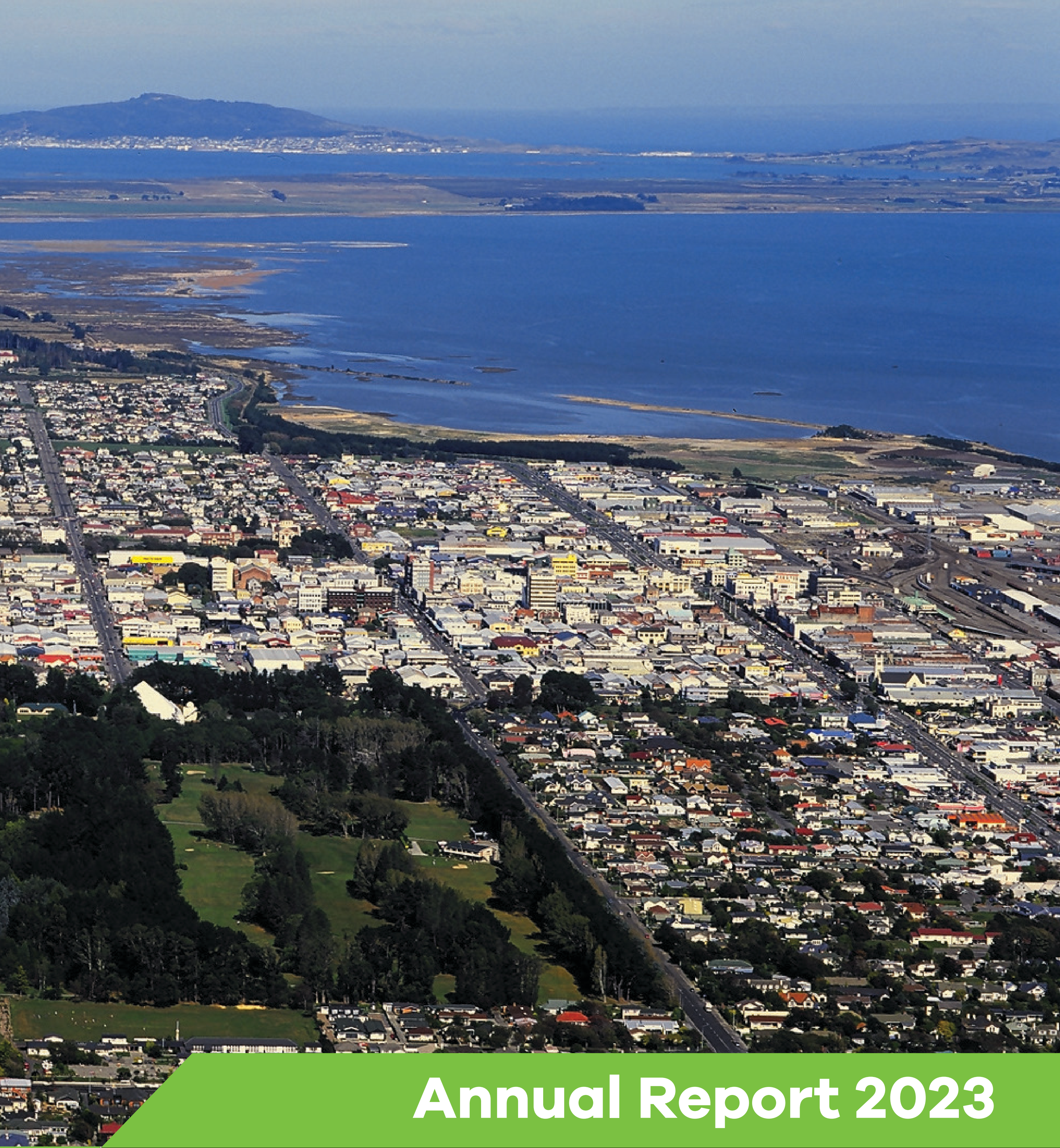

Annual Report 2023

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 2023.

B Wood
Director

J Schol
Director

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

Directory

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

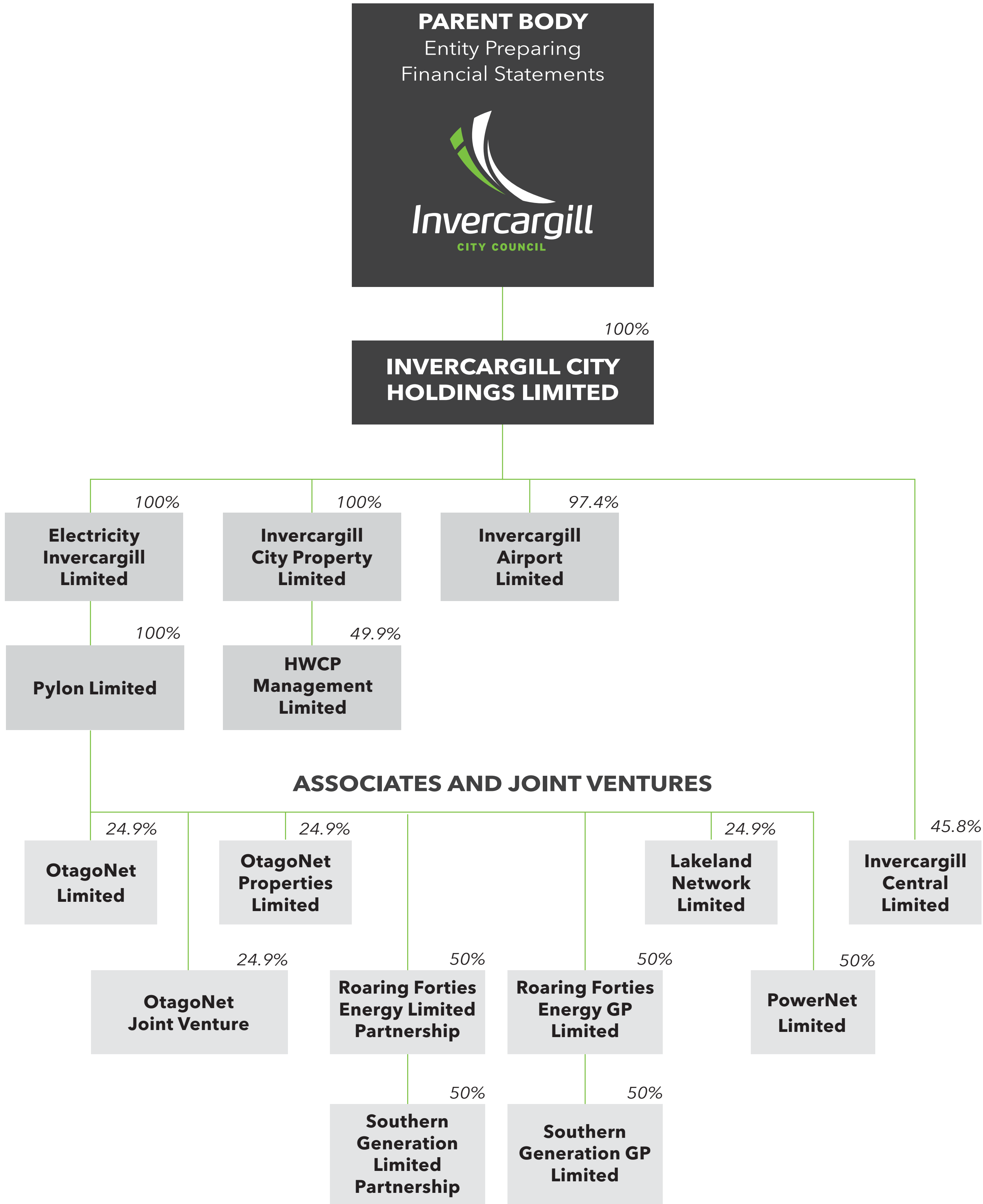
Auditor
Audit New Zealand on behalf of the Office of the Auditor-General

Bankers
BNZ

Solicitors
Preston Russell Law
45 Yarrow Street, Invercargill 9810

Treasury Advisor
Bancorp Treasury Services

Group Structure



An Overview

INVERCARGILL CITY HOLDINGS LIMITED

Activities:

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

2023 Financial Year:

- Overall financial result of after tax profit of $4.67 million for the Group.

ELECTRICITY INVERCARGILL LIMITED

Activities:

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

2023 Financial Year:

- The after tax profit for the year ended 31 March was $4.79 million compared to $5.73 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.

2023 Financial Year:

- The after tax profit was $1.12 million before investment property revaluations compared to $203,000 for the prior year.
- Passenger numbers for the year were 375,000 which is up 15% on the previous record (year ending June 2019).
- Health and safety, risk management and operational compliance remain a priority for the company.

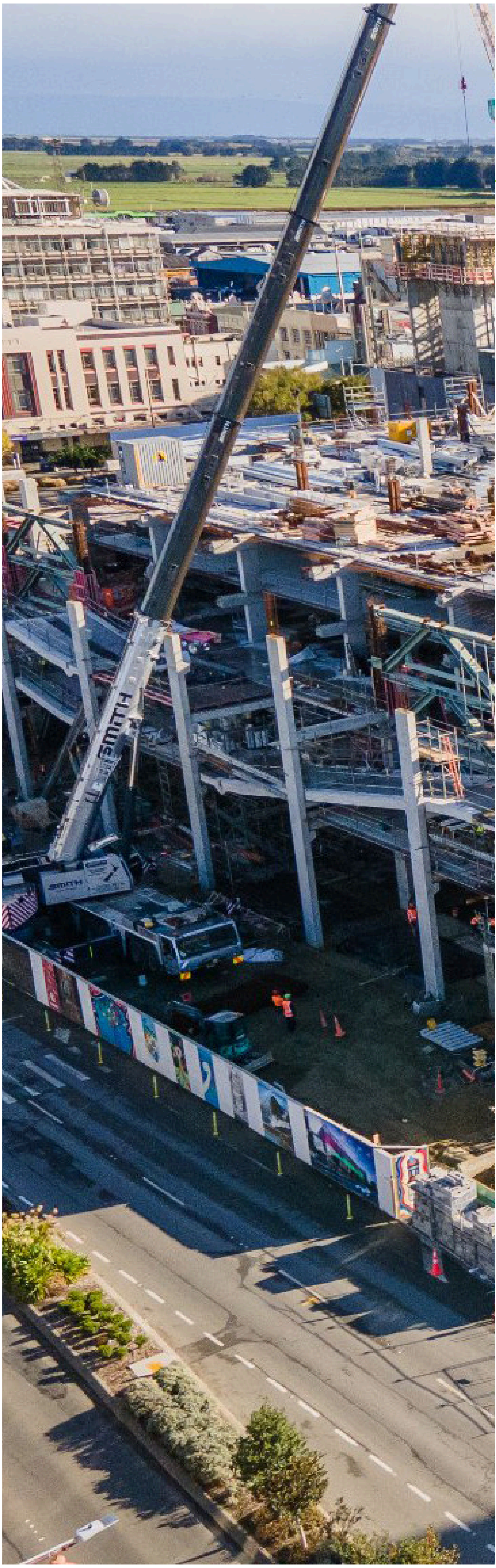
INVERCARGILL CITY PROPERTY LIMITED

Activities:

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

2023 Financial Year:

- The loss for the year was $389,000 compared to $0 for the prior year. In the 2023 financial year, an impairment expense was recorded in relation to the loan to HWCP Management Limited
- The Company continued to support HWCP Management Limited.



Board of Directors

COMPANY DIRECTORS

Invercargill City Holdings Limited

B Wood – Chair
J Bestwick (until 31 October 2022)
P Carnahan
M English
L Robertson (from 1 November 2022)
J Schol

Electricity Invercargill Limited

R Jamieson - Chair
E Ihaia
P Kiesonowski
S Lewis
S Young

Invercargill Airport Limited

G Lilly – Chair
J George
P Halstead
A Hercus

Invercargill City Property Limited

P Carnahan - Chair
J Bestwick (until 31 October 2022)
M English
L Robertson (from 1 November 2022
J Schol

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 - Chair	$70,000
J Bestwick (until 31 October 2022)	$11,667
P Carnahan	$35,000
M English	$35,000
L Robertson (from 1 November 2022)	$23,333
J Schol	$42,500

Electricity Invercargill Limited

R Jamieson - Chair	$65,000
E Ihaia	$32,000
P Kiesanowski	$32,000
S Lewis	$32,000
S Young	$32,000

Invercargill Airport Limited

G Lilly - Chair	$54,000
J George	$27,000
P Halstead	$27,000
A Hercus	$27,000

Invercargill City Property Limited

P Carnahan - Chair	-
J Bestwick (until 31 October 2022	-
M English	-
L Robertson (from 1 November 2022	-
J Schol	-

Invercargill Central Limited/HWCP Management Limited

B Wood	$35,000

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

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

$'000	No. of employees
180-190	1
140-150	1
130-140	1

AUDITOR'S REMUNERATION

2023 audit fees for the Group totaled $295,567. Details of fees payable are contained in Note 3.

LOANS TO DIRECTORS

There are no loans to Directors.

DIVIDEND

A dividend of $5,089,000 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 2023.

	Invercargill City Holdings Limited	Invercargill City Property Limited	Invercargill Central Limited	HWCP Management Limited
Brian Wood – Chair	•		•	•
Jenn Bestwick (until 31 October 2022)	•	•		
Peter Carnahan	•	•		
Mervyn English	•	•		
Linda Robertson (from 1 November 2022)	•	•		
John Schol	•	•		

Board Chair Report

I am pleased to present the 2023 Annual Report of Invercargill City Holdings Limited. The Group produced a profit after tax of $ 5.173M (excluding the impairment of investment in joint venture) compared to 5.164M 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 $5.089M for the financial year.

Invercargill City Property Limited produced an after-tax loss of $389,000 this year compared to $0 profit in the prior year as a result of an impairment of a loan receivable. Invercargill City Property Limited has loans to HWCP Management Limited which still retains some land. While sales of those parcels have not been finalised at this time, the Directors objective is to recover funds from HWCP Management Limited when those transactions are completed. ICPL continues to incur interest costs on funds borrowed from Invercargill City Holdings Limited to on-lend to HWCP Management Limited

The Electricity Invercargill Limited group produced an after-tax profit of $4.79M compared to $5.73M last year. On May 2022, Invercargill City Council released a consultation on a proposed purchase of the investment in Roaring Forties Energy Limited Partnership that outlined a number of potential options for public submission. The preferred option being to transfer the 50% interest held by subsidiary Pylon Ltd, to Invercargill City Holdings Limited on behalf of Invercargill City Council. The purpose of this transfer was to enable Electricity Invercargill Limited to focus on management of the lines business and Invercargill City Holdings Limited to manage commercial investments. On August 2022, the directors of Pylon Limited approved in principle the board resolution to sell its interest in Roaring Forties Energy Limited Partnership to Invercargill City Holdings Limited. As at the date of finalising the Group Consolidated Financial Statements, the negotiation on the terms and conditions of the sale agreement are still ongoing.

Invercargill Airport Limited reported an after-tax profit of $1.119M compared to $203,000 in the prior year before investment property valuations. Passenger numbers for the year were 375,000, which is up 15% on the previous record. A series of significant development projects have been worked on in the planning stages through the year, in preparation for physical work commencing later in 2023 calendar year.

Invercargill Central Limited has completed construction. For the year ended 30 June 2023, a market-based property valuation report was obtained from independent valuation experts, CBRE. This report indicated the fair value of Invercargill Central Limited investment property to be $69.8m. As disclosed in note 12, an impairment expense of $103M in relation to Invercargill Central Limited's investment property was recognised in their annual report for the year end ended 30 June 2023. As further highlighted in note 12 of the Group's consolidated financial statements, the positive commercial yields, quality of the build and prospect of strong future revenue growth are consistent with the Director's long term investment objectives.

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. Given the Impairment of Invercargill Central's investment property recognised in their financial statements, Invercargill City Holding's has impaired the Group's investment in Invercargill Central Limited from $500,000 to Nil. This has no impact on cash flow or any of Invercargill City Holdings Limited's other activities

B J Wood
Board Chair

Statement of Financial Position

AS AT JUNE 30, 2023

	NOTE	GROUP 2023 $000	GROUP 2022 $000
ASSETS			
Current assets			
Cash and cash equivalents	7	3,177	5,102
Trade and other receivables	8	3,027	2,519
Other financial assets		750	-
Derivative financial instruments	22	133	-
Inventories		6	6
Total current assets		**7,093**	**7,627**
Non-current assets			
Property, plant and equipment	9	136,298	121,959
Investment property	10	5,830	5,505
Capital work in progress		2,747	3,245
Investments in associates and joint ventures	11,12	106,533	102,995
Advances to associates and joint ventures		12,998	13,428
Other financial assets		1,323	1,823
Deferred tax asset	15	3	78
Derivative financial instruments	22	1,349	643
Total non-current assets		**267,081**	**249,676**
Total assets		**274,174**	**257,303**
LIABILITIES			
Current liabilities			
Derivative financial instruments	22	-	61
Trade and other payables	13	3,888	4,238
Employee benefit liabilities		169	127
Borrowings	14	43,019	22,746
Tax payable		913	2,001
Total current liabilities		**47,989**	**29,173**
Non-current liabilities			
Borrowings	14	48,200	68,200
Deferred tax liability	15	29,628	24,525
Total non-current liabilities		**77,828**	**92,725**
Total liabilities		**125,817**	**121,898**

	NOTE	GROUP 2023 $000	GROUP 2022 $000
EQUITY			
Share capital	16	82,570	82,570
Retained earnings	16	16,411	16,818
Other reserves	16	49,376	36,017
Total equity attributable to the equity holders of the company		**148,357**	**135,405**
Equity is attributable to:			
Parent entity	16	146,523	133,607
Minority interest	16	1,834	1,798
		148,357	**135,405**

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

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2023

	NOTE	GROUP 2023 $000	GROUP 2022 $000
INCOME			
Revenue from contracts with customers	1	25,491	23,662
Rental income		2,322	2,058
Other income		415	368
Other gains	2	325	539
Total income		**28,553**	**26,627**
EXPENDITURE			
Employee expenses	4	1,621	1,252
Depreciation	9	6,269	6,312
Other expenses	3	15,965	14,607
Total operating expenditure		**23,855**	**22,171**
Finance income	5	947	432
Finance expenses	5	3,365	2,704
Net finance expense		**(2,418)**	**(2,272)**
Operating profit/(loss) before tax		**2,280**	**2,184**
Share of associate and joint ventures surplus/(deficit)	11,12	5,113	4,993
Impairment of investment in joint venture		(500)	(41,385)
Profit/(loss) before tax		**6,893**	**(34,208)**
Income tax expense	6	2,220	2,013
Profit/(loss) after tax		**4,673**	**(36,221)**
OTHER COMPREHENSIVE INCOME			
To be classified to surplus or deficit in subsequent periods:			
Property, Plant and Equipment revaluation gains/(losses) – net of tax	9	12,719	-
Cash flow hedges net of tax	16	648	3,573
Total other comprehensive income		**13,367**	**3,573**
TOTAL COMPREHENSIVE INCOME		**18,040**	**(32,648)**
Total comprehensive income attributable to:			
Equity holders of the Company		18,004	(32,662)
Minority interest		36	14
		18,040	**(32,648)**

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

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2023

	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 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**
Balance at 1 July 2022	82,570	419	35,598	16,818	135,405	1,798	133,607
Surplus/(deficit) after tax	-	-	-	4,673	4,673	36	4,637
Other comprehensive income	-	649	12,710	9	13,368	-	13,368
Distributions to Shareholders							
Dividends paid/declared	-	-	-	(5,089)	(5,089)	-	(5,089)
Contributions from Shareholders							
Shares issued and paid up	-		-		-		-
Balance at 30 June 2023	**82,570**	**1,068**	**48,308**	**16,411**	**148,357**	**1,834**	**146,523**

Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2023

	NOTE	GROUP 2023 $000	GROUP 2022 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		741	232
Receipts from other revenue		28,044	26,110
Payments to suppliers and employees		(16,945)	(15,646)
Interest paid		(3,163)	(2,356)
Income tax (paid) / refund		(2,753)	(688)
Goods and services tax [net]		5	22
Subvention payment		(205)	(251)
Net cash from operating activities		**5,724**	**7,423**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		47	1
Dividends received from associates/joint ventures		6,564	6,326
Purchase of property, plant and equipment		(9,447)	(7,407)
Purchase of investments		(250)	(1,705)
Purchase of construction work in progress		(1)	(422)
Advances made to associates/joint ventures		261	416
Investments in associates/joint ventures		-	(8,575)
Net cash from investing activities		**(2,826)**	**(11,366)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		4,850	90,100
Repayment of borrowings		(4,577)	(84,550)
Dividends paid		(5,096)	(4,886)
Net cash from financing activities		**(4,823)**	**664**
NET (DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS		**(1,925)**	**(3,279)**
Cash, cash equivalents and bank overdrafts at the beginning of the year		5,102	8,381
Cash, cash equivalents and bank overdrafts at the end of the year	7	**3,177**	**5,102**

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 2023 $000	GROUP 2022 $000
RECONCILIATION WITH REPORTED OPERATING SURPLUS		
Net profit after tax	4,673	(36,221)
Add/(deduct) non-cash items:		
Depreciation	6,269	6,312
Net (profit)/loss on sale of fixed assets	27	99
Impairment of trade receivables	-	51
Change in fair value of investment property	(325)	(335)
Increase/(decrease) in deferred taxation	279	634
Associate /joint venture post-acquisition profits	(5,113)	(4,993)
Change in fair value of loan	169	(204)
Impairment of investment in joint venture	500	41,385
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	(602)	918
(Increase)/decrease in inventories	-	(1)
(Increase)/decrease in prepayments	(10)	(15)
Increase/(decrease) in accounts payable and accruals	828	(876)
Increase/(decrease) in GST/taxation	(971)	669
Net cash inflow (outflow) from operating activities	**5,724**	**7,423**

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Current borrowings	Non- Current Borrowings	Total $000
1 July 2022	22,745	68,200	90,946
Non cash movements	20,000	(20,000)	
CASHFLOWS			
Proceeds	4,850	-	4,850
Repayments	(4,577)	-	(4,577)
30 June 2023	**43,019**	**48,200**	**91,219**

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2023

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 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 2023. The financial statements were authorised for issue by the Board on 2 October 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, investment property, network assets and financial instruments (including derivative instruments). certain property, plant and equipment has been revalued to fair value.

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.

As described in note 16 to the financial statements, The Company has 74,675,202 (2022: 74,675,202) ordinary shares that have been called and a further $100,000,000 (2022: $100,000,000) of ordinary shares that have been issued to the Invercargill City Council which are able to be called upon. On this basis, together with the funding available through Group's loan facility held with New Zealand Local Government Funding Agency the Group is able to refinance appropriately and meet immediate investment and funding needs.

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.

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 10. The most sensitive assumption on the valuation is that one hangar will be demolished but not replaced within the next year (2022: one hangar will be demolished within the next year and the other hangar 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 15.22% (2022: 12.44%) 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; and
  - The value of the assets sold in 2029 are deemed to reflect the market value as at 30 June 2023. No adjustment has been made with regards the increase or decrease in market value of these assets to the point of forecasted realisation 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.
  - A Ke range of 16.6%-18.5% was with a mid-point of 17.5% for the forecast period.

    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 2023, due to the impact 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 2024 aeronautical charge review.
  - Expected revenues reflect expected passenger numbers and other contractual revenues.
  - The weighted average cost of capital (WACC) used ranges from 7.04% to 8.48% (2022: 5.6% to 7.16%) 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 2.87% (resulting in an average WACC of 10.38%).

- 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 2024. The Company and Group are assessing the effect of these amendments on its financial statements.

Amendments to NZ IAS 1- Disclosure of Accounting Policies

The amendments apply for annual reporting periods beginning on or after 1 January 2023 require entities to disclose their material accounting policy information, instead of significant accounting policies. Given the current disclosures, this amendment is not expected to have a material impact to future disclosures within the Company and Group's financial statements.

Amendments to NZ IAS 8 – Definition of Accounting Estimates

The amendments apply for annual reporting periods beginning on or after 1 January 2023. The amendments clarify how accounting policies and accounting estimates relate to each other. The amendments also clarify the distinction between what is considered a change in an accounting estimate and what is considered a change in an accounting policy or a correction of a prior period error. These amendments are not considered to have a signification impact with regards to the Company and Group's disclosures.

Amendments to FRS-44 - Disclosure of Fees for Audit Firms' Services

This amendment updates the required disclosures for fees relating to services provided by an entity's audit or review firm. The disclosure is to be disaggregated into specified categories of services and includes guidance to assist entities. The mandatory date for application of this new standard is 01 January 2024. This new standard is not expected to have a material impact on the financial statement disclosure given the Company and Group's auditor fees are disaggregated within Note 1 of the financial statements.

2019 Omnibus Amendments to NZ IFRS

Effective for periods on or after 1 January 2025, the amendments clarify that in a transaction involving an associate or joint venture, the extent of the gain or loss recognised is dependent upon whether the assets sold or contributed constitute a business, as defined in NZ IFRS 3 Business Combinations. The Company and Group are assessing the effect of these amendments on its financial statements.

No new or amended standards that are issued but not yet effective have been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact in the current or future reporting periods

CHANGES IN ACCOUNTING POLICIES

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

1. 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.

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.

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.

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 2023 $000	GROUP 2022 $000
Electricity delivery services	18,498	17,736
Electricity capital contributions	418	1,451
Airport services	6,545	4,445
Other income	30	30
	25,491	**23,662**

2. OTHER GAINS AND LOSSES

	GROUP 2023 $000	GROUP 2022 $000
Change in fair value of investment property	325	335
Gain on financial assets at fair value through profit or loss	-	204
	325	**539**

	GROUP 2023 $000	GROUP 2022 $000
3. OTHER EXPENSES (INCLUDES)		
Loss on financial assets at fair value through profit or loss	169	-
Director fees	581	492
Network costs	9,917	9,670
Transmission costs	5,762	5,486
Auditor's renumeration to Audit New Zealand comprises:		
• audit of financial statements	145	109
• 2022 audit fee recovery	22	-
• 2021 audit fee recovery	-	19
Auditor's remuneration to other auditors comprises:		
• audit of financial statements	66	49
• audit of default price path	36	32
• audit of regulatory disclosures	49	39
Donations	3	-
PwC consulting fees*	24	-

**Consulting fees include Regulatory Forecasting and Price Setting Compliance Statement*

	GROUP 2023 $000	GROUP 2022 $000
4. EMPLOYEE EXPENSES		
Wages and salaries	1,583	1,219
Defined contribution expenses	38	33
Total employee expenses	**1,621**	**1,252**

5. FINANCE INCOME AND EXPENSE

Interest income is recognised on a time-proportion basis using the effective interest method.

	GROUP 2023 $000	GROUP 2022 $000
Finance income		
Interest income on bank deposits	947	432
Total finance income	947	432
Financial expense		
Interest expense on financial liabilities measured at amortised cost	3,365	2,704
Total financial expenses	3,365	2,704
Net finance costs	**(2,418)**	**(2,272)**

6. 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 2023 $000	GROUP 2022 $000
Current tax expense		
Current period	1,954	1,501
Adjustment for prior periods	(1)	(121)
Total current tax expense	**1,953**	**1,380**
Deferred tax expense		
Origination and reversal of temporary differences	264	637
Adjustment for prior periods	3	(4)
Total deferred tax expense	**267**	**633**
Total income tax expense	**2,220**	**2,013**
Reconciliation of effective tax rate		
Profit for the year	6,893	(34,208)
Tax at 28%	1,930	(9,578)
Group loss offset		-
Permanent Differences	279	11,582
Change in recognised temporary differences	(143)	(31)
Under/(over) provided in prior periods	41	160
• Subvention payment made in respect of prior period	118	(181)
• Expenses not deductible	(5)	61
Total income tax expense	**2,220**	**2,013**
Effective Tax Rate	29%	61%
Imputation credits available for use in subsequent periods	**1,758**	**1,656**

7. 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 2023 $000	GROUP 2022 $000
Call deposits	-	10
Cash and cash equivalents	3,177	5,092
Cash and cash equivalents in the statement of financial position and statement of cashflows	**3,177**	**5,102**

8. 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 2023 $000	GROUP 2022 $000
Trade receivables	2,285	1,991
Less allowance for expected credit losses	(98)	(100)
Prepayments	207	107
Related party receivables	8	117
GST Receivable	126	-
Accrued revenue	499	404
	3,027	**2,519**

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 17.

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 discounted at the effective interest rate computed at initial recognition.

The status of trade receivables at the reporting date is as follows:

	GROUP 2023 $000	GROUP 2022 $000
Not past due	2,051	1,776
Past due 30-60 days	27	32
Past due 61-90 days	-	-
Past due more than 90 days	207	183
Total	**2,285**	**1,991**

9. 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%-67% Straight Line
(c) Plant	
- Invercargill Airport Limited	8%–50% Diminishing Value and 5%-67% Straight Line
(d) Motor Vehicles	
- Invercargill Airport Limited	10%–15.6% Diminishing Value and 7%-25% Straight Line
(e) Network Assets	
- Electricity Invercargill Limited	1%–50% 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
2023	**1 July 2022**									**30 June 2023**		
Land	509	-	509	-	-	-	-	-	-	509	-	509
Gravel and Fencing	4,337	1,668	2,669	161	-	-	170	-	-	4,498	1,838	2,660
Buildings, Yards and Terminals	7,285	1,538	5,747	88	-	-	218	-	-	7,373	1,756	5,617
Network Assets	137,232	31,630	105,601	5,149	105	36	4,485	11,814	-	154,090	36,079	118,011
Plant and Equipment	2,770	2,336	434	130	9	9	97	-	-	2,891	2,424	467
Motor Vehicles	2,678	2,543	135	1,230	-	-	45	-	-	3,908	5,558	1,320
Furniture and Fittings	5,732	3,037	2,695	27	7	3	402	-	-	5,752	3,436	2,316
Runway, Taxiways and Apron	14,974	10,806	4,168	2,081	-	-	852	-	-	17,055	11,658	5,397
Total assets	**175,517**	**53,558**	**121,959**	**8,866**	**121**	**48**	**6,269**	**11,814**	**-**	**196,076**	**59,779**	**136,297**

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**

Revaluation:

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

Network assets

Valuation

The network assets of Electricity Invercargill Ltd were revalued to fair value using discounted cash flow methodology on 31 March 2023 by Ernst & Young, who is an independent valuer. This resulted in a favourable revaluation movement of $11,814,000. The valuation is based on seven years forecast free cash flows and a calculated terminal value beyond the discrete cash flow period. The following valuation assumptions were adopted:

- The free cash flows was based on the Company's three year business plan and asset management plan adjusted for transactions that arise from expansionary growth in the network after the date of the valuation.
- Annual inflation based on forecast from the New Zealand Treasury
- The corporate tax rate used was 28%.
- The weighted average cost of capital (WACC) used was 6.1%.
- RAB multiple range of 1.05 times for the terminal value

Review of Asset Estimated Useful Life

During 2023, PowerNet Engineers reviewed and updated the estimated useful life of the Electricity Invercargill Ltd network assets. The review applied consistency across all of the Group network assets and aligned with Regulatory Asset reporting. The review of asset estimated useful life led to a change in the network asset depreciation rates applied within each asset category. This resulted in the range of depreciation rates applied across the network asset categories changing to 1.4%- 50% (2022: 2.0%-6.7%) The underground cable installed post 1985 and cables classified as PILC was most impacted by the change, with the estimated useful life increased from 45 years to 55 and 70 years, respectively. The new rates applied from 1 April 2022 across the network assets resulted to a decrease in the 2023 depreciation cost by $225,000, with the average annual depreciation rate decreasing to 3.68% (2022: 3.91%).

10. 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 2023 $000	Group 2022 $000
Balance at 1 July	5,505	5,170
Change in fair value	325	335
Balance at 30 June	**5,830**	**5,505**

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 2023 and 2022, all investment properties were valued based on the income approach and comparable sales approach except for one property being less than 5% of the portfolio value. This property is planned to be demolished within the next year but no decision has been made on its replacement (2022: 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). 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 2023 and 2022 valuations were performed by Robert Todd, an independent valuer from TelferYoung 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.

11. EQUITY ACCOUNTED ASSOCIATES

Associate Companies	Principal activity	Country of Incorporation	Percentage Held by Group 2023	Percentage Held by Group 2022	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. The loss for the year ended 30 June 2023 of $550,389 has not been recognised for the investment in HWCP Management Limited as Invercargill Property Limited's share of losses exceeds its interest in the associate.

The HWCP Management Limited associate has no contingent liabilities as at 30 June 2023 of nil (2022: nil).

Lakeland Network Limited has no contingient liabilities as at 31 March 2023 (2022:nil).

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

	Group 2023 $000	Group 2022 $000
Balance at beginning of year	5,193	5,054
Total recognised revenues and expenses	94	139
Revaluation gain on network assets	928	-
Balance at end of year	**6,215**	**5,193**

The network assets of Lakeland Network Ltd were revalued using discounted cash flow methodology on 31 March 2023 by an independent valuer. This resulted in a favourable gain, with the Group share of $928,000 (net of deferred tax) recognised in the Statement of Comprehensive Income.

The information below reflects the amounts presented in the financial statements of each entity and not the Group's share. The information is therefore not adjusted for inter-company eliminations. 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% 2023 $000	Lakeland Network Ltd 100% 2022 $000
Cash and cash equivalents	206	175
Other current assets	630	759
Total current assets	836	934
Non-current assets	52,238	40,807
Total assets	**53,074**	**41,741**
Current liabilities	1,917	2,188
Non-current liabilities	26,198	18,697
Total Liabilities	**28,115**	**20,885**
Net assets	**24,959**	**20,856**

Summarised Statement of Comprehensive Income includes:	Lakeland Network Ltd	
	100%	100%
	2023	2022
	$000	$000
Operating revenue	4,956	4,024
Interest expense	(1,327)	(493)
Depreciation	(692)	(897)
Profit before tax from continuing activities	655	927
Income tax expense	(278)	(370)
Net profit after tax	**377**	**557**
Revaluation gain	**3,726**	**-**
Total comprehensive income	**4,103**	**557**

As disclosed in note 9, the Group's network assets were revalued to fair value using as Discounted cash flow Methodology by Ernst and Young, who is an independent valuer. This resulted in a fair value gain of $3,726,000 which was recognised in the Statement of Comprehensive Income of Lakelands Network Ltd for the year ended 31 March 2023.

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

	Lakeland Network Ltd	
	100%	100%
	2023	2022
	$000	$000
Closing net assets	24,959	20,856
Interest in associate	6,215	5,193

Summarised Statement of Financial Position	HWCP Management Ltd	
	100%	100%
	2023	2022
	$000	$000
Cash and cash equivalents	25	61
Other current assets	16	1,358
Total current assets	41	1,419
Non-current assets	1,975	2,897
Total assets	**2,016**	**169**
Current liabilities	160	5,250
Non-current liabilities	4,060	-
Total Liabilities	**4,220**	**5,250**
Net assets	**(2,204)**	**(1,103)**

Summarised Statement of Comprehensive Income includes:	HWCP Management Ltd	
	100%	100%
	2023	2022
	$000	$000
Interest expense	(274)	(315)
Depreciation	(1)	(1)
Profit before tax from continuing activities	(322)	(479)
Gain loss on sale of investment property	152	-
Impairment loss on investment property	(921)	-
Total comprehensive income	**(1,101)**	**(479)**

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

	HWCP Management Ltd 100% 2023 $000	100% 2022 $000
Closing net assets	-	-
Interest in associate	-	-

Impairment loss on investment property

For the year ended 30 June 2023, a valuation assessment was obtained to determine the recoverable amount of the investment property. The 2023 valuations was performed by Robert Todd, an independent valuer from TelferYoung 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 Company. The market based valuation determined the fair value of investment property to be $1,975,000. Given the carrying value of investment property exceeded the recoverable amount, an impairment loss of $920,987 was recorded in the Statement of Comprehensive Income for the year ended 30 June 2023.

12. EQUITY ACCOUNTED JOINT VENTURES

Joint Ventures	Principal activity	Country of Incorporation	Percentage Held by Group 2023	2022	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 2023 $000	Group 2022 $000
Balance at beginning of year	97,802	132,084
Investments in joint ventures	-	8,575
Share of profit from joint ventures recognised in surplus or deficit the statement of comprehensive income	5,019	4,854
Revaluation gain on network assets	4,562	-
Impairment of joint venture*	(500)	(41,385)
Distributions from joint ventures	(6,565)	(6,326)
Balance at end of year	**100,318**	**97,802**

As disclosed on page 37, ICL recorded an impairment expense of $103,710,365 with regards to the Company's investment property. As a result of this impairment, ICL's equity is in a negative position as at 30 June 2023. As such, Group's investment in ICL has been impaired to Nil for the year then ended.

The impairment losses arising in the prior 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. The information is therefore not adjusted for intercompany eliminations. 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%	**100%**
	2023	**2022**
	$000	**$000**
Cash and cash equivalents	463	616
Other current assets	23,024	21,366
Total current assets	23,487	21,982
Non-current assets	44,701	43,255
Total assets	**68,188**	**65,237**
Current liabilities	13,014	10,409
Non-current liabilities	49,546	49,212
Total Liabilities	**62,560**	**59,621**
Net assets	**5,628**	**5,616**

Summarised Statement of Comprehensive Income includes:	**PowerNet Limited Group**	
	100%	**100%**
	2023	**2022**
	$000	**$000**
Operating revenue	92,499	84,672
Interest revenue	-	-
Interest expense	(3,595)	(2,413)
Depreciation	(3,599)	(3,592)
Profit before tax from continuing activities	1,300	3,073
Income tax expense	13	(783)
Total comprehensive income	**1,313**	**2,290**

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

	PowerNet Limited Group	
	100%	**100%**
	2023	**2022**
	$000	**$000**
Closing net assets	5,628	5,616
Interest in joint venture	2,814	2,808

Summarised Statement of Financial Position	**OtagoNet Joint Venture**	
	100%	**100%**
	2023	**2022**
	$000	**$000**
Cash and cash equivalents	82	994
Other current assets	3,129	3,793
Total current assets	3,211	4,787
Non-current assets	240,565	218,613
Total assets	**243,776**	**223,400**

Current liabilities	5,414	4,946
Non-current liabilities	-	693
Total Liabilities	**5,414**	**5,639**
Net assets	**238,362**	**217,761**

Summarised Statement of Comprehensive Income includes:	**OtagoNet Joint Venture**	
	100%	**100%**
	2023	**2022**
	$000	**$000**
Operating revenue	29,004	31,572
Interest revenue	1	2
Interest expense	(24)	(39)
Depreciation	(9,093)	(8,133)
Profit before tax from continuing activities	6,178	10,235
Income tax expense	-	-
Revaluation of network assets	18,323	-
Total comprehensive income	**24,501**	**10,235**

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

	OtagoNet Joint Venture	
	100%	**100%**
	2023	**2022**
	$000	**$000**
Closing net assets	238,362	217,761
Interest in joint venture	59,352	54,222

As disclosed in note 9, the Group's network assets were revalued to fair value using as Discounted cash flow methodology by Ernst and Young, who is an independent valuer. This resulted in a fair value gain of $18,323,000 which was recognised in the Statement of Comprehensive Income for the year ended 30 June 2023 in OtagoNet Joint venture for the year 31 March 2023.

Summarised Statement of Financial Position	**Roaring Forties Energy Limited Partnership**	
	100%	**100%**
	2023	**2022**
	$000	**$000**
Cash and cash equivalents	45	23
Other current assets	33	-
Total current assets	78	23
Non-current assets	80,197	84,235
Total assets	**80,275**	**84,258**
Current liabilities	55	19
Non-current liabilities		-
Total Liabilities	**55**	**19**
Net assets	**80,220**	**84,239**

Summarised Statement of Comprehensive Income includes:	Roaring Forties Energy Limited Partnership	
	100%	100%
	2023	2022
	$000	$000
Operating revenue	6,788	5,616
Profit before tax from continuing activities	6,470	5,295
Income tax expense	-	-
Total comprehensive income	**6,470**	**5,295**

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

	Roaring Forties Energy Limited Partnership	
	100%	100%
	2023	2022
	$000	$000
Closing net assets	80,220	84,239
Interest in joint venture	40,110	42,120

Summarised Statement of Financial Position	Invercargill Central Limited	
	100%	100%
	2023	2022
	$000	$000
Cash and cash equivalents	432	665
Other current assets	1,355	927
Total current assets	1,787	1,592
Non-current assets*	70,383	144,205
Total assets	**72,170**	**145,797**
Current liabilities	4,705	7,050
Non-current liabilities	80,600	47,300
Total Liabilities	**85,305**	**54,350**
Net assets	**(13,135)**	**91,447**

Summarised Statement of Comprehensive Income includes:	Invercargill Central Limited	
	100%	100%
	2023	2022
	$000	$000
Operating revenue	4,855	-
Interest revenue	-	284
Interest expense	(2,350)	(455)
Depreciation	(947)	(25)
Profit before tax from continuing activities	(871)	(1,581)
Impairment of investment property*	(103,709)	-
Total comprehensive income	**(104,582)**	**(1,581)**

* Impairment of investment property

For the year ended 30 June 2023, an impairment assessment with regards to the investment property was completed. This is a recently constructed asset, occupied in stages over the year and is not yet wholly complete. There is no physical damage or obsolescence to the building and no change to the expected use of it. Over the long term rental income projections have improved, and Directors are looking at recapitalisation to lower the increasing interest rates. The view of the Directors is that the investment property has been built to hold over the long term for public benefit, and that if it were to be built now, would cost significantly more. A property valuation was compiled by CBRE, independent valuation experts, which indicated the fair value of ICL's investment property at 30 June 2023 to be $69,800,000. The carrying value as at 30 June 2023 was $173,509,208. Given the carrying value of the investment property exceeded its recoverable amount, an impairment expense of $103,709,208 has been recognised for the year end ended 30 June 2023.

- Valuation of investment property as complete less remaining costs to complete: $69,800,000
- Valuation of investment property as complete: $78,500,000
- Internal Rate of Return: 10.75%
- Terminal yield 7.75%
- Initial yield 7.30%

While the review of the Company's investment property assets indicated an impairment, Management considers the commercial yields generated by the investment property to be acceptable. In their report, CBRE found the quality of the design and finishes of the property are at the very upper end of retail complexes throughout New Zealand. Rewards of the high-quality build are expected to be reaped over the long term through realisation of strong income growth into the future. The tenants are currently trading well and affordability levels are good. Conclusions within the CBRE report are based on data and market sentiment as at date of valuation. Consumer and investor behaviour can rapidly change during periods of volatility.

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

	Invercargill Central Limited	
	100%	100%
	2023	2022
	$000	$000
Closing net assets	(13,135)	91,447
Interest in joint venture	500	41,885
Impairment	*(500)	(41,385)
Adjusted interest in joint venture	-	500

13. TRADE AND OTHER PAYABLES

	Group 2023 $000	Group 2022 $000
Trade payables	158	254
Accrued expenses	1,294	1,821
Retentions	49	49
Amounts due to other related parties	2,219	1,860
GST payable	-	75
Income in advance	168	179
Total trade and other payables	**3,888**	**4,238**

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.

14. 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 2023 $000	Group 2022 $000
Current		
Secured loans	43,019	22,746
Total current borrowings	**43,019**	**22,746**
Non-current		
Secured loans	48,200	68,200
Total non-current borrowings	**48,200**	**68,200**

Secured loans relate to the Local Government Funding Agency (LGFA) multi-option facility.

Secured loans of the Company are secured against assets, undertakings and uncalled capital of the Group. The effective interest rate for the multi-option note facility was 3.96% (2022: 2.94%) with hedging refer note 22.

The group will renew all loans maturing in the 2024 financial year with new facilities with LGFA. The following facilities will mature in the 2024 financial year:

- Long term borrowings held with LGFA for $12.269 million maturing on 4 September 2023; and
- Long term borrowings held with LGFA for $30 million maturing on 3 December 2023.

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 2023 the Company had subscribed to $1,955,000 (2022: $1,705,000) of borrower notes.

15. 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 JUNE 2022			30 JUNE 2022			30 JUNE 2023
	$000	$000	$000	$000	$000	$000	$000
Property, plant and equipment	23,008	190	-	23,198	219	4,585	28,002
Investment property	356	33	-	389	7	-	396
Derivatives	(1,226)	-	1,389	163	-	251	414
Provisions	8	(3)	-	5	(18)	-	(13)
Other items	367	403	-	770	59	-	829
Tax losses	(88)	10	-	(78)	75	-	(3)
Total movements	**22,425**	**633**	**1,389**	**24,447**	**342**	**4,836**	**29,625**

16. 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 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**	**1,789**	**133,607**
Balance at 1 July 2022	82,570	419	35,598	16,818	135,405	1,798	133,607
Surplus/(deficit) after tax	-	-	-	4,673	4,673	36	4,637
Other comprehensive income							
Property, Plant and Equipment Revaluation gains/(losses) - pre tax	-	-	12,710	9	12,719	-	12,719
Transfer of revaluation reserve to retained earnings due to asset disposal	-	649	-	-	649	-	649
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-
Distributions to Shareholders							
Dividends paid/declared	-	-	-	(5,089)	(5,089)	-	(5,089)
Contributions from Shareholders							
Shares issued and paid up	-	-	-	-	-	-	-
Balance at 30 June 2023	**82,570**	**1,068**	**48,308**	**16,411**	**148,357**	**1,834**	**146,523**

The Company has 74,675,202 (2022: 74,675,202) ordinary shares that have been called and a further $100,000,000 (2022: $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 16,777,000 ordinary shares at $1.00 on 14 July 2021.

17. RELATED PARTY TRANSACTIONS

The Company is the sole shareholder of Electricity Invercargill Limited, Invercargill City Forests Limited (disestablished in August 2021), and 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 2023 $000	Group 2022 $000
(A) INVERCARGILL CITY COUNCIL		
Revenue		
Provision of services	30	1,073
Expenditure		
Provision of services	587	434
Purchase of management services	170	152
Dividends from Subsidiary to Parent	5,089	4,886
Subvention payment	205	251
Loss offset	527	645
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	3	-
B) POWERNET LIMITED		
Revenue		
Provision of services	509	299
Expenditure		
Provision of goods and services	10,013	11,379
Outstanding at balance date by Parent and Group	2,009	1,886
Outstanding at balance date to Parent and Group	133	77
Advances provided to (repaid by)	(212)	(800)
(C) LAKELAND NETWORK LIMITED		
Revenue		
Provision of services	329	120
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	-	-
Outstanding at balance date to Parent and Group	107	40
Advances provided to (repaid by)	1,429	1,633
(D) HWCP MANAGEMENT LIMITED		
Revenue		
Provision of services	273	315
Expenditure		
Provision of goods and services	-	-
Outstanding at balance date by Parent and Group	141	156
Outstanding at balance date to Parent and Group	646	2,449

There has been no related party transactions with Invercargill Central Limited.

No related party transactions have been written off or were forgiven during the 2023 year (2022: nil).

Key management personnel compensation comprises:

	Group 2023 $000	Group 2022 $000
Management fees	170	152
Short term employment benefits	267	216
Directors Fees	546	492

Short term employee benefits relate to:

- Invercargill City Holdings Limited consists of management fees.
- Invercargill Airport Limited consists 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 consists of salaries and other short-term benefits.

18. COMMITMENTS AND OPERATING LEASES

	Group 2023 $000	Group 2022 $000
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	1,633	1,887

Associates and Joint Venture commitments

At 30 June 2023, Invercargill Central Limited had entered into contractual commitments for the development of property, plant and equipment and investment property, and tenancy contributions amounting to $180.8 million, of which $173.2 million has been spent at balance date.

At 31 March 2023, Lakeland Network Ltd has capital commitment of $568,000 (2022: $3.14 million).

Other commitments

The Group has a conditional commitment as at 31 March 2023 of $415,000 (2022: $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 lessee (2022: 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 2023 $000	Group 2022 $000
Non-cancellable operating leases as lessor		
Not later than one year	613	307
Later than one year and not later than five years	1,304	668
Later than five years	177	40
Total non-cancellable operating leases	**2,094**	**1,015**

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

19. CONTINGENCIES

Contingent assets:

2023 Year: Nil

2022 Year: Nil

Contingent liabilities:

The Invercargill Central Limited Share Holders Agreement provides that if acting reasonably the Company determines that it requires further funding it may call on O'Donnell CBD Limited and Invercargill City Holdings Limited to fund a further $16.5m.

The Invercargill City Holdings Limited subscription agreement with Invercargill Central Limited provides that, on similar terms to the Shareholders Agreement, Invercargill Central Limited may call on Invercargill City Holdings Limited to purchase a further $4m in shares from Invercargill Central Limited.

During the 2020 year Invercargill Airport Limited 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 Invercargill Airport Limited 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.

There are no other contingent liabilities or assets at 30 June 2023 (2022:Nil).

20. EVENTS AFTER THE BALANCE SHEET DATE

On 26 September 2023, the Directors of Invercargill City Property Limited signed a resolution to amended the terms of the loan agreement between Invercargill City Property Limited and HWCP Management Limited.

In 2017 HWCP Management Limited (the Borrower) and Invercargill City Property Limited (the Lender) entered into a loan agreement (the Agreement). The Agreement was for a facility of $5,000,000 as varied in accordance with the terms of the Agreement. Currently the facility has been drawn by the Borrower in the amount of $4,201,488 comprising loan and interest repayments as at 30 June 2023. This loan is recorded in the Group's financial statements at a fair value of $645,891 as at the year then ended. The parties have agreed to vary the loan agreement on the terms set out below.

Clause 4.4 is deleted and replaced with the following new clause 4.4

4.4 The Borrower must pay to the lender either:

4.4.1 the funds available from the sale of land held by the Borrower (for the avoidance of doubt sale price less the costs of disposal); or 4.4.2 all amount owing under the Agreement in relation to the Facility on the Termination Date

Whichever is the lesser of those two amounts. Upon sale of the Borrower's assets the Lender agrees to forgive the balance of the amount owing (if any).

21. 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 $3.2 million (2022: $5.1 million), trade receivables of $2.285 million (2022: $2.0 million) and advances to associates and joint ventures of $13.2 million (2022: $13.4 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 2023 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 transacted 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 2023:

			MATURITY DATES			
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-3 YEARS	> 3 YEARS	TOTAL
Group 2023	$000	$000	$000	$000	$000	$000
Financial Assets						
Cash and cash equivalents	3,177	3,177	3,177	-	-	3,177
Other financial asset	1,955	2,115	805	1,079	231	2,115
Trade and other receivables	2,285	2,285	2,285	-	-	2,285
	7,417	**7,577**	**6,267**	**1,079**	**231**	**7,577**
Financial Liabilities						
Trade and other payables	3,887	3,887	3,887	-	-	3,887
Advances	3,938	3,938	-	-	3,938	3,938
Borrowings - secured loans	91,219	97,120	44,947	42,868	9,305	97,120
	99,044	**104,945**	**48,834**	**42,868**	**13,243**	**104,945**

The following table details the exposure to liquidity risk as at 30 June 2022:

Group 2022	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS $000	MATURITY DATES < 1 YEAR $000	1-3 YEARS $000	> 3 YEARS $000	TOTAL $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 interest rates on the Group's borrowings are disclosed in note 14. 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 2023:

Group 2023	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS $000	MATURITY DATES < 1 YEAR $000	1-3 YEARS $000	> 3 YEARS $000	TOTAL $000
Financial Assets						
Derivative financial instruments	1,482	1,143	685	550	(92)	1,143
	1,482	**1,143**	**685**	**550**	**(92)**	**1,143**

The following table details the exposure to liquidity risk as at 30 June 2022:

Group 2022	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS $000	MATURITY DATES < 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)**

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 14. 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 2023 $000	Group 2022 $000
	Liability	**Liability**
Maturity < 1 year	17,500	17,000
Maturity 1-2 years	10,000	17,500
Maturity 2-3 years	14,000	10,000
Maturity 3-4 years	8,000	14,000
Maturity 4-5 years	8,000	8,000
Maturity 5-6 years		8,000
Maturity 6-7 years	-	-
Maturity 7-10 years	-	-
	57,500	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	
	2023	2022
	%	%
Effectiveness	100	100

Sensitivity analysis on Financial Instruments

Borrowings: If interest rates on borrowings at 30 June 2023 had fluctuated by plus or minus 1.0% (2022: 1.0%) the effect would have been to decrease/increase the surplus after tax by $107,062 (2022: $227,870) 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% (2022:1.0%) 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 2023 $000	+1.0% $000	-1.0% $000
Net Derivative financial asset/(Liability) - Cashflow Hedge	1,482	846	(875)
	Year 2022 $000	+0.5% $000	-0.5% $000
Net Derivative financial asset/(Liability) - Cashflow Hedge	582	1,308	(1,360)

22. 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 2023				Group 2022			
	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	-	1,482	-	1,482	-	643	-	643
Network Assets	-	-	110,144	110,144	-	-	97,313	97,313
Investment Property	-	-	5,830	5,830	-	-	5,505	5,505
Advance to associate	-	-	844	844	-	-	2,293	2,293
Total Assets at Fair Value	**-**	**1,482**	**116,818**	**118,300**	**-**	**643**	**105,111**	**105,754**
Liabilities at Fair Value								
Derivatives	-	-	-	-	-	61	-	61
Total Liabilities at Fair Value	**-**	**-**	**-**	**-**	**-**	**61**	**-**	**61**

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.

Invercargill Airport Limited's investment properties are valued annually at fair value effective 30 June. For 2023 and 2022, all investment properties were valued based on the income approach and comparable sales approach except for one property being less than 5% of the portfolio value. This property is planned to be demolished within the next year but no decision has been made on its replacement (2022: 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), 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 key inputs include yield sensitivity being 8.35% for 2023 (2022: 8.75%).

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 15.22% (2022: 12.44% and realisation of the remaining assets in 2029).

Statement of Service Performance

FOR THE YEAR ENDED JUNE 30, 2023

The performance targets established in the 2023 Statement of Corporate Intent for Invercargill City Holdings Limited (ICHL) and the results achieved for the year ended 30 June 2023:

Group Financial Performance Targets

	Group 2023 Target $000	Group 2023 Actual $000	Group 2022 Actual $000
Gross Revenue	34,517	34,870	32,052
Expenditure	28,066	27,977	(66,260)
Net Profit (Loss)	6,451	6,893	(34,208)
Tax	(1,739)	(2,220)	(2,013)
Group Net Profit/(Loss) after tax	4,712	4,673	(36,221)
Dividend to Invercargill City Council	5,089	5,089	4,886
Shareholder Funds to Total Assets	57.24%	54.11%	52.62%

Shareholder Funds to Total Assets

ICHL reported a lower shareholder funds to total asset compared to budget due to ICHL recording an unanticipated impairment of the Group's investment in ICL as at 30 June 2023, refer to note 12 of the annual report for further information with regards to this transaction.

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	2.29%	3.6%	-27.57%

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 2023 Target $000	Group 2023 Actual $000	Group 2022 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)	18.4	15.76	15.11
SAIDI (unplanned)	23.1	17.8	15.38
System Average Interruption Frequency Index (SAIFI)			
The average number of times each customer connected to the network is without supply.			
SAIFI (planned)	0.09	0.08	0.11
SAIFI (unplanned)	0.62	0.24	0.32

SAIDI and SAIFI for planned and unplanned interruptions are calculated using the methodology defined in the Electricity Distribution Services DPP3 Determination 2020. SAIFI is calculated per interruption against the total network ICPs. Planned SAIDI is calculated in categories dependent on minutes occurring within or outside interruption windows, number of ICPs affected and total network ICPs – buckets are then summed to an assessed SAIDI value per interruption. Assessed SAIDI and SAIFI for unplanned interruptions include normalisation of major events for periods that exceed the DPP3 defined boundary values. The annual planned SAIFI and SAIDI figures are shown for comparison with targets, but planned SAIFI and SAIDI are assessed at the end of the five year DPP3 period.Electricity Invercargill Ltd has met the SAIDI and SAIFI target for the year and were well below the supply quality limits set by the Commerce Commission.

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.

Health and Safety

	Target 2023	Achievement 2023	2022
Total Recordable Injury Frequency Rate			
Contractors Target (TRIFR)	3.1	1.1	1.0

Electricity Invercargill Ltd contracts PowerNet Ltd to manage its Network assets and operations. Electricity Invercargill Ltd employ no staff, therefore the PowerNet Ltd Health and Safety Performance targets are relevant to the Group.

PowerNet Ltd safety performance (TRIFR) remained at 1.0 and Electricity Invercargill Ltd network continued to record zero injuries in the 2023 reporting year. These results were maintained despite the constantly increasing volume of critical works undertaken through the year.

The Board has a strong commitment to ensuring PowerNet's employees, contractors and the public remain safe and well. The Board monitors the health, safety and environment aspects of the Group's activities, principally through the Heath, Safety and Environment Committee. Monthly reports to the Board provide information on accidents, near misses and incidents, together with monthly data on PowerNet's health, safety, and environment performance Risks are further identified through regular monitoring, using internal and external audits, reporting of accidents and near misses and formal risk reviews.

Directors also focus on the management of critical safety risks by undertaking field observation visits using the Risk Mentor tool to ensure the controls identified in the critical control framework are being consistently applied on site.

Invercargill Airport Limited

Financial

This year has been an important one for the Airport Company as it has now had a full year without significant impact from Covid, and whilst mask restrictions were in place for travellers in the early part of this year, they were not a major deterrent to travel and passenger numbers through Invercargill Airport for this financial year have recovered strongly and exceeded all previous years. As a result, financial results showed an a pre-tax profit of $1,648,000 before investment property revaluations compared to $355,000 for the prior year.

Passenger Numbers

Passenger numbers were 375,412 for the year against the passenger target of 356,281. Overall passenger numbers is up 15% on the previous record (year ending June 2019). This growth drove a strong financial performance.

Non-Financial

Safety

Zero lost time injuries for staff

ACHIEVED

There were no lost time injuries to staff related to the IAL workplace. IAL continues to advance safety in the workplace, reporting and addressing minor incidents and observations. Leaders within the business are ensuring the safety culture continues to grow positively.

Business continuity plan is reviewed, updated and implemented

ACHIEVED

The business continuity plan was updated by an external consultant, which was then presented to the Board at the October meeting. Further testing and implementation of features arising from that plan have been ongoing since that time to add further robustness to business continuity.

Completion rate for priority 1 (P1) safety and health actions achieved within the defined time periods

ACHIEVED

No Priority One incidents were recorded for the period.

Environmental

No notifiable environmental incidents on airport managed property

ACHIEVED

There were no notifiable environmental incidents on airport managed property in this period.

During demolition of hangar 2 there was discovery of historic ground contamination. Further work on this site has been paused while resolution of this contamination is adequately resolved.

Operations

Retain aerodrome certification via assessment from the Civil Aviation Authority

ACHIEVED

The Airport remains compliant with our CAA Rule 139 Certificate and expects a successful compliance audit in late 2023.

Infrastructure

No significant disruption to airport operations due to infrastructure failure

ACHIEVED

No significant disruption to airport operations in the reporting period, caused by infrastructure.

During this period IAL resurfaced 500 linear metres of the main runway. This work was undertaken during routine overnight closures, which enabled it to be completed without any disruption to air traffic.

Sustainability
The Acert Level 1 accreditation is completed
PARTIALLY ACHIEVED
Level 1 accreditation documentation was completed and submitted. However, the formal accreditation was not received by 30 June 2023.

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. ICL is a two level city centre shopping centre which commenced trading in July 2022 and is now nearing completion of construction stages. An impairment assessment completed by management indicated impairment of the investment property asset, as a result an impairment expense was recognised for the year ended 30 June 2023. Refer to Note 12 for further details with regards to the impairment of investment property. While the review of the Company's investment property assets indicated an impairment, Management considers the commercial yields generated by the investment property to be acceptable. In their report, CBRE found the quality of the design and finishes of the property are at the very upper end of retail complexes throughout New Zealand. Rewards of the high-quality build are expected to be reaped over the long term through realisation of strong income growth into the future. The tenants are currently trading well and affordability levels are good. Conclusions within the CBRE report are based on data and market sentiment as at date of valuation.

ICL Reporting Measures
Project costs and schedule- actively manage the supply chain for development so as to not incur increased costs as result of supply chain issues. No increase in budget costs for the delivery of the project.
ACHIEVED
There was a $16m increase in budgeted costs from $164.5m to $180.5m. This identified in January 2022 and the project was managed within those parameters.

Stage one open and operating
ACHIEVED
Stage once completed during the 2023 financial year. Trading commenced July 2023.

Project completion dates for stage two to remain within required parameters.
ACHIEVED
Stage two was completed within the required parameters. Building was completed April 2023.

Opening of stage two and commencement of operations.
ACHIEVED
Operations commenced in 2022 with further retailers opened in 2023.

Roaring Forties Energy Limited Partnership

Investment monitoring – ICHL will monitor the performance in the Southern Generation Limited Partnership
ACHIEVED
ICHL has monitored the performance of Southern Generation Limited Partnership throughout the 2023 financial year.

Parent Non-Financial Performance Targets

Corporate Governance
The ICHL Group will adopt strategies that are compatible with the strategic direction of its shareholder.
ACHIEVED
ICHL actively engaged with its subsidiaries and its shareholder to ensure strategic alignment with the Council's strategic priorities.

ICHL maintains contact with subsidiary company boards and remains aware of their strategic and business issues.
ACHIEVED
ICHL receives regular reports detailing financial and performance updates. ICHL meets with subsidiary boards regularly to review current performance and strategic focus areas.

ICHL keeps ICC informed of matters of substance affecting the group on a no surprises basis
ACHIEVED
ICHL made timely and balanced disclosure to ICC of all matters concerning it that a reasonable shareholder would expect to be made aware.

Sustainability

ICHL will promote and support ICHL Group companies' contribution to ICC's climate change initiatives.
ACHIEVED
ICHL supported progress across the group in moving towards measuring, report and reducing carbon emissions.

Dividends

ICHL expects a long term sustainable dividend flow to the shareholder, while maintaining an appropriate balance between dividends and reinvestment.
ACHIEVED
ICHL required 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 worked with its subsidiaries to achieve the most efficient use of staff resources, capital assets and working capital through innovative management and sound business practices.

Public Expectations

ICHL worked with its subsidiaries to ensure that they are mindful of the public scrutiny that comes with being a Council Controlled Organisation.
ACHIEVED
ICHL required its subsidiaries to 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. Ensured their company is fiscally disciplined with expenditure.

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Invercargill City Holdings Limited's group financial statements and statement of service performance for the year ended 30 June 2023

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 statement of service performance 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 2023, 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:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; 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 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 2023.

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

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported statement of service performance within the Group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify 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 1 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 statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Independence

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

For the year ended 30 June 2023 and subsequently, a Director of the Board of Directors of the Group is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as a member of the Auditor-General's Audit and Risk Committee (when acting in this capacity) has no involvement in, or influence over, the audit of the Group.

In addition to this audit, we have carried out other audit and assurance engagements, and regulatory training and advisory services for the group. These engagements, as described in note 3 on page 23, are compatible with those independence requirements.

Other than the audit, these engagements, and the relationship with the Auditor-General's Audit and Risk Committee, 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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