

Invercargill City Property Limited

Annual Report
For the year ended 30 June 2013

Invercargill City Property Ltd

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Invercargill City Property Ltd

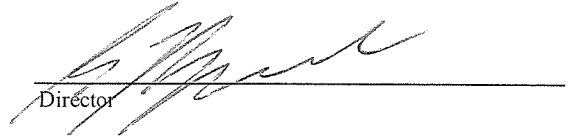
Approval By Directors

The Directors have approved for issue the financial statements of Invercargill City Property Limited for the year ended 30 June 2013

Chairman

A handwritten signature in black ink, consisting of a vertical stroke on the left and a horizontal stroke on the right, crossing at the top.

Director

A complex, cursive handwritten signature in black ink, written over a horizontal line.

For and on behalf of the Board of Directors

17 September 2013

Invercargill City Property Ltd
Company Directory and Board of Directors

Directors

P J Carnahan - Chairman (appointed 1 May 2012)

G J Sycamore (appointed 1 May 2012)

M P O'Connor (appointed 1 May 2012)

Auditor

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

Registered office

c/o Invercargill City Council
101 Esk Street
Invercargill

Bankers

Bank of New Zealand
Invercargill

Postal address

Private Bag 90-104
Invercargill
Phone (03) 2111669
Fax (03) 2111 435

Solicitors

Preston Russell Law
92 Spey Street
Invercargill

Invercargill City Property Ltd

Statutory Information

Directors Remuneration

P J Carnahan (Chairman) : \$20,000

G J Sycamore : \$15,000

M P O'Connor : \$15,000

Loans to Directors

There are no loans to Directors

Use of Company Information by Directors

No Director 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 shares held, acquired or disposed of during the year.

Recommended Dividend

There is no dividend recommended.

Auditors Remuneration

Audit fees for the company totalled \$5,300. Details of the fees payable are contained in note 1.

Employees Remuneration

There are no employees that received remuneration and other benefits of \$100,000 or greater during the year.

Directors' and Officers' Indemnity Insurance

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

Invercargill City Property Limited

Statement of Comprehensive Income For the Period Ended 30 June 2013 In New Zealand Dollars

	<i>Note</i>	2013 \$	2012 \$
Income			
Operating revenue		100,000	16,667
Other gains		-	-
Total income		100,000	16,667
Expenditure			
Total operating expenditure	1	77,467	11,488
Finance income		763	8
Finance expenditure		-	-
Net finance expenses		763	8
Operating surplus before tax		23,296	5,187
Income tax expense	2	6,523	(66,119)
Operating surplus after tax		16,773	71,306
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		16,773	71,306

Statement of Changes in Equity For the Period Ended 30 June 2013 In New Zealand Dollars

	2013 \$	2012 \$
Equity Balance at 1 July	71,306	-
Total recognised comprehensive income for the period	16,773	71,306
Equity Balance at 31 December	88,079	71,306

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with these financial statements.

Invercargill City Property Limited

Statement of Financial Position as at 30 June 2013 In New Zealand Dollars

	<i>Note</i>	2013 \$	2012 \$
Assets			
Cash and cash equivalents	3	44,331	8,646
Trade and other receivables	4	1,250	-
Tax receivable	6	254	3
Total current assets		45,835	8,649
Deferred Taxation	7	59,596	66,119
Total non-current assets		59,596	66,119
TOTAL ASSETS		105,431	74,768
Trade and other payables	5	17,352	3,462
Tax payable	6	-	-
Total current liabilities		17,352	3,462
Loans		-	-
Total non-current liabilities		-	-
TOTAL LIABILITIES		17,352	3,462
Share capital	8	-	-
Retained earnings	8	88,079	71,306
Reserves	8	-	-
TOTAL EQUITY	8	88,079	71,306
TOTAL LIABILITIES and EQUITY		105,431	74,768

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with these financial statements.

Invercargill City Property Limited

Statement of Accounting Policies For the Period Ended 30 June 2013

REPORTING ENTITY

Invercargill City Property Limited (the Company) is a Council Controlled Organisation as defined in the Local Government Act 2002 and registered under the Companies Act 1993. The Company is wholly owned by Invercargill City Holdings Limited and domiciled in New Zealand.

The financial statements of the Company are for the year ended 30 June 2013. The financial statements were authorised for issue by the Board of Directors on 17 September 2013.

The primary objective of the Company is to manage commercial property investments, accordingly, the Company has designated itself as a profit orientated entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with the requirements of the Local Government Act 2002, the Financial Reporting Act 1993 and the Companies Act 1993. The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit orientated entities that qualify for and apply differential reporting concessions.

The Company qualifies for Differential Reporting exemptions as all of the owners are represented on the governing body and it meets the size criteria as set out in the Framework for Differential Reporting. All available reporting exemptions allowed under the Framework for Differential Reporting for Entities Applying New Zealand Equivalents to IFRS Reporting Regime have been adopted, except for IAS12 Income Taxes..

The financial statements are presented in New Zealand Dollars (NZD). The financial statements are prepared on the historical cost basis.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

REVENUE

Revenue is measured at the fair value of consideration received.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Interest income is recognised using the effective interest rate method.

EXPENDITURE

All expenditure is recognised in the Statement of Comprehensive Income in the period in which it is incurred.

GOODS AND SERVICES TAX

The Financial Statements have been prepared exclusive of Goods and Services Tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an 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 is included as part of receivables or payables in the Statement of Financial Position

Invercargill City Property Limited

Statement of Accounting Policies For the Period Ended 30 June 2013

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.

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.

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 impairment.

FINANCIAL ASSETS

Where applicable the Company classifies its financial assets into the following three categories: available for sale investments, loans and receivables and financial assets at fair value through surplus or deficit. The classification depends on the purpose for which the investments were acquired. Management determine the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs.

Loans and receivables:

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income.

Invercargill City Property Limited

Statement of Accounting Policies For the Period Ended 30 June 2013

FINANCIAL INSTRUMENTS

The Company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors and creditors. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Income.

- Receivables

Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

- Cash and cash equivalents

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

CHANGES IN ACCOUNTING POLICIES

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

NEW STANDARDS ADOPTED

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2012;

Amendments to NZ IAS 1 - Presentation of Financial Statements : presentation of items of other comprehensive income.

The amendment requires profit or loss and other comprehensive income (OCI) to be presented, either in a single continuous statement or in two separate but consecutive statements. There is little noticeable change from the current requirements. However, the format of the OCI section is required to be changed to separate items that might be recycled from items that will not be recycled. The changes do not effect the measurement of net profit or earnings per share; however, they change the way items of OCI are presented.

This Standard also requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments).

NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company are:

Except for changes detailed below there are no other standards or interpretations that have been issued but not yet effective, that have been currently assessed as being applicable to the Company and Group.

Amendment to NZ IFRS 7 - Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendment comes into effect for fiscal years beginning on or after 1 January 2013.

These amendments introduce disclosures, which provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position.

The Company has not yet assessed the effect of the new standard.

Amendment to NZ IFRS 7 - Financial Instruments: Disclosures – Transitional Disclosures

The amendment comes into effect for fiscal years beginning on or after 1 January 2013.

These amendments to NZ IFRS 7 remove the requirement for the restatement of comparative period financial statements upon initial application of the classification and measurement requirements of NZ IFRS 9.

Instead, the amendments introduce additional disclosures on transition from the classification and measurement requirements of NZ IAS 39 Financial Instruments: Recognition and Measurement to those of NZ IFRS 9.

For entities adopting NZ IFRS 9 from 2013 onwards, these disclosures are required even if they choose to restate the comparative figures for the effect of applying NZ IFRS 9.

The Company has not yet assessed the effect of the new standard.

Invercargill City Property Limited

Statement of Accounting Policies For the Period Ended 30 June 2013

NZ IFRS 9 (2009) Financial Instruments will eventually replace NZ IAS 39 Financial Instruments : Recognition and Measurement

NZ IFRS 9 Phase I was issued in November 2009 and is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2015.

NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and phase 3 Hedge Accounting.

NZ IFRS 9 (2009) includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace NZ IAS 39.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of NZ IAS 39. The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

- two categories for financial assets being amortised cost or fair value;
- removal of the requirement to separate embedded derivatives in financial assets;
- strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows;
- an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition;
- reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes; and
- changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.

The Company has not yet assessed the effect of the new standard.

NZ IFRS 9 (2010) Financial Instruments will eventually replace NZ IAS 39 Financial Instruments : Recognition and Measurement

NZ IFRS 9 Phase I was issued in November 2010 and is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2015.

NZ IFRS 9 (2010) supersedes NZ IFRS 9 (2009). The requirements for classifying and measuring financial liabilities were added to NZ IFRS 9 as issued in 2009. The existing NZ IAS 39 *Financial Instruments: Recognition and Measurement* requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities, the change in fair value is accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
- The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

The Company has not yet assessed the effect of the new standard.

NZ IFRS 13 Fair Value Measurement - Amendment

The amendment comes into effect for fiscal years beginning on or after 1 January 2013.

The amendment provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The Company has not yet assessed the effect of the new standard.

Invercargill City Property Ltd

Notes to the Financial Statements For the Period Ended 30 June 2013 In New Zealand Dollars

	2013	2012
	\$	\$
1. OPERATING EXPENSES		
Total Operating Expenditure includes:		
<i>Employee expenses:</i>		
Wages and salaries	5,000	833
Increase/(decrease) in employee benefits	112	-
Total employee expenses	<u>5,112</u>	<u>833</u>
Directors fees	50,000	8,333
Audit remuneration to Audit New Zealand		
- audit of financial statements	5,300	1,500
- other audit related services	-	-
2. INCOME TAX EXPENSE		
Current tax expense	-	-
Deferred tax expense	6,523	(66,119)
Total tax expense	<u>6,523</u>	<u>(66,119)</u>
<i>Reconciliation of effective tax rate</i>		
Operating surplus before income tax	23,296	5,187
Taxable income	<u>23,296</u>	<u>5,187</u>
Prima Facie Taxation at 28%	6,523	1,452
Plus/(less) tax effect of		
Origination of temporary differences (tax loss not previously recognised)	-	(67,571)
Origination of temporary differences (provisions)	1,095	(420)
Reversal of temporary differences (tax losses utilised)	(1,095)	420
Tax Expense	<u>6,523</u>	<u>(66,119)</u>
<i>Components of tax expense</i>		
Current tax:	<u>-</u>	<u>-</u>
Origination of temporary differences (tax loss not previously recognised)	-	(67,571)
Origination of temporary differences (provisions)	(1,095)	(420)
Reversal of temporary differences (tax losses utilised)	7,618	1,872
Deferred tax:	<u>6,523</u>	<u>(66,119)</u>
Total income tax expense	<u>6,523</u>	<u>(66,119)</u>
<i>Imputation Credit Account</i>		
Imputation credits available for use in subsequent periods	<u>-</u>	<u>-</u>

Invercargill City Property Ltd

Notes to the Financial Statements For the Period Ended 30 June 2013 In New Zealand Dollars

	2013	2012
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Bank Account	44,331	8,646
Total cash and cash equivalents	44,331	8,646
4. TRADE AND OTHER RECEIVABLES		
Accounts Receivable	-	-
GST	1,250	-
Total trade and other receivables	1,250	-
5. TRADE AND OTHER PAYABLES		
Accounts Payable	11,500	-
Accrued expenses - Audit fees	5,300	1,500
Accrued expenses - Wages, Salaries and Employee Entitlements	112	833
Accrued expenses - Other	440	-
GST	-	1,129
Total trade and other payables	17,352	3,462
6. TAXATION PAYABLE / (RECEIVABLE)		
Current tax provision	-	-
RWT paid	(254)	(3)
Tax payable/(receivable)	(254)	(3)

7. DEFERRED TAXATION

	Balance	Recognised in profit or loss	Recognised in equity	Balance
				2013
	<u>1-Jul-12</u>			
Trade payables and provisions	(420)	(1,095)	-	(1,515)
Tax losses	(65,699)	7,618	-	(58,081)
Total movements	(66,119)	6,523	-	(59,596)
				2012
	<u>1-Jul-11</u>			<u>30-Jun-12</u>
Trade payables and provisions	-	(420)	-	(420)
Tax losses	-	(65,699)	-	(65,699)
Total movements	-	(66,119)	-	(66,119)

Deferred taxation assets have been recognised as it is probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilised in the future. This is based on the forecasts, showing anticipated taxable profits in the near future which will be able to utilise the deferred tax assets.

Invercargill City Property Limited

Notes to the Financial Statements For the Period Ended 30 June 2013 In New Zealand Dollars

8. EQUITY	2013 \$	2012 \$
<i>Share capital</i>		
Opening balance at 1 July	-	-
Additions/reductions	-	-
Closing balance at 28 February	-	-
<i>Retained Earnings</i>		
Opening balance at 1 July	71,306	-
Surplus after tax	16,773	71,306
Closing balance at 28 February	88,079	71,306
<i>Reserves</i>		
Opening balance at 1 July	-	-
Other comprehensive income	-	-
Closing balance at 28 February	-	-
<i>Total Equity</i>		
Opening balance at 1 July	71,306	-
Other comprehensive income	16,773	71,306
Closing balance at 28 February	88,079	71,306

9. **FINANCIAL INSTRUMENTS**

Fair Values

The representatives consider the fair value of each class of financial instrument is the same as the carrying value in the Statement of Financial Position.

Credit Risk

Financial instruments which potentially subject the Company to a credit risk consist principally of bank cash deposits and receivables. Bank cash deposits are placed with high credit quality financial institutions.

Security is not required for the provision of goods and services but regular monitoring of balances outstanding is undertaken.

Liquidity Risk

Liquidity Risk represents the Company's ability to meet its contractual obligations.

The Company evaluates its liquidity requirements on an ongoing basis. In general the Company generates sufficient cash from its operating activities to meet its contractual obligations arising from financial liabilities.

The maturity profile for financial assets and liabilities as at 30 June 2013 is detailed in the following table:

	<3months	3-12 months	1-3 Years	3+ years	Total
<u>Financial Assets</u>					
Cash and cash equivalents	44,331	-	-	-	44,331
Tax receivable	254	-	-	-	254
	44,585	-	-	-	44,585
<u>Financial Liabilities</u>					
Trade and other payables	17,352	-	-	-	17,352
	17,352	-	-	-	17,352

Invercargill City Property Ltd

Notes to the Financial Statements For the Period Ended 30 June 2013 In New Zealand Dollars

The maturity profile for financial assets and liabilities as at 30 June 2012 is detailed in the following table:

	<3months	3-12 months	1-3 Years	3+ years	Total
<u>Financial Assets</u>					
Cash and cash equivalents	8,646	-	-	-	8,646
Tax receivable	3	-	-	-	3
	8,649	-	-	-	8,649
<u>Financial Liabilities</u>					
Trade and other payables	3,462	-	-	-	3,462
	3,462	-	-	-	3,462

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Foreign Exchange and Currency Risk

The Company is not exposed to foreign exchange or currency risk.

Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Some of the cash and cash equivalents are short term deposits taken at fixed interest rates which expose the Company to fair value interest rate risk, which is not significant as the fixed interest period is in the short term (less than 3 months).

The financial assets and liabilities are exposed to interest rate risk as follows:

Financial Assets

Cash and cash equivalents	Variable and fixed interest rates
Trade and other receivables	Non interest bearing

Financial Liabilities

Trade and other payables	Non interest bearing
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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. Cash deposits at variable interest rates expose the Company to cash flow interest rate risk.

- Sensitivity analysis on Financial Instruments

Cash and cash equivalents include bank accounts at call which are at floating interest rates. Sensitivity to a 0.5% movements in rates is immaterial as these cash deposits are very short term.

The Company does not have any off-balance sheet financial instruments.

Invercargill City Property Ltd

Notes to the Financial Statements For the Period Ended 30 June 2013 In New Zealand Dollars

10. RELATED PARTIES

The Company has transactions with its ultimate owner the Invercargill City Council. All transactions were undertaken on an arms length basis.

Invercargill City Council

	2013	2012
	\$	\$
<i>Revenue:</i>		
Provision of services	100,000	16,667
Outstanding at balance date to Company	-	-
<i>Expenditure</i>		
Provision of services	5,000	-
Outstanding at balance date by Company	-	-
	2013	2012
	\$	\$
Key management personnel compensation comprises:		
Employee (CEO) - Short term employment benefits	5,112	833
Directors Fees	50,000	8,333

11. POST BALANCE DATE EVENTS

There have been no significant events after balance date.

12. CONTINGENCIES

There are no contingent assets at 30 June 2013 (2012: Nil).

13. COMMITMENTS

There are no commitments contracted for at 30 June 2013 (2012: Nil).

Invercargill City Property Limited

Statement of Service Performance For the Period Ended 30 June 2013

The performance targets established in the 2013 Statement of Corporate Intent for Invercargill City Property Limited and the results achieved for the year ended 30 June 2013 follow.

PERFORMANCE TARGETS

1 That a rate of return of Earnings before Interest and Taxation on Assets Employed of 0% be achieved.
Achieved rate of return of 21.6%

2 That half yearly reports are provided to the Shareholder within two months of the end of the period and that the annual statements and report are provided within 3 months of the end of the financial year.
Achieved.

3 That all statutory requirements for reporting under the Companies Act 1993 and the Local Government Act 2002 are achieved.
Achieved.

Independent Auditor's Report

To the readers of Invercargill City Property Limited's financial statements and statement of service performance for the year ended 30 June 2013

The Auditor-General is the auditor of Invercargill City Property Limited (the company). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 6 to 16, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income and statement of changes in equity for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on page 17.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 6 to 16:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the company's:
 - financial position as at 30 June 2013; and
 - financial performance for the year ended on that date; and
- the statement of service performance of the company on page 17:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2013.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 17 September 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, and financial performance; and
- give a true and fair view of its service performance.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand