments that the Company subscribes for an amount equal to 2.5% of the total long-term borrowings from LGFA. LGFA will redeem borrower notes when the Company's related borrowings are repaid or no longer owed to LGFA. At 30 June 2022 the Company had subscribed to $1,705,000 of borrower notes.

16. 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-20			30-JUN-21			30-JUN-22
	$000	$000	$000	$000	$000	$000	$000
Property, plant and equipment	20,992	137	1,879	23,008	190	-	23,198
Biological assets	6,655	(6,655)	-	-	-	-	-
Carbon Credits	495	(495)	-	-	-	-	-
Investment property	322	34	-	356	33	-	389
Derivatives	(2,098)	-	872	(1,226)	-	1,389	163
Provisions	(273)	281	-	8	(3)	-	5
Other items	354	13	-	367	403	-	770
Tax losses	(1,504)	1,416	-	(88)	10	-	(78)
Total movements	**24,943**	**(5,269)**	**2,751**	**22,425**	**633**	**1,389**	**24,447**

17. 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 2020	50,293	(5,399)	36,193	48,844	129,931	1,748	128,183
Surplus/(deficit) after tax	-	-	-	8,542	8,542	36	8,506
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**	**57,900**	**156,162**	**1,784**	**154,378**
Balance at 1 July 2021	65,793	(3,154)	35,623	57,900	156,162	1,784	154,378
Surplus/(deficit) after tax	-	-	-	(36,221)	(36,221)	14	(36,235)
Other comprehensive income							
Property, Plant and Equipment Revaluation gains/(losses) - pre tax	-	-	-	-	-	-	-
Transfer of revaluation reserve to retained earnings due to asset disposal	-	-	(25)	25	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	-	3,573	-	-	3,573	-	3,573
Distributions to Shareholders							
Dividends paid/declared	-	-	-	(4,886)	(4,886)	-	(4,886)
Contributions from Shareholders							
Shares issued and paid up	16,777	-	-	-	16,777	-	16,777
Balance at 30 June 2022	**82,570**	**419**	**35,598**	**16,818**	**135,405**	**1,798**	**133,607**

The Company has 74,675,202 (2021: 57,898,202) ordinary shares that have been called and a further $100,000,000 (2021: $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 Company issued a further 16,777,000 ordinary shares at $1.00 on 14 July 2021.

18. RELATED PARTY TRANSACTIONS

The Company is the sole shareholder of Electricity Invercargill Limited, Invercargill City Forests Limited (disestablished in August 2021), Invercargill City Property Limited and holds a 97% stake in Invercargill Airport Limited. During the year, the following transactions took place with the group companies. All transactions with the subsidiaries have been eliminated upon consolidation.

Ultimate parent:	Group 2022 $000	Group Restated* 2021 $000
(A) INVERCARGILL CITY COUNCIL		
Revenue		
Provision of services	1,073	30
Expenditure		
Provision of services	434	307
Interest payments	-	777
Purchase of management services	152	152
Dividends from Subsidiary to Parent	4,886	4,886
Subvention payment	251	1,492
Loss offset	645	3,807
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	-	-
B) POWERNET LIMITED		
Revenue		
Provision of services	299	229
Expenditure		
Provision of goods and services	11,379	8,970
Outstanding at balance date by Parent and Group	1,886	2,033
Outstanding at balance date to Parent and Group	77	58
Advances provided to (repaid by)	(800)	(775)
(C) LAKELAND NETWORK LIMITED		
Revenue		
Provision of services	120	67
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	40	19
Advances provided to (repaid by)	1,633	971
(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	2,449	4,428

There has been no related party transactions with Invercargill Central Limited with the exception of share transactions per note 13.

No related party transactions have been written off or were forgiven during the 2022 year (2021: nil).

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

Key management personnel compensation comprises:

	Group 2022 $000	Group 2021 $000
Short term employment benefits	368	346
Directors Fees	492	452

Short term employee benefits relate to:

- Invercargill City Holdings 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.

19. COMMITMENTS AND OPERATING LEASES

	Group 2022 $000	Group 2021 $000
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	1,887	3,178

Associates and Joint Venture commitments

At 30 June 2022, Invercargill Central Limited had entered into contractual commitments for the development of property, plant and equipment and investment property, and tenancy contributions amounting to $180.5 million, of which $138.9 million has been spent at balance date.

At 31st March 2022, Lakeland Network Ltd has capital commitment of $3.14 million (2021: $1.75 million).

Other commitments

The Group has a conditional commitment as at 31 March 2022 of $415,000 (2021: $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 (2021: 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 2022 $000	Group 2021 $000
Non-cancellable operating leases as lessor		
Not later than one year	307	478
Later than one year and not later than five years	668	1,026
Later than five years	40	147
Total non-cancellable operating leases	**1,015**	**1,651**

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

20. CONTINGENCIES

Contingent assets:

2022 Year: Nil

2021 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

21. 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.

22. EVENTS AFTER THE BALANCE SHEET DATE

The official cash rate (OCR) has increased 2.75% since 30 June 2022 (from 2% to 4.75%). These OCR increases are being priced into market interest rates, including swap rates that affect interest rate swaps.
This has caused a material change in the interest rate swap fair values from 30 June 2022 by increasing the derivative financial instruments asset as the Company holds a number of interest rate swaps below current market interest rates.

After balance date, Invercargill Airport Limited entered into a non-cancellable contract to resurface its runway extensions at a cost of approximately $2.1 million. The agreement is not included in Note 18 Capital Committments because it was entered into after balance date.

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

23. 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, loans, 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 $5.1 million (2021: $8.3 million), trade receivables of $2.0 million (2021: $2.7 million) and advances to associates and joint ventures of $13.4 million (2021: $13.6 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 Group is exposed to credit risk through loans to associates and joint ventures. Should there be events which lead to a change in the credit quality of the loans including but not limited to increases in interest rates it will be necessary to consider whether the loans are impaired or not. At 30 June 2022 no loans investments were considered to be impaired.

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 2022:

			MATURITY DATES			
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-3 YEARS	> 3 YEARS	TOTAL
Group 2022	$000	$000	$000	$000	$000	$000
Financial Assets						
Cash and cash equivalents	5,102	5,102	5,102	-	-	5,102
Trade and other receivables	2,430	2,430	2,430	-	-	2,430
	7,532	**7,532**	**7,532**	**-**	**-**	**7,532**
Financial Liabilities						
Trade and other payables	4,027	4,027	4,027	-	-	4,027
Borrowings - secured loans	90,946	95,822	24,411	71,411	-	95,822
	94,973	**99,849**	**28,438**	**71,411**	**-**	**99,849**

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 (Restated)	$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 interest rates on the Group's borrowings are disclosed in note 15.

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 2022:

			MATURITY DATES			
Group 2022	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS $000	< 1 YEAR $000	1-3 YEARS $000	> 3 YEARS $000	TOTAL $000
Financial Assets						
Derivative financial instruments	643	334	201	239	(106)	334
	643	**334**	**201**	**239**	**(106)**	**334**
Financial Liabilities						
Derivative financial instruments	61	253	253	-	-	253
	61	**253**	**253**	**-**	**-**	**253**
Net derivative financial liabilities	**(582)**	**(81)**	**52**	**(239)**	**106**	**(81)**

The following table details the exposure to liquidity risk as at 30 June 2021:

			MATURITY DATES			
Group 2021	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS $000	< 1 YEAR $000	1-3 YEARS $000	> 3 YEARS $000	TOTAL $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**

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.

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 15.

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 2022 $000	Group 2021 $000
	Liability	**Liability**
Maturity < 1 year	17,000	8,000
Maturity 1-2 years	17,500	17,000
Maturity 2-3 years	10,000	17,500
Maturity 3-4 years	14,000	10,000
Maturity 4-5 years	8,000	14,000
Maturity 5-6 years	8,000	8,000
Maturity 6-7 years	-	-
Maturity 7-10 years	-	-
	74,500	74,500

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	
	2022	2021
	%	%
Effectiveness	100	100

Sensitivity analysis on Financial Instruments

Borrowings: If interest rates on borrowings at 30 June 2022 had fluctuated by plus or minus 1.0% (2021: 0.5%) the effect would have been to decrease/increase the surplus after tax by $227,870 (2021: $143,022) 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 1.0% (2021: 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 movement in rates is as follows and affect the equity balance of the Group:

	Carrying amount	Equity change	
	Year 2022 $000	+1.0% $000	-1.0% $000
Net Derivative financial asset/(Liability) - Cashflow Hedge	582	1,308	(1,360)
	Year 2021 $000	+0.5% $000	-0.5% $000
Net Derivative financial asset/(Liability) - Cashflow Hedge	(4,380)	874	(892)

24. 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 2022				Group 2021			
	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	-	643	-	643	-	-	-	-
Network Assets	-	-	97,313	97,313	-	-	93,627	93,627
Investment Property	-	-	5,505	5,505	-	-	5,170	5,170
Advance to associate	-	-	2,293	2,293	-	-	3,338	3,338
Total Assets at Fair Value	**-**	**643**	**105,111**	**105,754**	**-**	**-**	**102,135**	**102,135**
Liabilities at Fair Value								
Derivatives	-	61	-	61	-	4,380	-	-
Total Liabilities at Fair Value	**-**	**61**	**-**	**61**	**-**	**4,380**	**-**	**-**

The Group carries interest rate swaps (derivative financial instruments) at fair value. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate swaps are held with financial institutions with investment grade credit ratings. Interest rate derivative fair values are valued using swap model valuation techniques using present value calculations. The key inputs include interest rate curves and forward rate curves.

The Group's 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 three 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, where a discounted cash flow (DCF) method is used. One of these properties is planned to be replaced within the next year and the other is planned to be replaced within the next two years (2021: both properties in the next two years). The investment properties are revalued annually. The key inputs include yield sensitivity being 8.75% for 2022 (2021: 9.25%).

The Group's advance to associate is valued on the basis of fair value using the discounted cashflow (DCF) method. The loan is revalued annually. The key inputs include a discount rate of 12.44% (2021: 10.97% and realisation of the remaining assets in 2029.

25. BREACH OF STATUTORY DEADLINE

The Invercargill City Holdings Limited Group was required under section 67(5) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 30 November 2022. This timeframe was not met due to resource constraints.

This has also resulted in a breach of section 22.3 of the Invercargill City Holdings Limited company constitution, which requires audited financial statements and service performance information to be completed within 3 months after balance date.

Statement of Service Performance

FOR THE YEAR ENDED JUNE 30, 2022

The performance targets established in the 2022 Statement of Corporate Intent for Invercargill City Holdings Limited (ICHL) and the results achieved for the year ended 30 June 2022:

Group Financial Performance Targets

	Group 2022 Target $000	Group 2022 Actual $000	Group 2021 Restated Actual $000
Gross Revenue	32,807	32,052	35,160
Expenditure	(24,810)	(66,260)	(25,925)
Net Profit (Loss)	7,997	(34,208)	9,235
Tax	(1,730)	(2013)	(693)
Group Net Profit/(Loss) after tax	6,267	(36,221)	8,542
Dividend to Invercargill City Council	4,984	4,886	4,886
Shareholder Funds to Total Assets	49.0%	52.62%	53.53%

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	4.15%	-27.57%	2.65%

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 2022 Target $000	Group 2022 Actual $000	Group 2021 Actual $000
System Average Interruption Duration Index (SAIDI)			
The average total time in minutes each customer connected to the network is without supply.			
SAIDI (planned)	16.10	15.11	13.31
SAIDI (unplanned)	24.50	15.38	9.67
System Average Interruption Frequency Index (SAIFI)			
The average number of times each customer connected to the network is without supply.			
SAIFI (planned)	0.09	0.11	0.08
SAIFI (unplanned)	0.63	0.32	0.30

Electricity Invercargill Ltd has met the SAIDI and SAIFI target for the year except on the planned SAIFI mainly due to an increase in planned servicing of Ring Main units. Overall results on SAIDI and SAIFI were well below the supply quality limits set by the Commerce Commission.

Electricity Invercargill Ltd have progressed major capital and maintenance projects in Invercargill and Bluff region to enhance the resilience and capacity of the network. Ongoing asset replacements and renewals have continued across the network for those critical to the delivery of safe and reliable supply to customers. During the year, the upgrade and seismic strengthening of the Southern Zone substation was completed together with enabling future power demands as part of Invercargill's CBD redevelopment.

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

It has been another busy and challenging year for the Airport with COVID 19 impacting the operations. As the year progressed, we saw restrictions begin to reduce and air travel again begin to open up as confidence to travel domestically grew, and businesses learned to live with, and work around, all the impacts of COVID. As a result, financial results showed an a pre-tax profit of $355,000 before investment property revaluations compared to $526,000 for the prior year.

Passenger Numbers

Passenger numbers were 277,081 for the year against the passenger target of 353,444. The passenger number target was not shown in the Statement of Intent, but was the number used for budgeting purposes. Actual passenger numbers decreased from the prior year largely due to COVID related restrictions in the early part of the year with the first 6 months focused on responding to the requirements and impacts of COVID, and the second half focused on ramping up to our normal tempo of operations.

Operations

- Retain aerodrome certification via assessment from the Civil Aviation Authority

ACHIEVED

Whilst operations were significantly disrupted by COVID during the year, the Airport remained compliant with our certificate requirements. We continued to use external consultants to review and confirm compliance with our exposition over the year.

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 the airside sealed surfaces was assessed, and some minor maintenance completed. A project to resurface the 2004 Runway Extensions was started and will complete in November 2022.

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 was to open stage 1 of the development in July 2022. Invercargill Central Limited has actively managed the supply chain for the development given the size of the project and to date has managed to limit the increase in costs to around $10m over budget. Invercargill Central limited has funding lines in place to finalise the development.

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. ICC has consulted and approved changes to the group structure to provide further clarity in this space.

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 a recruitment process that identifies any gaps. ICHL conducted a board self-appraisal in 2021. Based on that we are satisfied that the board is able to discharge its duties effectively.

3. ICHL will instill 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 actively manage any actual or perceived conflicts of interest in a fair transparent and accountable manner.

   ACHIEVED

   ICHL has continued to address actual and perceived conflicts of interest. Where they have arisen the Board has recognised and implemented appropriate controls to manage the risks that may arise. There is an ongoing conflict in the management of the investment in Invercargill Central Limited which is noted and monitored.

5. 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.

6. 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. These meeting have continued throughout the year and provide an opportunity for further clarity around the roles and expectations set out in the Statement of Intent.

7. 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.

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

   NOT ACHIEVED

   ICHL has a risk management framework that is reviewed by audit and risk committee. This was not formally reviewed during the year.

9. 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

   A review of director remuneration across the group was undertaken and implemented following shareholder approval.

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. ICHL has worked with the subsidiaries and ICC to provide clarity of the investments across the group, including proposed restructure of the group.

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. Implementation of those reviews progressing.

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. ICHL ensures that there is a public sector lens placed over expenditure and remuneration practices in the group.

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. This includes conversations to ensure that there is clarity in the expectations contained in the Statement of Intent.

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 performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Invercargill City Holdings Limited Group and its controlled entities (collectively referred to as "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 performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 10 to 48, that comprise the statement of financial position as at 30 June 2022, 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 49 to 51.

In our opinion:

- the financial statements of the Group on pages 10 to 48:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 49 to 51 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 2022.

Our audit was completed on 2 March 2023. This is the date at which our opinion is expressed.

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 performance information

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 performance information 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 performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, 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 performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 performance information.

For the budget information reported in the financial statements and 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 performance information, 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 performance information 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 performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information 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 3 to 9 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 performance information 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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