Ashburton Contracting Limited

ANNUAL REPORT

YEAR ENDED 30 JUNE 2021

Ashburton Contracting Limited

Our Vision:

Your First Choice for delivering Outstanding Results to our Customers and Community through our Highly Valued and Skilled Staff

Our Values:

Wellbeing:	Our Company Culture promotes Happy, Healthy, Productive Staff that take Pride in their work, ensuring every day is a Safe Working Day without Compromise.
Respect:	We Value and Respect our people, encourage their development and Reward their performance.
Quality:	We provide Quality Products and Outstanding service that delivers Premium Value.
Trust:	We act in a Professional and Trustworthy way, to our Customers and each other.
We Care:	We are part of and Care about our Community and Environment – We serve and support a Local Experience.
Customers:	We work as a Team to deliver a Great Customer Experience.

ANNUAL REPORT
THE YEAR ENDED 30 JUNE 2021

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ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

DIRECTORY

DIRECTORS	A S Lilley (Chairman) D Prendergast B S Warren A D Barlass R A Pickworth
CHIEF EXECUTIVE OFFICER	K G Casey
SECRETARY	Mark Cousins CA
REGISTERED OFFICE	Gabites Limited Chartered Accountants 54 Cass St ASHBURTON
COMPANY NUMBER	CH 512584
NEW ZEALAND BUSINESS NUMBER	9429039092267
BANKERS	ANZ Bank Limited P O Box 112 ASHBURTON
SOLICITORS	Buddle Findlay Barristers and Solicitors P O Box 322 CHRISTCHURCH
ACCOUNTING and TAX ADVISORS	Ernst Young Level 4, 93 Cambridge Tce Christchurch 8013
AUDITORS	Audit New Zealand P O Box 2 CHRISTCHURCH On behalf of the Controller and Auditor-General
CONTACT US	Ashburton Contracting Limited Range St P O Box 264 ASHBURTON Phone 03 308 4039 Fax 03 308 0288 www.ashcon.co.nz

REVIEW OF OPERATIONS
FOR THE YEAR ENDED 30 JUNE 2021

It is with pleasure we present the Annual Report for the year ended 30 June 2021.

The company has had an excellent year completing the financial year ended 30 June 2021 with a Parent pre-tax profit of $2.451m which compares with last year's pre-tax profit of $0.505m. When taking in account the share of the gain in our Associate, the company made an overall profit before tax of $2.969m compared with last year's pre-tax loss of $0.337m.

The 2021 financial year is characterised by what could be termed a "complete turnaround" in business activity from last year's Covid affected result on top of declining levels of work. There has been strong demand for our services across all facets of the business which has translated into record turnover.

Revenue for the current year was $39.593m. This is an increase of $11.777m or 42% over the previous financial year. Key comments on our activities are as follows:

- A significant portion of the increase in revenue has come from contract related activity. This is up by $7.697m or 66% to $19.432m when compared to last year's $11.735m. This has in the main been driven by a constant stream of subdivision work.

- In Mid Canterbury, subdivision work made up 29% of our civil contracting revenue as existing customers continued with further stages of existing developments and new developers carried out subdivisions driven by the demand for sections. These included Camrose S5, S6 and S7, LHEP S10d/e and the commencement of Stage 14, Equus Park Subdivision and Sewer. Commercial site works made up 10% of turnover with the Queen's Drive commercial development for Tricroft and work commencing on K Mart siteworks. Major Council contracts made up 43% with the completion of the Business Park, started in 2020 and the Ashburton Relief Sewer.

- Sealing revenue was on a par with last year. 2021 is year one of the two year 2020/22 ADC Reseals Contract which the company tendered for and won in 2020. Separable Portion one was completed on time in early March 2021.

- Rolleston has had a very busy twelve months and ended well ahead of last year. Again, the story for Rolleston is the same as for Ashburton where subdivisions make up a high percentage of turnover with work having been carried out work on 1972 Telegraph Rd, Central Ave in Prebbleton, Rufus Lane, The Crossing and Stage 2,3 & 4 of Olivefields in Rolleston. ACL completed PGG Darfield and Jatinda commercial developments. ACL has also forged a relationship with Heinz Wattie at Shands Rd and has carried out a significant amount of work around the plant

- Rural Contracting was significantly ahead of last year with this division having carried out significant works at Five Star including pen repairs and stabilisation, and also a large hardstand stabilisation job for an agricultural business. Our on-farm revenue has improved as we have gained a reputation for providing quality solutions particularly on dairy lane formation and capping. The June 21 floods gave a one-off benefit with flood damage repair however the normal lane capping was reduced with farms in a very wet state.

- Ashburton District Three Waters Contract. This is a new contract this year commencing on 1 July2020. It has an initial term of five years plus two one year rights of renewal. The Company is meeting the contract KPIs. Our Three Waters staff were heavily engaged with maintaining town infrastructure during the recent flooding events.

- Our Readymix Concrete division has ended the year with volumes very similar to last year. Volumes were impacted by the weather and flooding in June 21. The Company has been responding to input pricing increases with aggregate and cement prices rising. We continue to see rising input prices particularly with cement as global pressure on supply bites along with increasing shipping costs.

- Our Workshops business continues to provide good levels of contribution to the business with a better than expected performance in Timaru. The Ashburton and Tinwald workshops were consolidated into our Range St facility in July 2020. The decision was taken during the year to phase out the Smallbone name from our workshop branding. The Company continues to find good senior technicians hard to come by with mechanics moving around the industry which is putting pressure on pay rates and margins.

  There has been a lot of movement within the truck industry with the Isuzu truck sales business for Mid and South Canterbury having been acquired by Blackwell Motors Ltd, and Scania continuing to develop its operations in New Zealand.

Staff
Staff numbers at the end of the period were 144. This is an increase of 14 over the same time last year. The main increase in staff has come in our Civil Contracting areas to support the increased workload during the year. Staff are proving very difficult to engage across all parts of the business with high demand from the industry and low un-employment rates and restricted immigration. There are high levels of competition for people which is putting pressure on pay rates. The Company paid $10.712m (2020: $8,561m) in wages and salaries and related costs during the year.

The Company also recognises the changing nature of staff lifestyles and wellbeing and puts significant effort into ensuring that staff are well looked after.

Capital Expenditure
The Company manages its capital expenditure very closely in response to trading activities and capacity and capability requirements. It is important that the Company keeps up with renewal of plant and equipment. The company spent $2.378m in 2021 (2020: $1.915m) and realised $0.352m in asset sales. Major asset purchases included a new Isuzu truck and trailer unit, a new concrete truck, conversion of our transporter tractor unit to an aggregate truck, purchase of a 4 axle transport trailer and completion of our Range St facilities. With growth in the business the company uses hire companies and sub-contractors to provide for fluctuations in activity.

Cash
The Company has had a net cash improvement of $1.468m during the year, finishing with a closing cash balance of $1.475m (2020: $0.007m) in funds. The Company generated $3.271m in cash from operations after an additional $0.423m was required to fund working capital requirements with increased levels of activity. Funds were boosted by the receipt of the $1.127m advance from Lake Hood Extension Project and $0.352m of asset sales. The company repaid $0.502m in debt and paid an interim dividend of $0.200m in March 2021.

Dividends
It is proposed that the Company pay a final dividend in respect of the 2021 financial year of $700,000 bringing total dividends for the year to $900,000.

Lake Hood Extension Project
The joint venture has produced a profit of $1.378m for the year with ACL's share (37.59%) being $518k.The Joint Venture had a trading loss of $146k with the reversal of previously taken impairment adjustments of $1.524m improving the result.

As we have previously noted Lake Hood is now in a much improved position with the sale of the farmland and the repayment of loans to Value Plus and ACL. This has reduced its debt burden significantly which has allowed it to move ahead with new developments.

The JV completed the sale of 9 lots on various stages to a value of $2.025m during the year.

The JV is riding the wave of enthusiasm for sections and has been successful in achieving high levels of sales in the period since last year's Covid lockdown. At the end of June 21, the JV had no stock of uncommitted sections and is waiting for the titles on Stage 10d & e to be issued so settlements on pre sales can occur. The JV has also released for pre-sale, 40 Stage 14 peninsula waterfront lots. To date there are 27 sales contracts pending title on Stage 14. Construction commenced on Stage 14 in June 2021 and it is expected to take 10 months to title.

REVIEW OF OPERATIONS

Health & Safety
Our performance target under our SOI is a year-on-year reduction in the Lost Time Injury Rate which for last year was 0.4 LTI's per 100,000 hours worked. At the end of the year we had 4 LTI's which gave an LTFR rate of 1.4 for the year on 282,440 hours worked. This compares with 30 June 2020 where 256,045 hrs was worked and had 1 LTI. Each LTI has a comprehensive investigation done to ensure that the risks have been eliminated. Staff are fully informed of any new procedures and risk elimination measures. We monitor for any systemic failures in our Health and Safety systems.

Of the 4 lost time injuries in the period, three were deemed Low Risk. Two resulted from a strain or sprain, with another being a broken rib while working in a sump. The fourth was due to a Vehicle Incident which was classed as High Risk. All were reported, investigated and corrective actions put in place.

We have previously highlighted our focus on our staff's wellbeing and have been working with the Department of Health to implement the "Workwell" programme. We achieved our Silver Accreditation in January 2020 and are progressing to Gold accreditation which is now expected in 2022.

During the year we achieved the ISO14001 environmental standard and have been audited and maintained our certification on the other two standards ISO9001 Quality and ISO45001 Health and Safety.

Future Prospects
There is still high degrees of uncertainty going forward with volatility driven by Covid, a very hot subdivision market, increasing inflation with rising interest rates and significant supply chain issues across all industries both in terms of people and product and a very "hot" subdivision market. The Company has budgeted for a profit for 2022 to be slightly behind the 2021 result. The Company currently has a very good forward workload which indicates that the budget is conservative although the lockdown has impacted output during August 2021.

In the current environment where Covid can impact on business activity very quickly, businesses need to be resilient. ACL has good cash reserves with a healthy balance sheet and good levels of forward work to come back to following lockdown. The Directors are comfortable with the Company's position.

The Directors acknowledge the significant workload that has occurred across the business in the last year by people at all levels of the organisation.

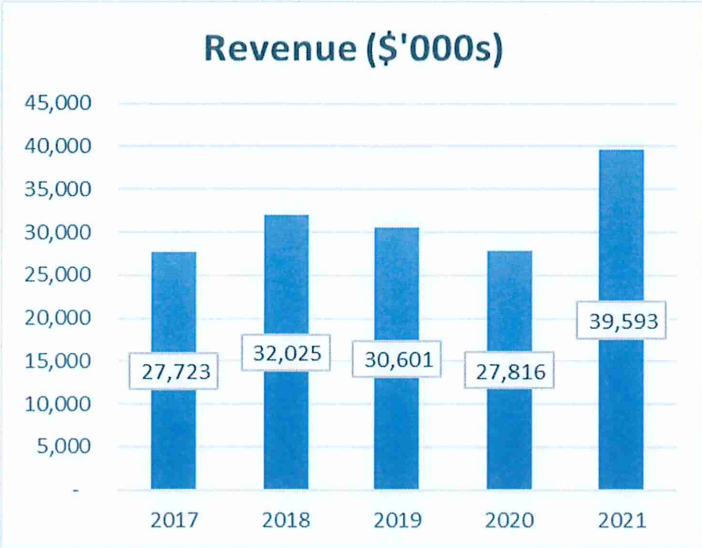
The Directors thank all staff for their efforts in the last year and their continued loyalty in the current environment.

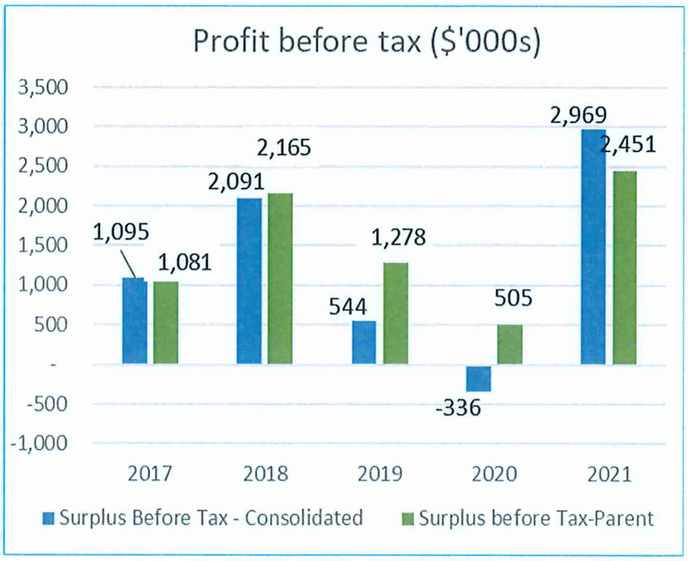
Alister Lilley
Chairman

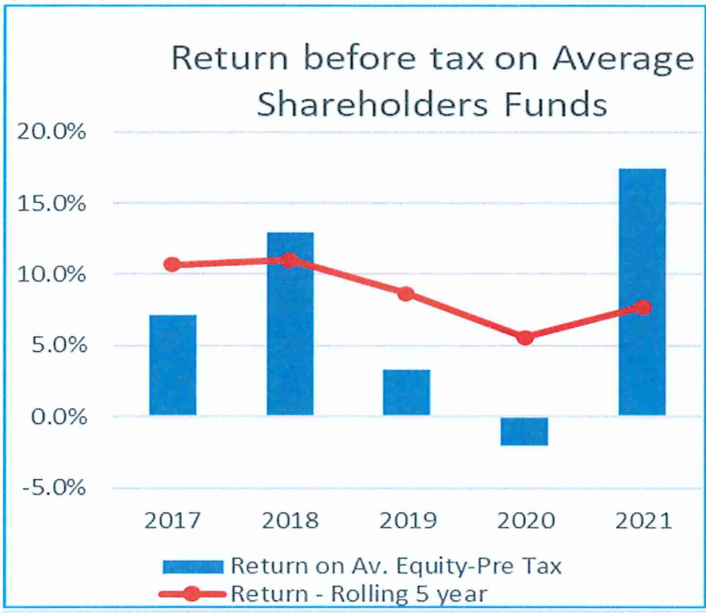
Gary Casey
Chief Executive Officer

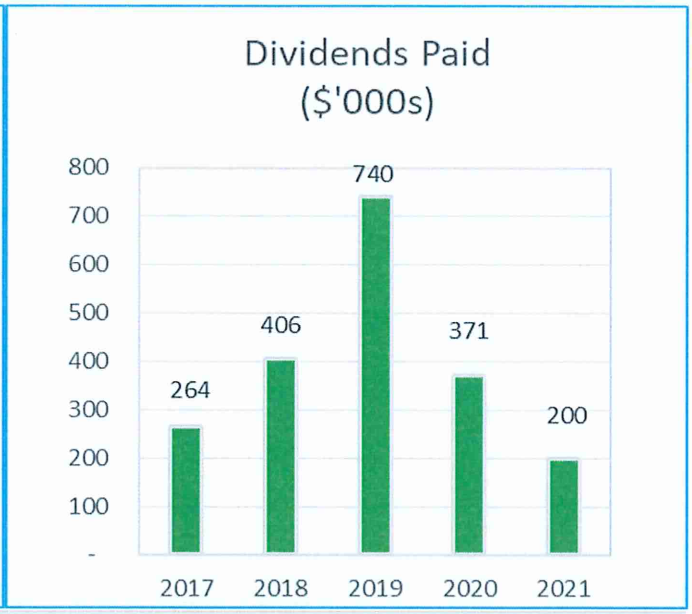
28 October 2021

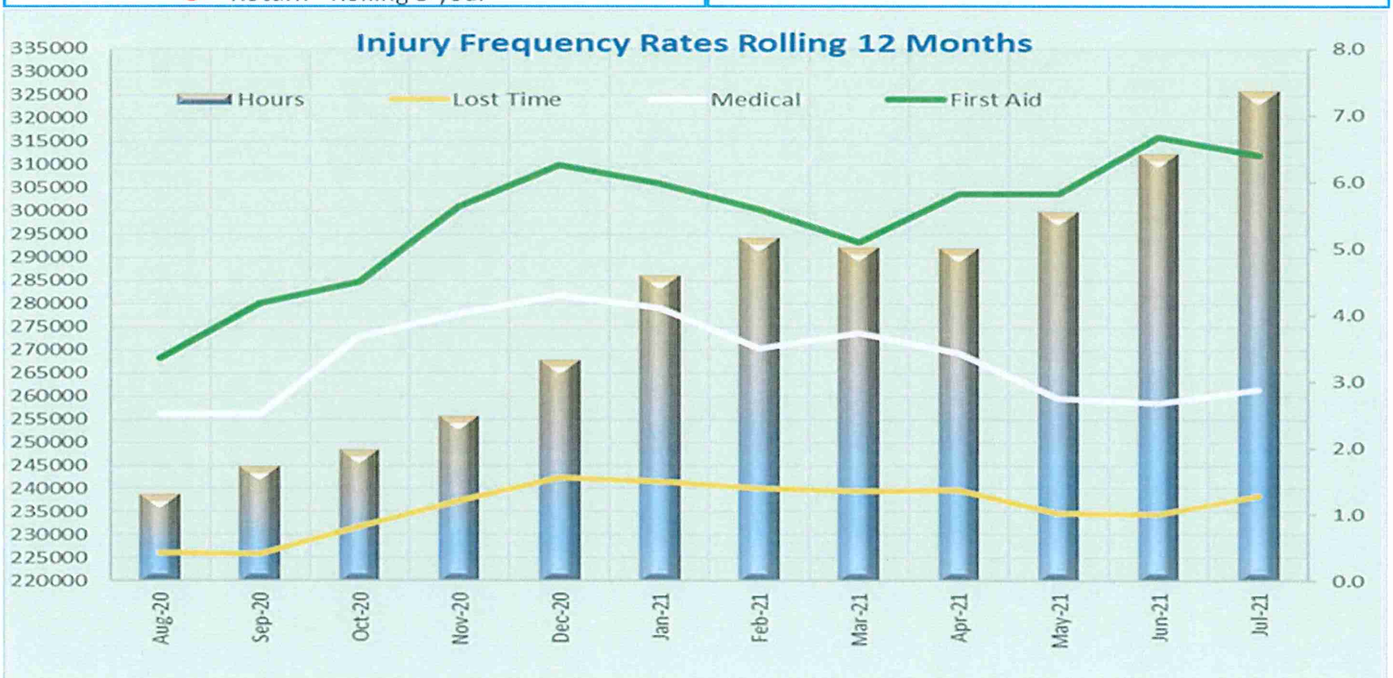
REVIEW OF OPERATIONS











DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The Directors present their Annual Report for the year ended 30 June 2021 in compliance with Section 211 of the Companies Act 1993, presented under the New Zealand equivalent to the International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR) and disclose the following information:

Activities
The Company's business includes contracting for physical works, both maintenance and construction, offering goods and services for sale and plant and equipment for hire. These activities occur predominantly in the Ashburton district and immediate surrounding areas. The general nature of the Company's activities has not changed in the year under review.

The Company's management status and structure changed from a management LATE to a full trading LATE effective from 1 April 1995 and from a trading LATE to a Council Controlled Trading Organisation on 1 July 2003.

Results
The state of the Company affairs as at 30 June 2021 is as follows:

	Change	**2021 $'000**	**2020 $'000**
Total Assets	+14.1%	33,520	29,386
Were financed by:			
Equity	+13.2%	18,080	15,973
Liabilities	+15.1%	15,440	13,413
		33,520	29,386

Dividends
The Company paid a fully imputed interim dividend in respect of the 2021 financial year of $200,000 in March 2021 and a fully imputed final dividend in November 2021 of $700,000.

Directors Remuneration

Directors and remuneration are as follows:	**2021 $'000**	**2020 $'000**
M W Frost (resigned 24 October 2019)	-	11
A Lilley	65	63
D Prendergast	32	31
B S Warren	33	31
R A Pickworth	32	18
A D Barlass	33	7
	195	161

Directors Insurance
The Company has arranged policies to indemnify all Directors, the Company Secretary, the Chief Executive Officer and the Chief Financial Officer against any liability incurred in the performance of their normal duties on the Company's behalf, limited to the value of the Company's net assets at the time the act or omission occurred.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Remuneration of Employees
Remuneration bands for employees earning over $100,000 in the 30 June 2021 are as follows:

Remuneration Bands	2021	2020
$100,000 to $109,999	4	3
$110,000 to $119,999	7	5
$120,000 to $129,999	4	4
$130,000 to $139,999	1	1
$140,000 to $149,999	1	-
$150,000 to $159,999	1	-
$160,000 to $169,999	-	2
$170,000 to $179,999	1	-
$220,000 to $229,999	1	1
$400,000 to $409,999	-	1
$420,000 to $429,999	1	-

Donations
Donations for the financial year ended 30 June 2021 totalled $3,229 (2020: $2,579)

Company Information
The Board received no notices during the year from Directors to use Company information received in their capacity as Directors which they would not otherwise have available to them.

Interests Register
Details of Directors interest in transactions can be found by reference to the Company's interests register. All transactions were conducted at arm's length on normal trading terms. Disclosure of transactions with Directors and entities which they are beneficial owners of are disclosed in Note 17, Transactions with Related Parties under Directors Interests.

Auditors
Audit New Zealand, as agent for the Auditor-General was appointed as the Company's auditor in accordance with Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002.

Audit Fees for the current financial year were $64,517 (2020 $62,794)

No other services were purchased from Audit New Zealand (2020 $Nil).

Conflicts of Interest
The Company closely monitors its Conflicts of Interest. A Conflicts of Interest Register is held for both Directors and Senior Management.

Both Brian Warren (Director) and Gary Casey (CEO) hold minor shareholdings in Fulton Hogan Ltd from staff share schemes while employed by Fulton Hogan Ltd. These have been disclosed under the Director and Senior Management Disclosure Schedule's. The Company works closely with Fulton Hogan Limited but considers that an actual conflict of interest is unlikely due to these shareholdings.

Alister Lilley is a member if the Electricity Ashburton Shareholders Committee and Andrew Barlass is a Director of Electricity Ashburton Limited. The Ashburton District Council is a shareholder in Electricity Ashburton Limited. The Company carries out work for Electricity Ashburton which is tendered on an arms' length basis. Andrew Barlass is excluded from any discussion with regard to contracts.

For and on behalf of the Board

Director ______________________ Director ______________________

DIRECTORS' INTERESTS

The Directors of Ashburton Contracting Limited are Directors of the following companies:

Alister Stewart Lilley	Electraserve Limited Westpark Office Solutions Limited Smith & Church Appliances Limited Cass St Properties Limited Appliance Connexion Group Services Limited Appliance Connexion Limited Score Limited Havelock Holdings Limited EA Networks Shareholder's Committee Lake Hood Extension Project Shareholder's Committee
Darcy Prendergast	Spray Marks Road Marking Limited Ashburton Tree Topping Limited Advanced Maintenance Limited Road Markers Otago Limited
Brian Stuart Warren	Rock & Pillar Limited
Ross Anthony Pickworth	Westpower Limited Electronet Services Limited Mitton ElectroNet Limited ElectroNet Transmission Limited ElectroNet Technology Limited Whitestone Contracting Limited Westroads Limited Transwaste Canterbury Limited Burwood Resource Recovery Park Limited Pipeline Group Limited Pipeline and Civil Limited PLC Plant Limited West Oak Trading Limited McLenaghan Contracting Limited
Andrew David Barlass	Kowhai Farmlands Limited Kowhai Barlass Trustee Limited Electricity Ashburton Limited

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2021

Significant Accounting Policies

Ashburton Contracting Limited (the "Company") is a company domiciled in New Zealand.

The Company is a Council Controlled Trading Organisation as defined in Section 6 (1) of the Local Government Act 2002, wholly owned by the Ashburton District Council and is a profit-oriented entity for financial reporting purposes.

The Company's business includes contracting for physical works, both maintenance and construction, offering goods and services for sale and plant and equipment for hire. These activities occur predominantly in the Ashburton district and immediate surrounding areas and may be undertaken in other geographical areas.

Statement of Compliance

The financial statements have been prepared in accordance with the Companies Act 1993, Generally Accepted Accounting Practice in New Zealand (NZ GAAP), the pronouncements of the Chartered Accountants of Australia and New Zealand and they comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

The company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-Profit entities and public Sector Public Benefit Entities Update) (XRB A1)

The Company qualifies as a Tier 2 for profit reporting entity on the basis that it does not have public accountability and is not a large for-profit public sector entity. The entity has continued to report under Tier 2 in the current year in which it has become large. For the year ended 30 June 2021, the Company recorded total expenses above the $30million threshold for small entities per the Accounting Standards Framework. This will allow for transition to full Tier 1 reporting in the 2022 financial year.

Basis of Preparation

The financial statements are presented in New Zealand dollars, rounded to the nearest thousand. They are prepared on the historical cost basis, except for Land and Buildings, Investment Properties, and certain other investments, which are stated at fair value.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where otherwise stated.

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

Changes in Accounting policies and disclosures

New and amended standards and interpretations
NZ IFRS RDR Standards and Interpretations that have recently been issued or amended but are not yet effective will be adopted in the period that application of the standard is required, however they are not expected to have a significant impact on the Company's financial statements.

Property, Plant and Equipment

Owned Assets
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses, except for Land and Buildings which are valued annually by a registered valuer and are stated at fair value.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Costs
Further expenditures are added to cost only if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense when incurred.

Depreciation
Depreciation is charged to profit or loss on either straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Lower value assets (cost less than $50,000) are depreciated at the current maximum rates allowed by the Inland Revenue Department as these rates approximate the useful lives and residual values associated with these assets. Leasehold improvements are depreciated within the remaining term of the lease. Land is not depreciated.

The estimated useful lives are as follows:

• Buildings and Leasehold Improvements	14 - 50 years
• Plant, Motor Vehicles and Equipment	2 - 38 years
• Office Equipment & Fixtures	2 - 10 years
• Land Improvements	20 years

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

Intangible Assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation of intangible assets with a finite life is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life of software is three to ten years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating-unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost or net realisable value using weighted average. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Civil construction and contracting

Civil construction and contracting services include drainage, sealing, asphalt laying, utilities and rural contracting.

Construction services within a contract are deemed to represent a single performance obligation, which is satisfied progressively over the construction period. Performance is measured using an output method, by reference to regular progress claims and assessments by client contract engineers.

Any expected loss on construction contracts is recognised immediately as an expense in profit or loss.

Any variable consideration, such as liquidated damages, included in the Company's revenue contracts is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Payment is due as specified in the payment schedules.

Rendering of services

Contracts for workshop and transport services are comprised of one performance obligation, with revenue being recognised over time. Payment is generally due upon completion and acceptance by the customer. An input method (cost incurred) is used as a measure of progress.

Production and sale of goods

The Company earns revenue from the sale of goods, including ready-mix concrete and aggregates. Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery. Payment is generally due based on standard 30-day trading terms.

Contract assets, contract liabilities and trade receivables

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, the Company presents the contract as a contract asset, unless the Company's rights to that amount of consideration are unconditional, in which case the Company recognises a receivable. Trade receivables are measured at the transaction price determined under NZ IFRS 15.

When an amount of consideration is received from a customer prior to the Company transferring a good or service to the customer, the Company recognises a contract liability.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Warranties
The Company provides for defects liability periods in accordance with NZ IAS 37.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of less than 3 months. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Investments
Other Investments
Investments in equity securities held by the Company are recorded at fair value through profit or loss.

Advances and other financial assets at amortised cost
The Company had provided an advance to the Lake Hood Extension project (LHEP), which was interest bearing and unsecured. The advance was repaid in full by LHEP during the 2021 financial year.
If there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the instrument.

Joint Venture
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.
The results and assets and liabilities of the Joint Venture are incorporated into these financial statements using the equity method of accounting.
Under the equity method an investment in a joint venture is recognised initially in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the joint venture.

Impairment of non – financial assets
The carrying amount of the Company's assets other than inventories are reviewed at each balance date to determine whether there is any objective evidence of the indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss. For revalued assets the impairment loss is recognised in other comprehensive income for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in profit or loss.

Reversal of Impairment
Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. For revalued assets the reversal of an impairment loss is recognised in other comprehensive income and credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in profit or loss, a reversal of the impairment loss is also recognised in profit or loss.

Income Tax
Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively

enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred
tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of any deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates or substantively enacted at the balance date.

Current tax and deferred tax are charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income, in which case the tax is dealt with in other comprehensive income.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Employee Entitlements

The Company has made provision in respect of entitlements for annual leave, long service leave and retirement gratuities. The provision is calculated on an actual entitlement basis at current rates of pay.

The Company recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than sick leave entitlements earned in the coming year. The amount is
calculated based on the unused sick leave entitlement that can be carried forward at balance date to the extent the Company anticipates it will be used by staff to cover those future absences.

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in profit or loss when they are due.

Expenses

Short-term & Low Value Lease Payments

Payments made under Short-term & Low Value Leases are recognised in profit or loss in the period in which they are incurred. Short-term Leases are categorised as any lease less than a period of 12 months and Low Value Leases are any lease under the value of $7,000 in line with NZ IFRS 16 that came into effect from 1st July 2019.

Net Financing Costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested and dividend income. Interest income is recognised in profit or loss as it accrues. Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established.

Trade and Other Payables

Trade and other payables are stated at amortised cost. Due to their short-term nature, they are not discounted.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Loans

Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment.

The impact of Covid-19 has been considered in the impairment assessment. The impact on the company was not significant and has not resulted in any impairment of goodwill.

Impairment
An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The amount of the impairment loss is measured as the difference between the assets carrying amount and the recoverable amount. An impairment loss in respect of goodwill is not reversed.

Calculation of recoverable amount
The recoverable amount of assets is the greater of their market value less cost to sell and value in use.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate largely independent cashflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment
An impairment loss in respect of an asset carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.
An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimated use to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if not impairment loss had been recognised.

Goods and Services Tax (GST)

All amounts are shown exclusive of GST, except for trade receivables and payables that are stated inclusive of GST.

Leases

Right-of use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments at or before the commencement date less any lease incentives received.

The provision for restoration costs is an estimate of costs to be incurred in relation to restoring an asset to the condition required by the terms and conditions of leases entered into by the company

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets as follows:

- Motor vehicles and other equipment 1 to 5 years
- Land & buildings 2 to 20 years
-

Sublease right-of-use-assets
Subleases of right-of-use assets that do not transfer ownership of the assets to the lease by the end of the lease term are classified as operating leases. Income as an intermediate lessor from subleasing right-of-use assets is disclosed as gross revenue within other operating income.

Lease liabilities

At commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. These lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of an option reasonably certain to be exercised by the Company and penalties for terminating the lease, if the lease term reflects the Company's option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at lease commencement because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities.

Short term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e. those with a lease term of 12 months or less from the commencement date with no purchase option).

The Company also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Management has defined this as assets which are, when new, valued at $7,000 or less.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

ASHBURTON CONTRACTING LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	**2021 $'000**	**2020 $'000**
Revenue	1	39,593	27,816
Trading Expenses	2	(34,005)	(25,473)
Gross Profit		5,588	2,343
Other Operating Income		327	150
Administrative Expenses	2,6	(2,850)	(1,711)
Operating Profit before Financing Costs		3,065	782
Financial Income	3	21	136
Financial Expenses	3	(635)	(414)
Net Financing Costs		(614)	(278)
Parent Operating Profit		2,451	505
Share of Joint Venture Surplus/(Deficit)	25	518	(842)
Profit before Tax	2	2,969	(337)
Income Tax Expense	4	(865)	91
Profit after Tax		**2,104**	**(245)**
Other Comprehensive Income			
Fair Revaluation gain/(loss) on Land and Buildings	5	209	159
Deferred Tax on Revaluation of Buildings	4	(5)	(26)
Other Comprehensive Income for the Period after Tax		204	133
Total Comprehensive Income		**2,308**	**(112)**

The accompanying notes and policies form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $'000	2020 $'000
Equity at the start of the year		15,972	16,455
Profit for the Period		2,104	(245)
Other Comprehensive Income		204	133
Total Comprehensive Income for the Period		2,308	(112)
Dividends paid		(200)	(371)
Equity at the end of the year	13	18,080	15,972

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		Notes	2021 $'000	2020 $'000
ASSETS				
	Non-Current Assets			
	Property, Plant & Equipment	5	12,270	11,241
	Right of Use Assets	6	6,032	5,059
	Participation in Joint Venture	25	4,939	4,422
	Investment	8	10	10
	Intangibles	9	106	106
	Goodwill	26	488	488
			23,845	21,326
	Current Assets			
	Cash & Cash Equivalents	10	1,476	859
	Receivables & Prepayments	11	4,062	3,279
	Inventories	12	2,093	1,696
	Advances to LHEP	17	-	1,127
	Contract assets	27	2,044	1,099
			9,675	8,060
	TOTAL ASSETS		33,520	29,386
EQUITY				
	Share Capital	13	4,500	4,500
	Retained Earnings	13	11,585	9,691
	Capital Reserve	13	369	359
	Revaluation Reserve	13	1,626	1,422
			18,080	15,972
LIABILITIES				
	Non-Current Liabilities			
	Provision for Employee Entitlements	14	50	62
	Lease Liability	7	6,053	4,855
	Term Loans	15	1,615	1,279
	Deferred Tax Liability	4	834	383
			8,552	6,579
	Current Liabilities			
	Bank Overdraft	10	1	852
	Provision for Employee Entitlements	14	1,016	894
	Contract Liabilities	27	79	-
	Lease Liability – Current Portion	7	230	281
	Term Loans – Current Portion	15	1,522	2,359
	Accounts Payable & Accruals	16	3,624	2,373
	Tax Payable	4	416	76
			6,888	6,835
	TOTAL LIABILITIES		15,440	13,414
	TOTAL EQUITY & LIABILITIES		33,520	29,386

The financial statements were approved and authorised for issue on 28 October 2021 for and on behalf of, the Board:

Director ____________________ Director ____________________

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $'000	2020 $'000
Cash Flows from Operating Activities			
Cash receipts from customers		38,034	28,636
Cash paid to suppliers and employees		(34,213)	(25,712)
Cash generated from operations		3,821	2,924
Income taxes paid		(69)	(231)
Interest Paid		(167)	(196)
Interest Paid Lease Liability		(469)	(215)
Net GST movement		155	(65)
Net Cash from Operating Activities	21	3,271	2,217
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		352	-
Interest received		21	136
Acquisition of property, plant & equipment		(2,322)	(2,024)
Acquisition of intangibles		(20)	(17)
Acquisition of goodwill		-	(483)
Advance to Joint Venture		1,127	473
Dividends Received		24	50
Net Cash from Investing Activities		(818)	(1,865)
Cash Flows from Financing Activities			
Proceeds from borrowing		-	2,000
Repayment of borrowing		(502)	(420)
Lease Liability		(283)	(339)
Dividends paid		(200)	(371)
Net Cash from Financing Activities		(985)	870
Net Increase/(Decrease) in Cash & Cash Equivalents		1,468	1,222
Add Opening Cash & Cash Equivalents brought forward		7	(1,215)
Closing Cash & Cash Equivalents carried forward	10	**1,475**	**7**

The accompanying notes and policies form part of the financial statements

1 Revenue from contracts with customers

	2021 $'000	2020 $'000
Disaggregated revenue information		
Type of good or service		
Construction and contracting	19,432	11,735
Rendering of services	13,243	10,287
Production and sale of goods	6,918	5,794
Total revenue from contracts with customers	**39,593**	**27,816**

2 Profit before tax

	2021 $'000	2020 $'000
Profit before tax	2,969	(337)
After charging:		
Trading and administrative expenses including:		
Personnel expenses		
Wages and salaries	10,452	8,318
Contributions to defined contribution plans	14	13
Contributions to Kiwisaver	247	210
Increase/(decrease) in liability for long service leave	(1)	20
Total personnel expenses	10,712	8,561
Audit fees	65	59
Bad debts written off	25	3
Directors fees	195	161
Materials and consumables	15,911	12,696
Net loss on sale of property, plant & equipment	87	2
Short term & low value leases	39	40
After crediting:		
Net gain on sale of property, plant & equipment	139	-
Release of unused provisions	-	43
Revenue from contracts with customers	39,593	27,816
Government COVID 19 Subsidy	-	826
Other income	162	150
Sublease rental income	35	-

3 Net Financing Costs

	2021 $'000	2020 $'000
Interest income	21	136
Financial income	21	136
Interest expense	(166)	(198)
Interest expense on lease liabilities	(469)	(216)
Financial expenses	(635)	(414)
Net financing costs	(614)	(278)

4 Taxation

	2021 $'000	2020 $'000
Imputation credits available for use in subsequent periods	3,643	3,295
	3,643	3,295

Reconciliation of effective tax rate

	2021	2020
Profit before tax	2,969	(337)
Tax @ 28% (2020: 28%)	831	(94)
plus/(less) tax effect of:		
Non-deductible expenses/(non-taxable gains)	2	13
Temporary differences not previously recognised	-	(6)
Reversal of Prior Year Overprovision	32	(5)
Income tax expense reported in profit and loss	865	(91)

Recognised in the income statement

	2021	2020
Current year tax payable	539	188
Relating to origination/reversal of temporary differences	295	(274)
Deferred Tax Prior Year Adjustment	149	8
Overprovision of Prior Year Tax	(118)	(13)
Total income tax expense in the income statement	865	(91)

Amounts charged or (credited) through Other Comprehensive Income

	2021	2020
Revaluation of property, plant & equipment	(5)	(26)
	(5)	(26)

Movement in tax payable / (refund)	**2021 $'000**	**2020 $'000**
Balance at the start of the year	(76)	(164)
Taxation paid / (refunded)	81	262
(Overprovision)/under provision prior year	118	13
Provided for this year	(539)	(188)
Balance at the end of the year-(payable)/refund due	(416)	(76)

Deferred Tax assets/(liabilities)

2021	Opening Balance $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Other $'000	Closing Balance 2021 $'000
Property, plant & equipment	(313)	(477)	(5)	-	(795)
Contract Assets	12	(12)	-	-	-
Employee benefits	181	31	-	-	212
Retentions	(166)	(66)	-	-	(232)
Capitalised Interest	(199)	3	-	-	(196)
Provisions	81	28	-	-	109
Intangible Assets	(1)	(2)	-	-	(3)
Finance Leases	22	49	-	-	71
	(383)	(446)	(5)	-	(834)

Note 4 continued ...

Deferred Tax assets/(liabilities)

2020	Opening Balance $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Other $'000	Closing Balance 2020 $'000
Property, plant & equipment	(407)	125	(26)	(5)	(313)
Contract Assets	5	7	-	-	12
Employee benefits	153	28	-	-	181
Retentions	(287)	121	-	-	(166)
Capitalised Interest	(184)	(15)	-	-	(199)
Provisions	101	(21)	-	-	81
Intangible Assets	1	(1)	-	-	(1)
Finance Leases-	-	22	-	-	22
	(618)	266	(26)	(5)	(383)

5 Property, Plant & Equipment as at 30 June 2021

2021	Land & Buildings (Valuation) $'000	Motor Vehicles $'000	Plant $'000	Office Equip $'000	Total 2021 $'000
Cost/Valuation					
Opening Balance	2,536	14,545	7,160	609	24,850
Purchases	362	1,497	431	88	2,378
Transfers	406	(151)	(255)	-	-
Disposals	(99)	(500)	(503)	(206)	(1,308)
Valuations	191	-	-	-	191
Closing Balance	3,396	15,391	6,833	491	26,111
Depreciation/impairment losses					
Opening Balance	230	9,232	3,625	522	13,609
Depreciation for year	82	761	445	64	1,352
Impairment losses	(44)	(16)	(22)	-	(82)
Transfers	7	(28)	21	-	-
Valuations	(19)	-	-	-	(19)
Disposals	(62)	(428)	(334)	(195)	(1,019)
Closing Balance	194	9,521	3,735	391	13,841
Carrying amounts					
At 30 June 2020	**2,306**	**5,313**	**3,535**	**87**	**11,241**
At 30 June 2021	**3,202**	**5,870**	**3,098**	**100**	**12,270**

2020	Land & Buildings (Valuation) $'000	Motor Vehicles $'000	Plant $'000	Office Equip $'000	Total 2020 $'000
Cost/Valuation					
Opening Balance	2,060	14,379	5,996	558	22,993
Purchases	336	192	1,336	51	1,915
Transfers	-	-	-	-	-
Disposals	-	(26)	(172)	-	(198)
Valuations	140	-	-	-	140
Closing Balance	2,536	14,545	7,160	609	24,850
Depreciation/impairment losses					
Opening Balance	168	8,502	3,419	451	12,539
Depreciation for year	31	755	377	71	1,235
Impairment losses	50	-	-	-	50
Transfers	-	-	-	-	-
Valuations	(19)	-	-	-	(19)
Disposals	-	(25)	(171)	-	(196)
Closing Balance	230	9,232	3,625	522	13,609
Carrying amounts					
At 30 June 2019	1,892	5,876	**2.579**	**107**	10,454
At 30 June 2020	2,306	5,313	**3,535**	**87**	11,241

Security
ANZ National Bank Limited has a registered first mortgage over 6 Dobson St West, Ashburton and a first ranking general security over the balance of the assets of the company. UDC Finance Ltd has security over specific assets financed under their EasyLink Facility.

Valuation of Land and Buildings
The carrying amount of Land and Buildings is the fair value of the property as determined by McLeod Valuation and Consulting Ltd, a registered independent valuer having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Fair value was determined using the Investment Method which has regard to recent market transactions for similar properties in the same location as the Company's property. The Investment Method reflects market dynamics and more closely reflects market value. The valuation was completed as at 30 June 2021. The valuer noted the impact of Covid 19 in determining market value and that they considered there to be market uncertainty which could result in significant valuation uncertainty. A 0.25% change in capitalisation rates makes a +/- $25k difference in valuation.

Impairment of Property, Plant and Equipment
Management and the Board carried out a review for indicators of impairment of property, plant and equipment. As a result of this review the Company impaired PPE by $0.04m.

6 Right of Use Assets

ACL has contracts for various items of property, motor vehicles, plant and other equipment used in its operations. Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the period.

Note 6 continued ...

Right of Use Assets

	Land & Buildings $'000	Motor Vehicles $'000	Plant $'000	Other $'000	Total $'000
As at 1 July 2019 (upon transition)	358	72	-	-	430
Additions	4,982	-	-	63	5,045
Depreciation Expense	(376)	(32)	-	(8)	(416)
As at 30 June 2020	4,964	40	-	55	5,059
Additions	1,353	93	-	1	1,447
Disposals	(18)	-	-	-	(18)
Depreciation Expense	(396)	(47)	-	(13)	(456)
As at 30 June 2021	5,903	86	-	43	6,032

	Land & Buildings $'000	Motor Vehicles $'000	Plant $'000	Other $'000	Total $'000
<u>ROU Asset Cost</u>					
Opening Balance 1st July 2020	5,339	72	-	63	5,474
Additions	1,353	93	-	1	1,447
Adjustments arising from lease modifications	(250)	(32)	-	-	(282)
Closing Balance Cost	6,442	133	-	64	6,639
<u>ROU Depreciation</u>					
Opening Balances 1st July 2020	375	32	-	8	415
Depreciation for year	396	47	-	13	456
Adjustments arising from lease modifications	(232)	(32)	-	-	(264)
Closing Balance Depreciation	539	47	-	21	607
<u>Carrying Amounts</u>					
At 30 June 2020	**4,964**	**40**	**-**	**55**	**5,059**
At 30 June 2021	**5,903**	**86**	**-**	**43**	**6,032**

7 Lease Liability

During the period the Company had 5 property leases, 9 motor vehicle leases and 1 office equipment lease with remaining lease durations at 30 June 2021:

Property	0 - 18 years
Motor vehicles	0 - 4 years
Office equipment	4 years

Set out below are the carrying amounts of the lease liabilities and the movements during the period.

	Land & Buildings	Motor Vehicles	Plant	Other	Total
As at 1 July 2019 (upon transition)	358	72	-	-	430
Leases added	4,982	-	-	63	5,045
Lease deductions	(302)	(30)	-	(7)	(339)
As at 30 June 2020	5,038	42	-	56	5,136
Additions	1,360	92	-	1	1,453
Lease deductions	(248)	(46)	-	(12)	(306)
As at 30 June 2021	6,150	88	-	45	6,283

Note 7 continued ...

Lease Liabilities	2021 $'000	2020 $'000
As at 1 July	**5,136**	**430**
Additions	1,453	5,045
Adjustments arising from lease modifications	(18)	-
Accretion of interest	469	216
Payments	(757)	(555)
As at 30 June	**6,283**	**5,136**
Current	230	281
Non-current	6,053	4,855

The following amounts are recognised in profit or loss:	2021 $'000	2020 $'000
Depreciation expense of right-of-use assets	456	416
Interest expense on lease liabilities	469	215
Expenses relating to leases of low-value-assets	39	40
Rent received on subleased right-of-use assets	(35)	-
Total amount recognised in profit or loss	**929**	**671**

8 Investment

	2021 $'000	2020 $'000
Electricity Ashburton Limited – Shares (100 @ $1.00)	-	-
New Zealand Plumbers Merchants-Shares (10,000 @ $1.00)	10	10
	10	10

Electricity Ashburton Ltd shares are recognised at fair value through profit or loss. They are held as part of the company's power supply arrangements and are redeemable at cost, if the company ceases using power supplied over the EA electricity network.

New Zealand Plumbers Merchant shares are recognised at fair value through profit or loss. The shares are redeemable at cost.

9 Intangible Assets

Cost/Valuation	Software	Resource Consents	WIP	Total 2021
2021	$'000	$'000	$'000	$'000
Opening Balance	362	137	-	499
Purchases	33	-	-	33
Disposals	(39)	-	-	(39)
Closing Balance	356	137	-	493
Amortisation/Impairment				
Opening Balance	308	84	-	392
Amortisation for year	24	10	-	34
Disposals	(39)	-	-	(39)
Closing Balance	293	94	-	387
Carrying amounts				
At 30 June 2020	**54**	**52**	**-**	**106**
At 30 June 2021	**63**	**43**	**-**	**106**

Note 9 continued ...

Cost/Valuation	**Software** $'000	**Resource Consents** $'000	**WIP** $'000	**Total 2020** $'000
2020				
Opening Balance	296	136	-	432
Purchases	66	-	-	66
Disposals	-	-	-	-
Closing Balance	362	137	-	498
Amortisation/Impairment				
Opening Balance	290	75	-	365
Amortisation for year	18	9	-	27
Disposals	-	-	-	-
Closing Balance	308	84	-	392
Carrying amounts				
At 30 June 2019	**6**	**62**	**-**	**68**
At 30 June 2020	**54**	**52**	**-**	**106**

10 Cash & Cash Equivalents

	2021 $'000	**2020** $'000
Bank Balances	218	833
Call Account and till floats	1,196	26
Retentions Account	62	-
Cash & Cash Equivalents	1,476	859
Bank Overdraft	(1)	(852)
Cash & Cash Equivalents in the Statement of Cash Flows	1,475	7

The Company has overdraft facilities with the ANZ Bank New Zealand Limited of $3,275,000 (2020: $3,275,000). The effective interest rate on call deposits was 0.05% to 0.15% (2020: 0.05% to 0.2%). The effective interest rate on overdraft facilities was 4.46% (2020: 4.46% to 5.61%). The Retentions account represents amounts held in relation to retentions due to sub-contractors under the Construction Contracts Act 2002.

11 Receivables & Prepayments

	2021 $'000	**2020** $'000
Trade Accounts Receivable	3,068	2,608
Retentions	882	599
Prepayments	150	112
Sundry Debtors	-	-
	4,100	3,319
Allowance for expected credit losses on contract balances	(38)	(40)
	4,062	3,279

Trade receivables ageing analysis		
Not past due	2,409	2,110
Past due 0-30 days	296	281
Past due 31-120 days	186	99
Past due over 121 days	177	118
Total	3,068	2,608

Note 11 continued ...

	Individually Impaired	Expected credit losses	Total
	$'000	**$'000**	**$'000**
Movements in Provision for Impairment of Receivables			
2021			
Opening Balance	11	29	40
Charge for the Year	10	26	36
Utilised	(15)	(10)	(25)
Unused Amounts Reversed	6	(19)	(13)
Discount Rate Adjustment	-	-	-
Closing Balance	12	26	38
2020			
Opening Balance	6	17	23
Charge for the Year	11	28	39
Utilised	(2)	(1)	(3)
Unused Amounts Reversed	(3)	(16)	(19)
Discount Rate Adjustment	-	-	-
Closing Balance	12	29	40

12 Inventories

	2021 $'000	2020 $'000
Aggregates	859	742
Cement	9	27
Civil	3	3
Contract Inventory	167	49
Fuel	12	21
Services/Plumbing	184	218
Sealing	16	7
Workshops	843	629
Total Inventories	2,093	1,696

No inventories are pledged as security for liabilities, however some inventories may be subject to retention of title clauses.

13 Equity

	2021 $'000	2020 $'000
Share Capital		
4,500,000 issued and paid up ordinary shares at incorporation	4,500	4,500
4,500,000 issued and paid up ordinary shares	4,500	4,500
Retained Earnings		
Balance at the start of the year	9,691	10,307
Net Profit after tax	2,104	(245)
Less Dividends paid	(200)	(371)
Less Transfer to Capital Reserve	(10)	-
Balance at the end of the year	11,585	9,691
Capital Reserve*		
Balance at the start of the year	359	359
Realised gain on sale of property, plant & equipment	10	-
Balance at the end of the year	369	359

*This represents capital gains on sale of PPE distributable tax free in event of the Company being wound up.

Note 13 continued ...

Land & Buildings Revaluation Reserve		
Balance at the start of the year	1,422	1,290
Disposals	-	-
Revaluation of Land & Buildings	209	159
Deferred Tax on Buildings	(5)	(26)
Balance at the end of the year	1,626	1,422
TOTAL EQUITY	18,080	15,972

14 Provision for Employee Entitlements

Annual Leave, Long Service Leave, Sick Leave and Gratuities	**2021 $'000**	**2020 $'000**
Current Portion	1,016	894
Non-Current Portion	50	62
	1,066	956

15 Term Loans

	Interest Rates	Maturity	2021 $'000	2020 $'000
ANZ Bank New Zealand Ltd				
Loan No 1022 Floating	3.65%	30-May-22	134	262
Loan No 1026 Fixed	6.20%	15-July 21	1,000	1,000
Loan No 1027 Floating	6.35%	30-Nov-22	1,857	2,000
			2,991	3,262
UDC Finance Limited				
Loan No 4002 Floating	4.90%	23-Dec-21	68	198
Loan No 4001 Floating	4.90%	30-Mar-22	78	178
			3,137	3,638
Repayment Periods				
Less than six months		Current	1,294	2,174
Six to twelve months		Current	228	185
One to two years		Term	1,615	1,279
Two to five years			-	-
			3,137	3,638

Security

ANZ Bank New Zealand Limited has a registered first mortgage over 6 Dobson Street West and a first ranking general security over the assets of the Company. UDC Finance Limited has specific security over the items that have been financed.

16 Accounts Payable & Accruals

	2021 $'000	**2020 $'000**
Trade payables	2,986	2,078
Retentions	63	7
	3,049	2,085
Accruals for defects liability	361	203
Other payables & GST	214	85
	3,624	2,373

17 Financial Instruments

The Company is party to financial instrument arrangements as part of its everyday operations. These instruments include banking funds, investments, receivables, payables and borrowings.

Credit Risk

Financial instruments, which potentially subject the Company to credit risk principally, consist of bank balances and accounts receivable. The Company considers that its exposure to bank risk low as it banks with one of the four major banks in New Zealand. Trade receivables are subject to credit verification and are monitored very closely on an ongoing basis. As a result, credit risk for the financial instruments below is considered to be low.

	2021 $'000	2020 $'000
Contract assets	2,044	1,099
Cash and Cash Equivalents	1,476	7
Trade Accounts Receivable and Other Receivables	4,062	3,279
Advance due from LHEP	-	1,127
	7,582	5,512

Concentration of Credit Risk

The Company is exposed to concentration of credit risk in respect of accounts receivable balances. This risk on amounts due from accounts receivable balances is considered minimal, no collateral is held on these amounts. Significant accounts receivable balances net of GST are listed below:

	2021 $'000	2020 $'000
Ashburton District Council including retentions not yet due	527	910
Benz 2007 Limited	166	22
Fulton Hogan Ltd including retentions not yet due	101	329
Heinz Watties including retentions not yet due	347	69
Ruralco	248	196
Spotless Limited	170	-
	1,559	1,526

Liquidity Risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an on-going basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

2021	<6months	6-12mths	1-5 Years	Total
Liquid Financial Assets	**$'000**	**$'000**	**$'000**	**$'000**
Cash and Cash Equivalents-ACL	1,476	-	-	1,476
Trade Accounts and Other Receivables	3,335	335	280	3,950
Advance due from LHEP	-	-	-	-
	4,811	335	280	5,426
Financial Liabilities				
Bank Overdraft	(1)	-	-	(1)
Accounts Payable and Accruals	(3,010)	(14)	(25)	(3,049)
Term Loans including Interest	(1,334)	(259)	(1,634)	(3,227)
	(4,345)	(273)	(1,659)	(6,277)
Net Inflow/(outflow)	**466**	**62**	**(1,379)**	**(851)**

Note 17 continued ...

2020

	<6months	6-12mths	1-5 Years	Total
Liquid Financial Assets	$'000	$'000	$'000	$'000
Cash and Cash Equivalents-ACL	859	-	-	859
Trade Accounts and Other Receivables	2,818	248	141	3,207
Advance due from LHEP	1,127	-		1,127
	4,804	248	141	5,193
Financial Liabilities				
Bank Overdraft	(852)	-	-	(852)
Accounts Payable and Accruals	(2,078)	(7)	-	(2,085)
Term Loans including Interest	(2,266)	(228)	(1,282)	(3,776)
	(5,196)	(235)	(1,282)	6,713
Net Inflow/(outflow)	**(392)**	**13**	**(1,141)**	**(1,520)**

Interest Rate Risk
Interest rates on Term Loan borrowings are disclosed in Note 15. They are a mixture of floating and fixed rates. Changes in market interest rates have minimal impact on the Company. Cash and Cash equivalents and Bank Overdraft are subject to interest rate risk. The Company had total non-fixed interest payments of $103,669 (2020: $136,157) and non-fixed interest received of $20,829 (2020: $136,157) during the financial year. Total exposure to floating rate term loans is $2,136,574 (2020: $2,639,011).

Credit Facilities
The Company has formal overdraft facilities with the ANZ Bank New Zealand Limited of $3,275,000 (2020: $3,275,000). The Company also has loan financing in place as disclosed in Note 15.

Fair Values
The estimated fair values of the financial instruments are the carrying amounts as stated in the Balance Sheet and are based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Sensitivity Analysis
The Company had $3,136,574 of term borrowings at 30 June 2021 of which $2,136,574 is all floating rate. With approximately 32% of term loans covered on a fixed rate basis and a very low interest rate environment, the Company is not materially exposed to near term interest rate changes.

18 Transactions with Related Parties

The company is wholly owned by Ashburton District Council. No related party debt has been written off or forgiven during the year. All related party transactions have been completed at arm's length on normal trading terms. Those transactions trading terms. Those transactions are as follows:

	2021 $'000	2020 $'000
Ashburton District Council		
Services provided (by) Ashburton District Council (1)	(154)	(242)
Services provided to Ashburton District Council (1)	10,988	9,139
Accounts payable to Ashburton District Council (2)	(23)	(24)
Accounts receivable from Ashburton District Council (2)	166	606
Construction contract claims included in Contract assets in relation to Ashburton District Council .	881	948
Dividends paid to Ashburton District Council	(200)	(371)

Note 18 continued ...

Lake Hood Extension Project		
Services provided (by) Lake Hood Extension Project (1)	-	-
Services provided to Lake Hood Extension Project (1)	1,085	640
Construction contract claims in Contract Assets not approved for payment at balance date (1)	193	-
Income in Contract Assets not yet claimed from Lake Extension Project (1)	16	1
Accounts receivable from Lake Hood Extension Project (2)	32	61
Advance Receivable (see Note 25)	-	1,127
Directors Interests		
Services/Goods provided to A Lilley	-	-
Services/Goods provided to B Warren	-	-
Services/Goods provided to R Pickworth	-	-
Services/Goods provided to A Barlass	104	-
Services/Goods provided to D Prendergast	-	-
Services/goods provided (by) Spraymarks Group Companies (3)	(77)	(18)
Services/goods provided to Spraymarks Group Companies (3)	1	-
Accounts due (to) Spraymarks Group Companies (3)	(3)	-
Accounts due from Spraymarks Group Companies (3)	-	-
Services/Goods provided (by) Smith & Church (4)	(2)	-
Services/Goods provided (by) Electraserve (4)	(2)	(2)
Services/Goods provided to Kowhai Farmlands Ltd (5)	71	-
Management Interests		
Services/Goods provided to K G Casey (Chief Executive Officer)	5	2
Accounts receivable from K G Casey (Chief Executive Officer)	(4)	-
Services/Goods provided to G Bonniface (Chief Financial Officer)	-	1
Services/Goods provided (by) G Bonniface (Chief Financial Officer)	(2)	-
Services/Goods provided to T Bain (General Manager – Civil)	-	-
Services/Goods provided to J Jolly (HR and Compliance Manager)	-	-

	2021 $'000	**2020 $'000**
Key Management Personnel Compensation (6):		
Short-term employment benefits	1,125	766
Post-employment benefits	25	17
Termination benefits	-	-
Other long-term benefits	-	-
	1,150	783

(1) Amounts are GST exclusive
(2) Accounts payable/receivable to/from are stated GST inclusive
(3) Companies where D Prendergast is the beneficial owner including Spraymarks Engineering Ltd, Spraymarks Road Marking Ltd, Spraymarks Traffic Management Ltd and Spraymarks Signs/Graphics Ltd.
(4) Companies where A Lilley is the beneficial owner including Electraserve Limited and Smith & Church
(5) Entities associated with A Barlass as beneficial owner or beneficiary including Kowhai Farmlands Limited
(6) Key Management personnel comprise the Directors, Chief Executive Officer, Chief Financial Officer, General Manager – Civil, HR and Compliance Manager.

19 Contingent Liabilities

The Company has the following contingent liabilities as at 30 June 2021.

Performance Related Bonds

The Company has arranged with the ANZ Bank NZ Limited for the issue of performance related bonds in favour of:

	2021 $'000	2020 $'000
Ashburton District Council	200	200
Gould Developments Limited	119	-
	319	200

20 Capital Commitments

The Company has the following capital commitments:

	2021 $'000	2020 $'000
Property, plant & equipment purchases.	263	186
	263	186

21 Reconciliation of Operating Cash Flows with Reported Net Profit

	2021 $'000	2020 $'000
Net Profit after tax	2,104	(245)
Add/ (Deduct) Non-Cash Items:		
Amortisation of intangibles	34	15
Deferred tax movement	445	(235)
Depreciation	1,352	1,346
Depreciation – Right of Use Assets	456	416
Impairment of property, plant & equipment	(82)	50
Loss/(Gain) on sale of property, plant & equipment	(52)	2
Share of Joint Venture (surplus)/deficit	(518)	842
Movement in Working Capital		
Increase / (decrease) in accounts payable	1,283	66
Increase / (decrease) in tax payable	340	(88)
(Increase) / decrease in accounts receivable	(737)	717
(Increase) / decrease in prepayments	(46)	1
(Increase) / decrease in inventory	(397)	(381)
(Increase) / decrease in contract assets	(945)	110
Increase / (decrease) defects liability provision	79	(213)
Items classified as Investing		
Interest income	(21)	(136)
Dividends received	(24)	(50)
Net Cash from Operating Activities	3,271	2,217

22 Events after Balance Date

New Zealand has experienced a COVID-19 lockdown in August 2021 with the country going to Level 4 and then being released in stages to lower levels. Whilst activity has been impacted in the period of restrictions, the Company has a very solid forward workload and well managed cash position it envisages that there is no impact on its viability. The Company has applied for and received the resurgence grant of $21,500 and $149,508.

	2021 $'000	2020 $'000
23 Dividends		
Final dividend	700	-

After balance date the Directors propose to pay a Final Dividend of $700,000 based on the Company's Statement of Intent. This dividend has not been provided for. This brings total dividends in respect of the year ended 2021 to 20.0 cents per share fully imputed (2020: $0.0 cps).

24 Accounting Estimates and Judgements

Property, Plant and Equipment change in estimates

At each balance date the company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the company, and expected disposal proceeds from the future sale of the asset.

Revenue from contracts with customers – Identifying performance obligations for construction services

The Company has assessed that Contract Works provided are not considered distinct in the context of the contract, as ACL provides a significant integration service. ACL is responsible for the overall management of the contracts, which requires the performance and integration of various services and contract outputs. Therefore, the Company has determined that contract works under construction contracts are comprised of a single performance obligation.

Revenue from contracts with customers – Determining the timing of satisfaction of performance obligations for construction and other services

The Company concluded that revenue for construction and other services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company. The fact that another entity would not need to re-perform the services that the Company has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company's performance as it performs.

The Company determined that the input method is the best method in measuring progress of the workshop and transport services because there is a direct relationship between the Company's effort and the transfer of service to the customer.
For construction services, the Company uses an output method, as this appropriately measures all of the goods or services for which control has transferred to the customer.

Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.
The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates such as credit rating.

25 Participation in Joint Venture

ACL participates in an unincorporated Joint Venture known as the Lake Hood Extension Project, operating under the Aquatic Park Zone as part of the Ashburton District Council's Operative Plan. The objective of the joint venture was to further develop Lake Hood and an adjacent site by the creation of an enlarged lake and provision of residential and rural lifestyle blocks.

Continued on next page...

Note 25 continued...

The resource consents and property are held by The Lake Extension Trust Ltd as a bare trustee for the unincorporated joint venture.

The company is currently a 37.59% participant in the Joint Venture which is administered by a Project Manager under the supervision of a Joint Venture Management Committee. This Management Committee comprises representatives of the participants and an independent member.

The Joint Venture continues to develop and market sections and create the new Lake, receiving income from property sales, leases of commercial property and rural land, and contributions to operating costs by the Ashburton District Council.

The development is long term in nature and is supported by funding from the Joint Venture partners on an ongoing basis under various financial arrangements to ensure continuing operations. The Company provides an undertaking that it will severally support LHEP in meeting its share of any unpaid debts in relation to those operations.

Summarised financial information of Joint Venture	**2021** **$'000**	**Restated** **2020** **$'000**
Current Assets	1,705	550
Current Assets (Subdivision development in progress)	9,875	7,163
Current Assets-Inventory (Completed Stages)	2,660	4,322
Non-Current Assets	1,681	1,680
Total Assets	**15,921**	**13,715**
Current Liabilities	(2,094)	(140)
Current Liabilities-Loan due to ACL	-	(1,127)
Non-Current Liabilities	(685)	(685)
Partners Equity	**13,142**	**11,763**
Company's interest at 37.59% (2020: 37.59%)	4,939	4,422
Revenues	2,025	818
Surplus/(Deficit) after prior year adjustments	1,378	(2,239)
Company's interest at 37.59%. (2020: 37.59%)	518	(842)

The result of the Joint Venture has been included in the Financial Statements using the equity method.

In the 2020 financial year the Joint Venture sold approximately 145 ha of farmland and reserve land for $5.086m on the 30 June 2020. The proceeds of this sale were then used to discharge the Value Plus Limited Loans of $4.6m and repay $0.486m of the Joint Venture loan from ACL.

In that year the sale of the land caused a loss on disposal of $1.540m which included development costs and future development land that were partly developed but included within the land sold as access was no longer possible. The Joint Venture also reviewed its inventory and determined that Stage 9 sections were being held at higher than net book value given current market conditions for those sections. This resulted in a $0.174m reduction in value.

The JV carried out an independent valuation of its inventory at 30 June 2021. This has resulted in the upwards valuation of $1.534m which has been written back to the Profit and Loss in the 2021 year.

There are no contingent liabilities related to the Joint Venture.

The Company had at 30 June 2020 advanced the Joint Venture $1.127m. This advance was fully repaid during the June 2021 financial year.

The JV has experienced strong sales during the year having sold all of its existing titled sections. The JV has completed construction of its 12 lot Stage 10d/e lot development which was in the process of being titled. These sections are all presold. The JV has also commenced construction of the 40 lot Stage 14 peninsula development. At balance date, 22 of these lots have been pre-sold. It is expected that this subdivision will be titled by June 2022.

26 Goodwill.

In the 2020 financial year ACL purchased the parts and service business and assets of Smallbone Ltd. On determination of the fair value of the assets and liabilities acquired, as required by NZ IFRS 3, the consideration paid of $1.519m gave rise to recognition of $0.488m goodwill.

The Company has determined that the primary rationale for the acquisition was to acquire a complimentary business to take advantage of opportunities that exist in combining two workshops in Ashburton and securing new customised premises in Ashburton for the business. Accordingly, all goodwill was allocated to the Ashburton Workshop CGU (cash generating unit).

The Company has performed an impairment review of the value of goodwill held for the Ashburton workshop CGU. A 'value in use' impairment test of the Ashburton CGU using a cash flow projection for the 2022 financial year and high-level financial forecasts out to 2027. A revenue growth rate of 5% per annum was applied, with a terminal growth rate of 2%. A weighted average cost of capital of 11% was assumed and an appropriate share of corporate overheads were allocated to CGU costs for the forecast periods being modelled.

The impairment test determined that the goodwill associated with the Ashburton Workshop CGU was not impaired at the 30 June 2021 reporting date.

	2021 $'000	**2020 $'000**
Goodwill	488	488

27 Contract Assets and Contract liabilities

	2021 $'000	**2020 $'000**
Rendering of services	239	132
Construction Contracts	1,805	967
Total Contract Assets	**2,044**	**1,099**
Rendering of services (revenue in advance)	79	-
Total Contract Liabilities	**79**	**-**

The accompanying notes and policies form part of the financial statements

27 Performance targets were set by the Company in the Statement of Intent dated 28 May 2020. A comparison of the Company's performance compared to those targets is as follows:

		Achievement	Target
a	Achieve Annual Budgeted Turnover	$39,593,000	$34,173,000
	Profit before tax - Parent	$2,451,000	$1,017,000
	Profit Before tax Consolidated – Including Associate	$2,969,000	$912,000
b	Annual Rate of Return before tax on average equity –Parent (five year rolling average)	9.0%	>12%
	Annual Rate of Return before tax-on average equity including Associate (five year rolling average)	7.7%	-
c	Ratio of Equity to Total Assets	54%	>50%
d	Audit Opinion	Unqualified	Unqualified
e	ISO 9001 Quality Certification	Maintained	Maintain
f	ISO 14001 Environmental	Achieved	Achieve
g	ISO 45001 Health & Safety	Maintained	Maintain
h	Compliance with Resource Management Act	No breaches	No breaches
i	Reduction of year-on-year Lost Time Injury Rate. Represents 1 lost time injury for the year.	1.4	0.4
j	Dividend 50% of Net Profit after tax (Parent). (in respect of the financial year)	$900,000	$386,000
	Interim Paid	200,000	$116,000
	To be paid	700,000	$270,000
		900,000	$386,000

Notes

a Please refer to the Operations Report on page 3

b Annual rate of return on average shareholder's funds will be a minimum of 12.0% before tax based on the rolling average of the last 5 years. The SOI measure is for ACL Parent only and excludes Lake Hood Extension Project Joint Venture results. The current year return was 17.4%.

c The ratio for the current year is calculated following the implementation of NZ IFRS 16 Lease Accounting.

i Lost Time Injury Frequency Rate. Calculated as the number of lost time injuries per 100,000 hours worked. Four Lost Time injuries occurred during the year (2020: 1). All incidents were investigated and three were not considered to be incidents that would lead to serious harm. One motor vehicle incident was deemed to have potential for serious harm and mitigation steps have been taken in relation to this.

j The Directors have determined that the Company will pay a final dividend of $700,000 regarding the 2021 year. In March 2021 an interim dividend of $200,000 was paid. All dividends paid are subject to meeting the requirements of the Solvency Test in the Companies Act 1993 and its amendments. Total dividends paid for the year are $900,000 fully imputed.

FIVE YEAR REVIEW OF PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Turnover	39,593	27,816	30,601	32,025	27,723
Profit before Tax and charitable donations and Share of Joint Venture surplus/loss	2,451	505	1,278	2,165	1,081
Share of Joint Venture	518	(841)	(734)	(74)	14
Profit Before Tax	2,969	(337)	544	2,091	1,095
Taxation	865	91	(176)	(591)	(310)
Profit after Tax before donations *1	2,104	(245)	368	1,500	785
Profit after Tax	2,104	(245)	368	1,500	785
Equity	18,080	15,972	16,456	16,793	15,618
Total Assets	33,520	29,386	24,562	22,784	23,124
Dividends relating to the current financial year *2	900	-	491	793	330
Dividends Paid during the financial year	200	371	755	406	264
Return before tax before donations on Average Equity	17.4%	(2.1%)	3.3%	13%	7%
Rolling five-year Return before tax on Average Equity-Consolidated	7.7%	5.6%	8.6%	11%	11%
Equity to Total Assets	54%	54%	67%	74%	68%

*1 The Ashburton District Council has adopted the Ashburton Contracting Ltd Charitable Gifts Policy that allows the Company in conjunction with and approval of Council to make donations of greater than $20,000 to qualifying projects being undertaken by qualifying entities that have already been identified in Council's LTP (or any subsequent amendment) or Annual Plan. For donations to be made the Company must achieve the agreed minimum required rate of return set by the Council. The donation must also comply with the Income Tax Act 2007. No donations under this policy have been made in the financial year ended 30 June 2021 (2020: $Nil.)

*2 The final dividend in relation to the current financial year is a proposed dividend as it is subject to a solvency test at the time of payment.

Independent Auditor's Report

To the readers of Ashburton Contracting Limited's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Ashburton Contracting Limited (the Company). The Auditor-General has appointed me, Yvonne Yang, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 10 to 36, that comprise the statement of financial position as at 30 June 2021, statement of profit or loss and other 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 performance information of the Company on page 37.

In our opinion:

- the financial statements of the Company on pages 10 to 36:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.
- the performance information of the Company on page 37 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2021.

Our audit was completed on 28 October 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and performance information and 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 performance information

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

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

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

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

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

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

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

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

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

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

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

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

- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 9 and 38 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

Y Yang

Yvonne Yang
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand