



# ANNUAL REPORT

YEAR ENDED 30 JUNE 2020



## **Our Vision:**

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

## **Our Values:**

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

ASHBURTON CONTRACTING LIMITED

ANNUAL REPORT  
THE YEAR ENDED 30 JUNE 2020

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ASHBURTON CONTRACTING LIMITED

ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

DIRECTORY

DIRECTORS	A S Lilley (Chairman) D Prendergast B S Warren A D Barlass (appointed 1 April 2020) R A Pickworth (appointed 24 October 2019) M W Frost (resigned 24 October 2019)
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 <a href="http://www.ashcon.co.nz">www.ashcon.co.nz</a>

## ASHBURTON CONTRACTING LIMITED

### REVIEW OF OPERATIONS FOR THE YEAR ENDED 30 JUNE 2020

It is with pleasure we present the Annual Report for the year ended 30 June 2020.

The company has completed the financial year ended 30 June 2020 with a Parent pre-tax profit of \$0.505m which compares with last year's pre-tax profit of \$1.278m. When taking in account the share of the loss in our Associate, the company made an overall loss of \$0.337m compared with last year's pre-tax profit of \$0.544m. The result includes a \$0.826m COVID 19 subsidy from the Government. Directors consider the Parent result to be satisfactory in what can only be described as an unprecedented year.

The last financial year is characterised by a number of major events which created a disruptive year in the Company's activities and performance, namely:-

#### 1. The deterioration in the civil contracting market in the Canterbury region.

As we signalled last year we were seeing increasing pressure and competition in the civil contracting market both in Mid-Canterbury and in the Selwyn District as major projects and in particular Kaikoura earthquake work came to an end and also an apparent reduction in work available. This was evident in our contract revenue declining from \$16.384m in 2019 to \$11.735m in 2020.

Within the Ashburton region the Council switched its focus away from the normal road rehabilitation projects and cyclic renewals (water, sewer and footpath) to spending on two large projects, the Sewer Upgrade through the Ashburton River and the Ashburton Town Centre upgrade. Whilst we featured well in the tender attributes, these projects were won by non-local companies.

#### 2. The impact of COVID 19.

The Company went into lockdown on the 27<sup>th</sup> March 2020. At that time the Company had 122 staff in its employ. It applied for and received the Covid-19 wage subsidy which amounted to \$0.826m. The Company also drew down \$0.500m of loan facilities prior to lockdown to ensure sufficient working cash.

During the lockdown period all staff except those working, were on 80% of their ordinary remuneration while management staff remained on 80% until the end of May 2020. The CEO and the Board elected to take 70% of their entitlement during this period.

The Company carried out essential services during lockdown. These were principally Three Waters maintenance, workshop support of essential transport services and some essential agricultural work with turnover 65% down on the previous year. The Company recommenced work under level two in May 2020 with construction activities taking some time to get into full swing.

The Company spent a considerable amount of time during lockdown communicating across senior management and the Board as well as with staff to ensure that their welfare was looked after particularly in what were potentially very stressful financial times.

#### 3. Acquisition of the parts and service business of Smallbone Ltd and its integration into the Company's workshop operations.

Following notification that there would be no renewal of the Company's lease at South St, Ashburton at expiry its expiry in 2022, the Company took the opportunity to look for new premises to house its offices and workshop operations. Discussions took place with the owners of a large site, comprising offices and industrial space in Range St, Ashburton. The owner of the building was also a shareholder in Smallbone Ltd, the Isuzu truck sales and servicing dealer in Mid and South Canterbury.

The Company saw the opportunity to create a substantial workshop business in Ashburton with associated economies of scale and to relocate its operations including main offices to the new flagship site. Following negotiations, the Company agreed to purchase the Truck parts and service business of Smallbone Ltd, which included operations in Archibald St in Ashburton and 84 Hilton Highway in Timaru. The transfer of the assets and 23 staff took place on 1 December 2019. At the same time the Company

## ASHBURTON CONTRACTING LIMITED

### REVIEW OF OPERATIONS

leased both the Range St site and Hilton Highway sites on long term leases and Archibald St on a short term lease.

The Company commenced the set up of a new state of the art workshop in Range St to house the combined ACL and Smallbone Ashburton teams. This facility included the installation of two 23 metre steel servicing and COF pits and a number of truck lifters, two of which are capable of lifting full truck and trailer units, plus the construction of offices and parts store and recommissioning of a two bay paint and panel repair facility on site. Following delays, due to Covid, the workshop became operational at the beginning of July 2020. There are 9 staff in our Timaru workshop and 27 staff in the Ashburton workshop, making our Ashburton parts and service centre one of the largest in the South Island.

The Company has now fully relocated its operations from South St with all staff having shifted by the end of July 2020.

Revenue for the current year was \$27.816m. This is a decrease of 9.1% when compared with the last year's revenue of \$30.601m. After adjusting for the additional workshop revenue obtained from the acquisition, year upon year revenue is down by 17.8% noting that the Covid-19 shutdown impacted on turnover and for a period after that until full activity was resumed. Key comments on our activities are as follows:

- As already mentioned, contract related revenue for the year was \$11.735m compared to \$16.384m in the previous year.
- There were relatively limited number of projects carried out during the year. In Mid Canterbury these include the Ashburton Business Park Stage 2 (which commenced post lockdown), Poplar Rd Road Seal Extension, IPLEX site works at the Business Park, Thyme Stream subdivision at Methven, Village Green subdivision at Lake Hood and year two of the ADC Reseals Contract.
- Our Rolleston Civil operation carried out a number of projects including Olivefields Subdivision Stage 1 and commenced Stage 2 which was shutdown as a consequence of Covid-19 and has subsequently recommenced due to demand, Heinz Wattie Wastewater Irrigation works and Jatinda Siteworks Stage 2.
- Rural on farm activity taking Covid into account was similar to last year as farmers continued to closely manage cashflow and pay down debt. This sector remains competitive with a number of competitors in this space with different products.
- The Company had a long-term contract with the ADC for the maintenance of the Three Waters in Mid Canterbury. The 2020 year was the final year of this contract. The contract was retendered in late 2019 with a high attribute component. The Company won the Contract against Tier 1 competition. This contract has an initial term of five years plus two one year rights of renewal commencing 1 July 2020.
- Ready-mix concrete volumes have decreased substantially when compared to the good volumes of 2019. The market was very competitive with three main players in the Mid Canterbury region. There were fewer large supply jobs during the year and a substantial reduction in residential housing activity.

Full time staff numbers at the end of the period were 130. This is an increase of 8 over last year. This reflects the staff taken on from the Smallbone acquisition and reductions across the Company as the numbers reduced through natural attrition and retirements. Staff number were managed in response to market conditions. The Company paid \$8.561m (2019: \$9.131m) in wages and salaries and related costs during the year.

## ASHBURTON CONTRACTING LIMITED

### REVIEW OF OPERATIONS

The Company manages its capital expenditure very closely in response to trading activities and capacity and capability requirements. The company spent \$1.915m in 2020 (2019: \$1.329m). This includes \$0.704 on assets purchased from Smallbone Ltd and a further \$1.059m setting up Range St workshop and offices. In the current environment the Company uses hire companies to provide a variety of plant to meet capacity spikes and geographical requirements.

The advent of COVID and the shutdown meant that there was a very high degree of focus on cash management with daily forecasting during and after lockdown. The Company has had a net cash improvement of \$1.222m during the year finishing with a closing balance of \$0.007 in funds. This compares with a negative position at 30 June 2019 of \$1.215m overdrawn. The Company generated \$2.217m in cash from operations which included \$0.212m generated from a reduction in working capital as some large long-term contract retentions came due. Following last year's result, a final dividend of \$0.371m was paid in October 2019. No interim dividend was paid.

In order to finance the Smallbone acquisition, the Company arranged a \$2.2m facility with the ANZ Bank Ltd of which \$2.0m was drawn during the year including \$0.500m immediately prior to lockdown to cover wages and operating expenses during that period. The Company has repaid \$0.420m of term debt. The Lake Hood Extension Project repaid \$0.486m of loans in the year with a further \$1.127m repaid since balance date.

The Company is not proposing to pay a Dividend in relation to the 2020 Financial year. The Company paid a final dividend in relation to the 2019 financial year of \$371,000 in October 2019.

The company is a 37.59% participant in the unincorporated Joint Venture known as Lake Hood Extension Project ("LHEP"). LHEP recorded a loss of \$2.239m with ACL's share being \$0.842m. As part of its strategy to improve its financial position, the Joint Venture sold 145ha of land for \$5.086m. This was used to repay \$4.6m of mezzanine debt and reduce its advance from the Company by \$0.486m. This has put LHEP in a much improved cash position. The loss arose from substantial financing costs during the year, the write-off of development costs and consents allocated to the farmland sold and a further inventory fair value adjustment. Since balance date LHEP has carried refinanced and repaid the ACL advance in full. It has also had strong sales of lots.

The Company has a strong focus on Health and Safety with significant effort applied to eliminate risk and injury in the workplace. During the year there was one (2019: three) lost time injuries which resulted in a decrease in our Lost Time Injury Rate per 100,000 hours worked to 0.4 from 1.3 last year. The Company continues to pursue improvement in its Health and Safety processes with a particular focus on onsite audits and process improvements.

The Company achieved accreditation of ISO45000 Health and Safety qualification in August 2019. As we noted last year ACL was one of the first contracting companies in New Zealand to achieve ISO 45000 accreditation and with no corrective actions. The Company has also maintained its Sitesafe accreditation. Credit must go to our Health and Safety team and our staff for embracing a healthy and safe work environment.

The Company has been working on achieving the ISO14001 Environmental standard during the year. This has involved a substantial amount of work. While this was not complete at year end, we have subsequently achieved this standard. The Company now holds three key standards ISO9001 Quality, ISO14000 Environmental and ISO45000 Health and Safety. These standards are key underpins of the business and an important part of our attributes.

The Company participates in the Canterbury District Health Board's staff wellness programme. The Company achieved Silver accreditation at the beginning of the year. We are currently working towards Gold accreditation but the expected to take a further two years to complete. The Company views staff wellness as a very important part of its culture to ensure staff are healthy in both their work and private lives.

During the financial year the Company implemented IFRS16 Lease Accounting Standard with effect from 1 July 2019. The effect of this is to create on the Company Balance Sheet, a lease liability for the present value of the lease payments net of interest which is reduced by lease payments over time. An equivalent right of use asset is also created which is depreciated over the lease life. The impact of this

## ASHBURTON CONTRACTING LIMITED

### REVIEW OF OPERATIONS

is that the Company had a Right of use asset of \$5.059m at balance date, and a lease liability of \$5.136m. There is an additional expense impact on the Profit and Loss of \$0.77m in 2020 if the leases had been charged in full to the P&L. It is the Company's view that this standard adds no value to the Company's financial reporting and has cost in the vicinity of \$25,000 to implement.

For the coming year, the Company has budgeted profit before interest and tax which is well ahead of the 2020 result. Since returning from lockdown there has been significant activity in the civil contracting sector with demand for sections driving subdivisions across the region. This coupled with Government funding for shovel ready projects and water infrastructure improvements has created direct contracts with the benefit of releasing local body funds to bring forward other work. The commercial sector is also pushing forward with projects which include the likes of the new Kmart in Ashburton.

The year saw the retirement of long-time Director Murray Frost and the appointment of two new Directors, Ross Pickworth and Andrew Barlass. The Company very much appreciates the contribution made by Murray to the governance of ACL over a long period.

The year has been one that would be described as a reset for the business with further diversification of the business and the creation of a new 21<sup>st</sup> Century base for the Company to operate from for a long period. The Board is comfortable with the Company's position in the current environment, albeit that COVID-19 potentially presents uncertain times. This is a new world which we all live in that can change very quickly.

The Directors acknowledge the significant work load that has occurred across the business in the last by people at all levels of the organisation and the loyalty of staff in the current environment.



Alister Lilley  
Chairman

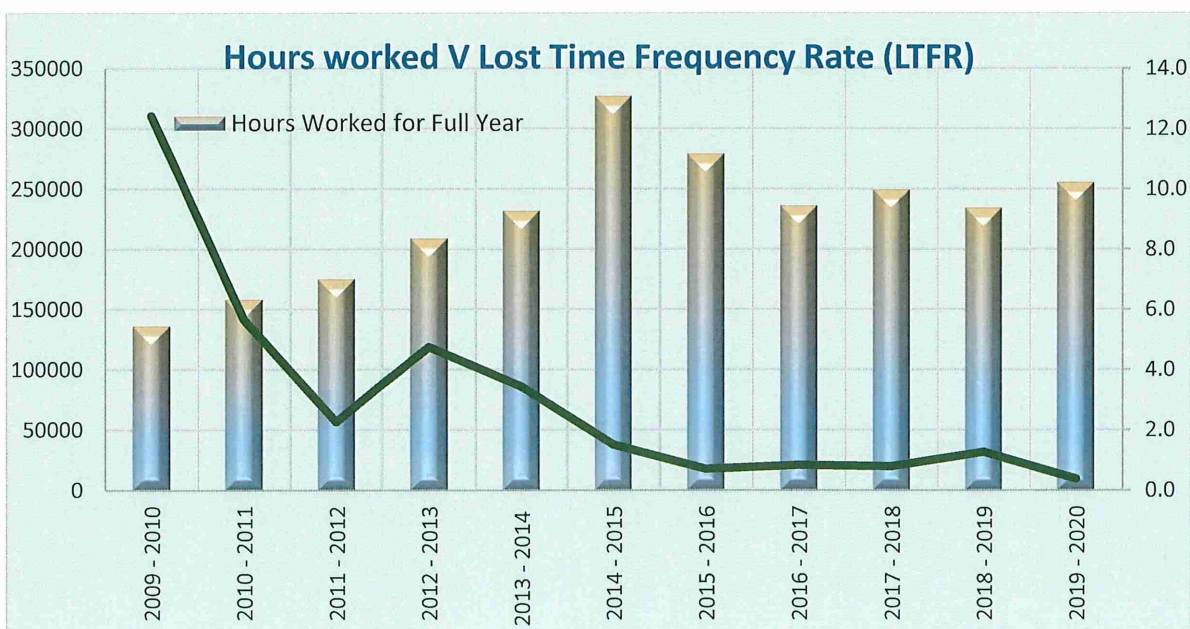
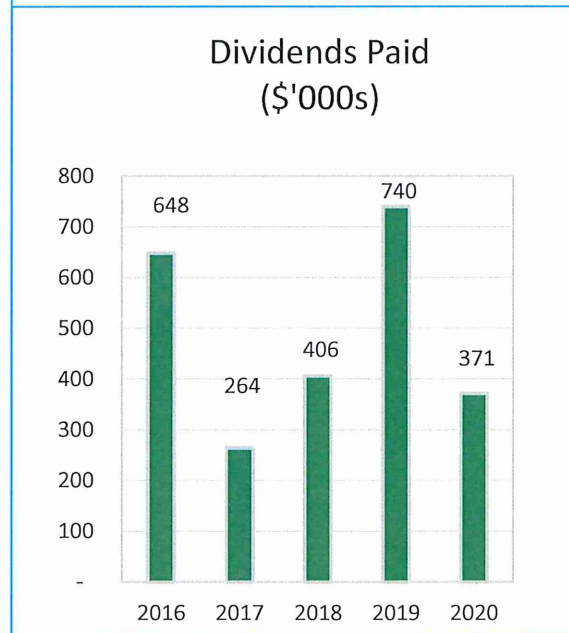
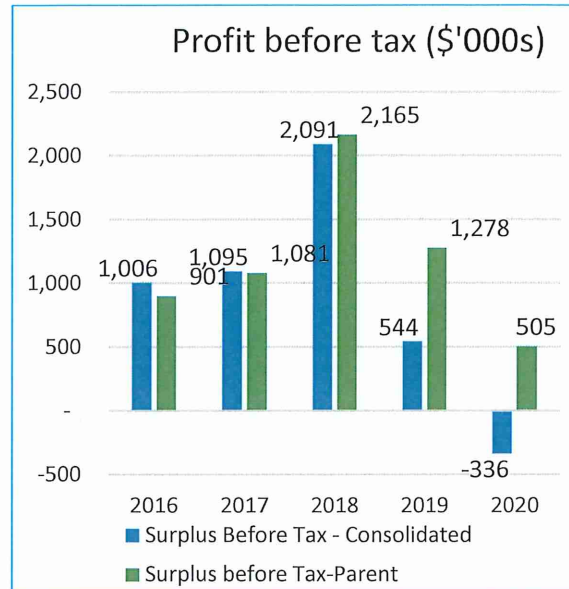


Gary Casey  
Chief Executive Officer

24 November 2020



ASHBURTON CONTRACTING LIMITED  
FOR THE YEAR ENDED 30 JUNE 2020  
REVIEW OF OPERATIONS



# ASHBURTON CONTRACTING LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

The Directors present their Annual Report for the year ended 30 June 2020 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 2020 is as follows:

	Change	2020 \$'000	2019 \$'000
Total Assets	19.6%	<u>29,386</u>	<u>24,562</u>
Were financed by:			
Equity	-2.9%	15,973	16,456
Liabilities	65.5%	<u>13,413</u>	<u>8,106</u>
		<u>29,386</u>	<u>24,562</u>

### Dividends

The Company paid a fully imputed final dividend in respect of the 2019 financial year of \$371,000 during the current year in October 2019. The Directors propose that no Dividend will be paid in relation to the 2020 financial year.

### Directors Remuneration

Directors and remuneration are as follows:

	2020 \$'000	2019 \$'000
M W Frost (resigned 24 October 2019)	11	32
A Lilley	63	53
D Prendergast	31	32
B S Warren	31	32
R A Pickworth (appointed 24 October 2019)	18	-
A D Barlass (Appointed 1 April 2020)	7	-
J B Tavendale (resigned 30 October 2018)	-	20
	<u>161</u>	<u>169</u>

### 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.

ASHBURTON CONTRACTING LIMITED

DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

**Remuneration of Employees**

Remuneration bands for employees earning over \$100,000 in the 30 June 2020 are as follows:

Remuneration Bands	2020	2019
\$100,000 to \$109,999	3	5
\$110,000 to \$119,999	5	4
\$120,000 to \$129,999	4	2
\$130,000 to \$139,999	1	3
\$150,000 to \$159,999	-	2
\$160,000 to \$169,999	2	-
\$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 2020 totalled \$2,579 (2019: \$5,191)

**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 \$62,794 (2019 \$52,800)

No other services were purchased from Audit New Zealand (2019 \$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.

For and on behalf of the Board

Director  Director 

Date 24 November 2020

# ASHBURTON CONTRACTING LIMITED

## 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 Limited
	Score Pos Limited
Darcy Prendergast	Spray Marks Road Marking Limited
	Ashburton Tree Topping Limited
	Advanced Maintenance Limited
	Traffic Management Services New Zealand Limited
	Road Markers Otago Limited
Brian Stuart Warren	Rock & Pillar Limited
Ross Anthony Pickworth  (Appointed 24 October 2019)	Westpower Limited
	Electronet Services Limited
	Mitton ElectroNet Limited
	ElectroNet Transmission Limited
	ElectroNet Technology Limited
	Whitestone Contracting Limited
	Westroads Limited
	Transwaste Canterbury Limited
	Tiromoana Station Limited
	Burwood Resource Recovery Park Limited
Andrew David Barlass  (Appointed 1 April 2020)	Pipeline Group Limited
	West Oak Trading Limited
Murray Warden Frost (Retired 24 October 2019)	Kowhai Farmlands limited
	Electricity Ashburton Limited
Murray Warden Frost (Retired 24 October 2019)	Hunter Downs Water Limited
	Frost Foundation Limited
	Buller Electricity Limited and subsidiaries

ASHBURTON CONTRACTING LIMITED  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2020

## **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 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 with annual expenditure under \$30 million. The Company has elected to report under the reduced disclosure regime. The Company has in some cases chosen to include information within its accounts used for the financial reporting requirements of its parent.

## **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.

## **Changes in Accounting policies and disclosures**

### **New and amended standards and interpretations**

The Company applied NZ IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption are described below. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2020

***Changes in Accounting policies continued...***

**NZ IFRS 16 Leases**

ACL has adopted NZ IFRS 16 with a date of initial application of 1 July 2019 and have adopted the modified retrospective approach. It has not restated comparative information. As a result, ACL has changed its accounting policy for lease contracts as described below.

As a lessee

As a lessee, ACL previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards incidental to ownership of the underlying asset to ACL. Under NZ IFRS 16, ACL recognises right of use assets and lease liabilities on balance sheet for most leases.

(i) Leases previously classified as operating leases under NZ IAS 17: On 1 July 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted at ACL incremental borrowing rate at that date, being 6.4% fixed 5 year term for all leases that had a 5 year term except property leases, where an average property yield of 7.4% has been used.

Right of use assets were measured at an amount equal to the lease liability. The right of use asset is subsequently depreciated using the straight-line method over the shorter of the estimated useful lives of the right of use asset or the remaining estimated lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment.

ACL presents right of use assets in ROU Assets (note 6) and lease liabilities (note 7) separately on the face of the Statement of Financial Position.

ACL used the following practical expedients when applying the new lease standard NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics; and
- Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term.

(ii) Leases previously classified as finance leases under NZ IAS 17: For leases that were previously classified as finance leases under NZ IAS 17, the carrying amount of the right of use asset and the lease liability at 1 July 2019 (transition date) are determined at the lease asset and lease liability under NZ IAS 17 immediately before that date.

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates & Errors, the impact of adopting NZ IFRS 16 is shown below:

**Financial Impact of NZ IFRS 16**

	Pre NZ IFRS 16	NZ IFRS 16 adjustment	As reported
Gross Profit	2,343	-	2,343
Lease Expense – Property	(511)	-	-
Lease Expense – Vehicles	(33)	-	-
Lease Expense – Other	(10)	-	-
Other Income & Expenses	(1,145)	(416)	(1,561)
Operating Profit before Financing Costs	644	(416)	762
Net Financing Costs	(62)	(215)	(277)
Parent Operating Profit before Tax	<b>582</b>	<b>(77)</b>	<b>505</b>

Total lease payment commitments prior to NZ IFRS 16 were \$0.479m. Another \$9.641m of lease payment commitments were added during current year after transition to NZ IFRS 16. As of 1 Jul 2020, further office space came available and has added another \$2.558m lease payments commitments over the term of the lease. Total lease payment commitments for the entire terms of all leases is \$12.678m. Two properties each have an initial 10-year term with 2 rights of renewal options

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2020

***Significant Accounting policies continued...***

of 5 years. It has been determined that both properties rights of renewal will be exercised, thus totally 20 years each. All other leases have no rights of renewals.

**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 bases 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. Land is not depreciated.

The estimated useful lives are as follows:

- |                                       |               |
|---------------------------------------|---------------|
| • Buildings                           | 30 - 50 years |
| • Plant, Motor Vehicles and Equipment | 3 - 38 years  |
| • Office Equipment & Fixtures         | 3 - 10 years  |
| • Land Improvements                   | 20 years      |

The residual value and useful life of an asset is reviewed, and 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.

The accompanying notes and policies form part of the financial statements



ASHBURTON CONTRACTING LIMITED  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2020

***Significant Accounting policies continued...***

**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.

The accompanying notes and policies form part of the financial statements



ASHBURTON CONTRACTING LIMITED  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2020

***Significant Accounting policies continued...***

**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 has provided an advance to the Lake Hood Extension project (LHEP), which is interest bearing and unsecured.

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**

The Joint Venture has been incorporated into the financial statements using the equity method.

**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 is 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.

The accompanying notes and policies form part of the financial statements

## ASHBURTON CONTRACTING LIMITED

### STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020

#### *Significant Accounting policies continued...*

#### **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 1<sup>st</sup> 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.

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2020

***Significant Accounting policies continued...***

**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.

ASHBURTON CONTRACTING LIMITED  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
Revenue	1	27,816	30,601
Trading Expenses	2	(25,473)	(26,982)
<b>Gross Profit</b>		<u>2,343</u>	<u>3,619</u>
Other Operating Income		150	174
Administrative Expenses	2,6	(1,711)	(2,439)
<b>Operating Profit before Financing Costs</b>		<u>782</u>	<u>1,354</u>
Financial Income	3	136	114
Financial Expenses	3	(414)	(190)
<b>Net Financing Costs</b>		<u>(278)</u>	<u>(76)</u>
Parent Operating Profit		<u>505</u>	<u>1,278</u>
Share of Joint Venture Surplus/(Deficit)	26	(842)	(734)
<b>Profit before Tax</b>	2	<u>(337)</u>	<u>544</u>
Income Tax Expense	4	91	(176)
<b>Profit after Tax</b>		<u><b>(245)</b></u>	<u><b>368</b></u>
<b>Other Comprehensive Income</b>			
Fair Revaluation gain/(loss) on Land and Buildings	5	159	69
Deferred Tax on Revaluation of Buildings	4	(26)	(19)
<b>Other Comprehensive Income for the Period after Tax</b>		<u>(133)</u>	<u>50</u>
<b>Total Comprehensive Income</b>		<u><b>(112)</b></u>	<u><b>418</b></u>

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020



	Notes	2020 \$'000	2019 \$'000
<b>Equity at the start of the year</b>	13	16,456	16,793
Profit for the Period		(245)	368
Other Comprehensive Income		133	50
<b>Total Comprehensive Income for the Period</b>		<u>(112)</u>	<u>418</u>
Dividends paid		(371)	(755)
<b>Equity at the end of the year</b>	13	<u>15,973</u>	<u>16,456</u>

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	5	11,241	10,454
Right to Use Assets	6	5,059	-
Participation in Joint Venture	26	4,422	5,264
Investment	8	11	11
Intangibles	9	106	68
Goodwill	28	488	-
		<u>21,327</u>	<u>15,797</u>
<b>Current Assets</b>			
Cash & Cash Equivalents	10	859	643
Receivables & Prepayments	11	3,279	3,998
Inventories	12	1,696	1,315
Advances to LHEP	17	1,127	1,600
Contract assets	11	1,099	1,209
		<u>8,060</u>	<u>8,765</u>
<b>TOTAL ASSETS</b>		<u><u>29,387</u></u>	<u><u>24,562</u></u>
EQUITY			
Share Capital	13	4,500	4,500
Retained Earnings	13	9,691	10,307
Capital Reserve	13	359	359
Revaluation Reserve	13	1,423	1,290
		<u>15,973</u>	<u>16,456</u>
LIABILITIES			
<b>Non-Current Liabilities</b>			
Provision for Employee Entitlements	14	62	51
Lease Liability	7	4,855	-
Term Loans	15	1,279	1,631
Deferred Tax Liability	4	383	618
		<u>6,579</u>	<u>2,300</u>
<b>Current Liabilities</b>			
Bank Overdraft	10	852	1,858
Provision for Employee Entitlements	14	894	793
Lease Liability – Current Portion	7	281	-
Term Loans – Current Portion	15	2,359	428
Accounts Payable & Accruals	16	2,373	2,563
Tax Payable	4	76	164
		<u>6,835</u>	<u>5,806</u>
<b>TOTAL LIABILITIES</b>		<u><u>13,414</u></u>	<u><u>8,106</u></u>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><u>29,387</u></u>	<u><u>24,562</u></u>

The financial statements were approved and authorised for issue on 24 November 2020 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 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers		28,636	29,379
Cash paid to suppliers and employees		(25,712)	(27,803)
Cash generated from operations		2,924	1,576
Income taxes paid		(231)	(442)
Interest Paid		(196)	(190)
Interest Paid Lease Liability		(215)	-
Net GST movement		(65)	(42)
<b>Net Cash from Operating Activities</b>	22	2,217	902
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of property, plant & equipment			138
Interest received		136	114
Acquisition of property, plant & equipment		(2,024)	(1,425)
Acquisition of intangibles		(17)	(11)
Acquisition of goodwill		(483)	-
Acquisition of Shares		-	(7)
Advance to Joint Venture		473	(618)
Dividends Received		50	84
<b>Net Cash from Investing Activities</b>		(1,865)	(1,725)
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowing		2,000	433
Repayment of borrowing		(420)	(389)
Lease Liability		(339)	-
Dividends paid		(371)	(755)
<b>Net Cash from Financing Activities</b>		870	(711)
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		1,222	(1,534)
Add Opening Cash & Cash Equivalents brought forward		(1,215)	319
<b>Closing Cash &amp; Cash Equivalents carried forward</b>	10	<u>7</u>	<u>(1,215)</u>

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

	2020 \$'000	2019 \$'000
<b>1 Revenue from contracts with customers</b>		
<b>Disaggregated revenue information</b>		
<b>Type of good or service</b>		
Construction and contracting	11,735	16,384
Rendering of services	10,287	6,884
Production and sale of goods	5,794	7,333
<b>Total revenue from contracts with customers</b>	<b>27,816</b>	<b>30,601</b>
	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>2 Profit before tax</b>	(337)	544
<b>After charging:</b>		
Trading and administrative expenses including:		
<b>Personnel expenses</b>		
Wages and salaries	8,318	8,906
Contributions to defined contribution plans	13	13
Contributions to Kiwisaver	210	206
Increase/(decrease) in liability for long service leave	20	6
<b>Total personnel expenses</b>	<b>8,561</b>	<b>9,131</b>
Audit fees	59	52
Bad debts written off	3	9
Directors fees	161	168
Materials and consumables	12,696	16,916
Net loss on sale of property, plant & equipment	2	33
Short term & low value leases	40	261
<b>After crediting:</b>		
Net gain on sale of property, plant & equipment	-	5
Release of unused provisions	43	17
Revenue from contracts with customers	27,816	30,601
Government COVID 19 Subsidy	826	-
Other income	150	169
	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>3 Net Financing Costs</b>		
Interest income	136	114
Financial income	136	114
Interest expense	(198)	(190)
Interest expense on lease liabilities	(216)	-
Financial expenses	(414)	(190)
Net financing costs	(278)	(76)

The accompanying notes and policies form part of the financial statements



ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**4 Taxation**

	2020 \$'000	2019 \$'000
Imputation credits available for use in subsequent periods	3,295	3,265
	<u>3,295</u>	<u>3,265</u>

**Reconciliation of effective tax rate**

Profit before tax	(337)	544
Tax @ 28% (2018: 28%)	(94)	153
plus/(less) tax effect of:		
Non-deductible expenses/(non-taxable gains)	13	23
Temporary differences not previously recognised	(6)	-
Reversal of Prior Year Overprovision	(5)	-
Income tax expense reported in profit and loss	<u>(91)</u>	<u>176</u>

**Recognised in the income statement**

Current year tax payable	188	350
Relating to origination/reversal of temporary differences	(274)	(174)
Deferred Tax Prior Year Adjustment	8	(7)
Overprovision of Prior Year Tax	(13)	7
Total income tax expense in the income statement	<u>(91)</u>	<u>176</u>

**Amounts charged or (credited) through Other Comprehensive Income**

Revaluation of property, plant & equipment	(26)	(19)
	<u>(26)</u>	<u>(19)</u>

**Movement in tax payable / (refund)**

	2020 \$'000	2019 \$'000
Balance at the start of the year	(164)	(250)
Taxation paid / (refunded)	262	443
(Overprovision)/under provision prior year	13	(7)
Provided for this year	(188)	(350)
Balance at the end of the year-(payable)/refund due	<u>(76)</u>	<u>(164)</u>

**Deferred Tax assets/(liabilities)**

2020	Opening Balance	Recognised in income	Recognised in other comprehensive income	Other	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'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
	<u>(618)</u>	<u>266</u>	<u>(26)</u>	<u>(5)</u>	<u>(383)</u>

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**Note 4 continued ...**

**Deferred Tax assets/(liabilities)**

<b>2019</b>	Opening Balance	Recognised in income	Recognised in other comprehensive income	Other	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant & equipment	(599)	211	(19)	-	(407)
Contract Assets	-	5	-	-	5
Employee benefits	143	10	-	-	153
Retentions	(271)	(16)	-	-	(287)
Capitalised Interest	(145)	(39)	-	-	(184)
Provisions	12	89	-	-	101
Intangible Assets	(2)	3	-	-	1
Work in progress	81	(81)	-	-	-
	(781)	182	(19)	-	(618)

**5 Property, Plant & Equipment as at 30 June 2020**

<b>2020</b>	Land & Buildings (Valuation) \$'000	Motor Vehicles \$'000	Plant \$'000	Office Equip \$'000	Total \$'000
<b><u>Cost/Valuation</u></b>					
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

<b>2019</b>	Land & Buildings (Valuation) \$'000	Motor Vehicles \$'000	Plant \$'000	Office Equip \$'000	Total \$'000
<b><u>Cost/Valuation</u></b>					
Opening Balance	2,015	13,891	5,859	526	22,291
Purchases	-	911	352	66	1,329
Transfers	-	-	-	-	-

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**Note 5 continued ...**

Disposals	-	(423)	(214)	(35)	(672)
Valuations	45	-	-	-	45
Closing Balance	2,060	14,379	5,997	557	22,993

	Land & Buildings (Valuation)	Motor Vehicles	Plant	Office Equip	Total
Opening Balance	85	8,066	3,283	420	11,854
Depreciation for year	37	746	354	64	1,201
Impairment losses	70	-	(57)	-	13
Transfers	-	-	-	-	-
Valuations	(24)	-	-	-	(24)
Disposals	-	(309)	(162)	(34)	(505)
Closing Balance	168	8,503	3,418	450	12,539

**Carrying amounts**

At 30 June 2018	1,930	5,825	2,576	106	10,437
At 30 June 2019	1,892	5,876	2,579	107	10,454

Included in current year are assets in progress of completion of \$0.249m. All other assets are available for use.

**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 Cunneen McLeod Valuation 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 having regard to recent market transactions for similar properties in the same location as the Company's property. The valuation was completed at 30 June 2020. The property valuer has commented on the difficulty of current valuations under COVID 19. Commentary has been included in Note 27.

**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 \$0.05m.

## 6 Right of Use Assets

NZ IFRS 16 transition date for ACL was 1<sup>st</sup> July 2019. Upon transition the modified retrospective method was used. The result of using this method is that the opening balances Right of Use Assets is the same as the opening balance of the Lease liability. No comparatives were calculated.

**Right of Use Assets  
2020**

	Land & Buildings	Motor Vehicles	Plant	Other	Total
<b>ROU Asset Cost</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening Balance 1 <sup>st</sup> July 2019 (upon transition)	358	72	-	-	430
Additions	4,982	-	-	63	5,045
Closing Balance	5,340	72	-	63	5,475

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**Note 6 continued ...**

**ROU Depreciation**

Opening Balances 1 <sup>st</sup> July 2019 (upon transition)	-	-	-	-	-
Depreciation for year	376	32	-	8	416
Closing Balance	376	32	-	8	416

**Carrying Amounts**

At 30 June 2019	-	-	-	-	-
At 30 June 2020	4,964	40	-	55	5,059

## 7 Lease Liability

NZ IFRS 16 transition date for ACL was 1<sup>st</sup> July 2019. Upon transition the modified retrospective method was used. The result of using this method is that the opening balances ROU Assets is the same as the opening balance of the Lease liability. No comparatives were calculated. It has also been determined that all rights of renewals (where these are included in the lease contract) will be exercised and have been included in the lease liability calculations. All leases with a term of less than 12 months and leases that have a value of less than \$7,000 NZD are categorised as Short Term & Low Value Leases and those amounts are disclosed as Short Term & Low Value Leases and expensed in the P&L as they occur.

**Lease Liability  
2020**

	Land & Buildings	Motor Vehicles	Plant	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance 1st July 2019 (upon transition)	358	72	-	-	430
Leases added	4,982	-	-	63	5,445
Closing Balance	5,340	72	-	63	5,475

**Total Payments made during Year**

Made up of:

Interest Expense	209	4	-	3	216
Lease Deduction	302	30	-	7	339

<b>At 30 June 2019</b>	-	-	-	-	-
<b>At 30 June 2020</b>	5,038	42	-	56	5,136

## 8 Investment

Electricity Ashburton Limited – Shares  
New Zealand Plumbers Merchants-Shares

	2020 \$'000	2019 \$'000
Electricity Ashburton Limited – Shares	1	1
New Zealand Plumbers Merchants-Shares	10	10
	11	11

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.

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**9 Intangible Assets**

**Cost/Valuation**

	Software	Resource Consents	WIP	Total
	\$'000	\$'000	\$'000	\$'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

**Cost/Valuation**

	Software	Resource Consents	WIP	Total
	\$'000	\$'000	\$'000	\$'000
2019				
Opening Balance	320	136	-	456
Purchases	11	-	-	11
Disposals	(35)	-	-	(35)
Closing Balance	296	136	-	433

**Amortisation/Impairment**

Opening Balance	303	65	-	368
Amortisation for year	22	10	-	32
Disposals	(35)	-	-	(35)
Closing Balance	290	75	-	365

**Carrying amounts**

At 30 June 2018	17	71	-	88
At 30 June 2019	6	62	-	68

**10 Cash & Cash Equivalents**

	\$'000	\$'000
Bank Balances	833	595
Call Account and till floats	26	1
Retentions Account	-	47
Cash & Cash Equivalents	859	643
Bank Overdraft	(852)	(1,858)
Cash & Cash Equivalents in the Statement of Cash Flows	7	(1,215)

The Company has overdraft facilities with the ANZ Bank New Zealand Limited of \$3,275,000 (2019: \$3,575,000). The effective interest rate on call deposits was 0.05% to 0.2% (2019: 0.20% to 1.2%) The effective interest rate on overdraft facilities ranges from 4.46% to 5.61% (2019: 5.61% to 6.65%). The Retentions account represents amounts held in relation to retentions due to sub-contractors under the Construction Contracts Act 2002.

2020

2019

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**11 Receivables & Prepayments**

	<b>2020</b> <b>\$'000</b>	<b>2019</b> <b>\$'000</b>
Trade Accounts Receivable	2,608	2,842
Retentions	599	1,067
Prepayments	112	1,06
Sundry Debtors	-	6
	<u>3,319</u>	<u>4,021</u>
Allowance for expected credit losses on contract balances	(40)	(23)
	<u>3,279</u>	<u>3,998</u>
Contract Assets	1,099	1,209
	<u>4,378</u>	<u>5,207</u>
Trade receivables ageing analysis		
Not past due	2,110	2,353
Past due 0-30 days	281	245
Past due 31-120 days	99	51
Past due over 121 days	118	193
Total	<u>2,608</u>	<u>2,842</u>

The opening balance of contract assets as at 1 July 2019 was \$1,209,000

	Individually Impaired \$'000	Expected credit losses \$'000	Total \$'000
<b>Movements in the Provision for Impairment of Receivables</b>			
<b>2020</b>			
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	<u>12</u>	<u>29</u>	<u>40</u>
<b>2019</b>			
Opening Balance	6	12	18
Charge for the Year	6	17	23
Utilised	(3)	(6)	(9)
Unused Amounts Reversed	(3)	(6)	(9)
Discount Rate Adjustment	-	-	-
Closing Balance	<u>6</u>	<u>17</u>	<u>23</u>

**12 Inventories**

	<b>2020</b> <b>\$'000</b>	<b>2019</b> <b>\$'000</b>
Aggregates	742	781
Asphalt	-	14
Cement	27	18
Civil	3	61
Contract Inventory	49	37
Fuel	21	24
Services/Plumbing	218	186
Sealing	7	29
Workshops	629	165
Total Inventories	<u>1,696</u>	<u>1,315</u>

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

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

13 Equity		2020 \$'000	2019 \$'000
<b><u>Share Capital</u></b>			
4,500,000 issued and paid up ordinary shares at incorporation		4,500	4,500
4,500,000 issued and paid up ordinary shares		<u>4,500</u>	<u>4,500</u>
<b><u>Retained Earnings</u></b>			
Balance at the start of the year		10,307	10,694
Net Profit after tax		(245))	368
Less Dividends paid		(371)	(755)
Less Transfer to Capital Reserve		-	-
Balance at the end of the year		<u>9,691</u>	<u>10,307</u>
<b><u>Capital Reserve*</u></b>			
Balance at the start of the year		359	359
Realised gain on sale of property, plant & equipment		-	-
Balance at the end of the year		<u>359</u>	<u>359</u>
*This represents capital gains on sale of PPE distributable tax free in event of the Company being wound up.			
<b><u>Land &amp; Buildings Revaluation Reserve</u></b>			
Balance at the start of the year		1,290	1,240
Disposals		-	-
Revaluation of Land & Buildings		159	69
Deferred Tax on Buildings		(26)	(19)
Balance at the end of the year		<u>1,423</u>	<u>1,290</u>
<b>TOTAL EQUITY</b>		<u>15,973</u>	<u>16,456</u>
<b>14 Provision for Employee Entitlements</b>		<b>2020</b>	<b>2019</b>
Annual Leave, Long Service Leave, Sick Leave and Gratuities		<b>\$'000</b>	<b>\$'000</b>
Current Portion		894	793
Non-Current Portion		62	51
		<u>956</u>	<u>844</u>
<b>15 Term Loans</b>		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>Maturity</b>		
<b><i>ANZ Bank New Zealand Ltd</i></b>			
Loan No 1022 Floating	30-May-22	262	385
Loan No 1026 Fixed	15-July 21	1,000	1,000
Loan No 1027 Floating	30-Nov-20	2,000	-
Loan No 091 Floating	31-Aug-19	-	13
Loan No 092 Floating	31-Aug-19	-	7
Loan No 093 Floating	05-Dec-21	-	219
Loan No 094 Floating	30-Sept-21	-	109
		<u>3,262</u>	<u>1,733</u>
<b><i>UDC Finance Limited</i></b>			
Loan No 4000 Floating	30-Dec-19	-	47
Loan No 4002 Floating	23-Dec-21	198	-
Loan No 4001 Floating	30-Mar-22	178	279
		<u>3,638</u>	<u>2,059</u>
<b><u>Repayment Periods</u></b>			
Less than six months		2,174	249
Six to twelve months		185	179

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**Note 15 continued ...**

One to two years	1,279	363
Two to five years	-	1,268
	3,638	2,059

**Security**

ANZ National Bank Limited has a registered first ranking general security over the assets of the Company. UDC Finance Limited has specific security over the items that have been financed.

<b>16 Accounts Payable &amp; Accruals</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Trade payables	2,078	1,965
Retentions	7	47
	2,085	2,012
Accruals for defects liability	203	289
Other payables & GST	85	262
	2,373	2,563

**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 is the advance to LHEP. As a result, credit risk for the financial instruments below is considered to be low.

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Contract assets	1,099	1,209
Cash and Cash Equivalents	7	(1,215)
Trade Accounts Receivable and Other Receivables	3,279	3,998
Advance due from LHEP	1,127	1,600
	5,512	3,992

**Concentration of Credit Risk**

The Company is exposed to concentration of credit risk in respect of accounts receivable balances owing by the Ashburton District Council. This risk on amounts due from accounts receivable balances is considered minimal, no collateral is held on these amounts.

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Ashburton District Council including retentions not yet due	383	964
Fulton Hogan Ltd including retentions not yet due	-	339
	383	1,303

**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.



ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**Note 17 continued ...**

<b>2020</b>	<b>&lt;6months</b>	<b>6-12mths</b>	<b>1-5 Years</b>	<b>Total</b>
<b>Liquid Financial Assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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
	<u>4,804</u>	<u>248</u>	<u>141</u>	<u>5,193</u>
<b>Financial Liabilities</b>				
Bank Overdraft	(852)	-	-	(852)
Accounts Payable and Accruals	(2,078)	(7)	-	(2,085)
Term Loans including Interest	(2,266)	(228)	(1,282)	(3,776)
	<u>(5,196)</u>	<u>(235)</u>	<u>(1,282)</u>	<u>6,713</u>
<b>Net Inflow/(outflow)</b>	<b>(392)</b>	<b>13</b>	<b>(1,141)</b>	<b>(1,520)</b>
<b>2019</b>	<b>&lt;6months</b>	<b>6-12mths</b>	<b>1-5 Years</b>	<b>Total</b>
<b>Liquid Financial Assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and Cash Equivalents-ACL	643	-	-	643
Trade Accounts and Other Receivables	3,177	536	202	3,915
Advance due from LHEP	300	-	1,300	1,600
	<u>4,120</u>	<u>536</u>	<u>1,502</u>	<u>6,158</u>
<b>Financial Liabilities</b>				
<b>Bank Overdraft</b>	(1,858)	-	-	(1,858)
Accounts Payable and Accruals	(1,965)	(47)	-	(2,012)
Term Loans including Interest	(305)	(228)	(1,722)	(2,255)
	<u>(4,128)</u>	<u>(275)</u>	<u>(1,722)</u>	<u>6,125</u>
<b>Net Inflow/(outflow)</b>	<b>(8)</b>	<b>261</b>	<b>(220)</b>	<b>33</b>

**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 \$198,324 (2019: \$56,734) and non-fixed interest received of \$136,157 (2019: \$113,785) during the financial year. Total exposure to floating rate term loans is \$2,639,011 (2019: \$1,058,919).

**Credit Facilities**

The Company has formal overdraft facilities with the ANZ Bank New Zealand Limited of \$3,275,000 (2019: \$3,575,000). 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 \$3,639,011 of term borrowings at 30 June 2020 of which \$2,639,011 is all floating rate. With approximately 27% 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 are as follows:

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**Note 18 continued ...**

	2020 \$'000	2019 \$'000
<u>Ashburton District Council</u>		
Services provided by Ashburton District Council (1)	(242)	(223)
Services provided to Ashburton District Council (1)	9,139	9,762
Accounts payable to Ashburton District Council (2)	(24)	(21)
Accounts receivable from Ashburton District Council (2)	606	497
Construction contract claims included in Contract assets and included in Ashburton District Council receivables	948	285
Dividends paid to Ashburton	(371)	(755)
Amounts payable to Ashburton Stadium Complex Trust (2)	-	-
<u>Lake Hood Extension Project</u>		
Services provided by Lake Hood Extension Project (1)	-	-
Services provided to Lake Hood Extension Project (1)	640	2,166
Construction contract claims in Contract Assets not approved for payment at balance date (1)	1	231
Accounts receivable from Lake Hood Extension Project (2)	61	276
Advance Receivable (see Note 25)	1,127	1600
<u>Directors Interests</u>		
Services/Goods provided to A Lilley	-	-
Services/Goods provided to B Warren	-	-
Services/Goods provided to R Pickworth (appointed 24/10/2020)	-	-
Services/Goods provided to R Barlass (appointed 01/04/2020)	-	-
Services/Goods provided to M Frost (Retired 24/10/2019)	-	(2)
Amounts payable to M Frost	-	(1)
Services/goods provided (by) Spraymarks Group Companies (4)	(18)	(24)
Services/goods provided to Spraymarks Group Companies (4)	-	1
Accounts due (to) Spraymarks Group Companies (4)	-	3
Accounts due from Spraymarks Group Companies (4)	-	-
Services/Goods provided (by) Smith & Church (5)	-	-
Services/Goods provided (by) Electraserve (5)	(2)	(3)
Services/Goods provided to Kowhai Farmlands Ltd (6)	-	-
<u>Management Interests</u>		
Services/Goods provided to K G Casey (Chief Executive Officer)	2	(3)
Accounts receivable from K G Casey	-	-
Services/Goods provided to G Bonniface (Chief Financial Officer)	1	1
Services/Goods provided to Kowhai Farmlands Ltd (6)	-	-
<u>Key Management Personnel Compensation (3):</u>		
Short-term employment benefits	766	780
Post-employment benefits	17	17
Termination benefits	-	-
Other long-term benefits	-	-
	<u>783</u>	<u>797</u>

(1) Amounts are GST exclusive

(2) Accounts payable/receivable to/from are stated GST inclusive

(3) Key Management personnel comprise the Directors, Chief Executive Officer and Chief Financial Officer.

(4) 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.

(5) Companies where A Lilley is the beneficial owner including Electraserve Limited and Smith & Church

(6) Entities associated with A Barlass as beneficial owner or beneficiary including Kowhai Farmlands Limited and D&J Barlass Family Trust

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

## 19 Contingent Liabilities

The Company has the following contingent liabilities as at 30 June 2020.

### Performance Related Bonds

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

	2020 \$'000	2019 \$'000
Ashburton District Council	200	100
Monadelphous Engineering Pty NZ Ltd	-	-
Selwyn District Council	-	48
	<u>200</u>	<u>148</u>

	2020 \$'000	2019 \$'000
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### Lake Hood Extension Project Loan Guarantees

In June 2017 the joint venture refinanced its funding. It has negotiated a facility with Value Plus Ltd. A loan of \$4,000,000 was drawn at 30 June 2017 with an additional facility of \$1,000,000. A further \$600,000 was drawn on this facility during the financial year. The total loan drawn at 30 June 2020 was \$4,600,000. The Company has severally guaranteed 37.59% of this facility. This loan was repaid on 30 June 2020.

Total for Lake Hood Extension Project	<u>-</u>	<u>1,729</u>
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## 20 Capital Commitments

The Company has the following capital commitments:  
Property, plant & equipment purchases.

	2020 \$'000	2019 \$'000
	186	-
	<u>186</u>	<u>-</u>

## 21 Operating Leases

The Company has the following operating lease commitments

	2020	2019
Less than one year (and under \$7,000)	5	337
Between one and five years	-	493
Greater than 5 years	-	-

Upon the adoption of NZ IFRS 16 all leases over 12 months and over \$7,000 in value have been recategorized (note 7). There are no comparatives. Operating Leases are now referred to as Short Term & Low Value Leases.

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

	2020 \$'000	2019 \$'000
<b>22 Reconciliation of Operating Cash Flows with Reported Net Profit</b>		
Net Profit after tax	(245)	368
<u>Add/ (Deduct) Non-Cash Items:</u>		
Amortisation of intangibles	15	31
Deferred tax movement	(235)	(182)
Depreciation	1,346	1,201
Depreciation – Right of Use Assets	416	
Impairment of property, plant & equipment	50	13
Loss/(Gain) on sale of property, plant & equipment	2	28
Share of Joint Venture (surplus)/deficit	842	734
<u>Movement in Working Capital</u>		
Increase / (decrease) in accounts payable	66	406
(Increase) / decrease in tax due	(88)	(85)
(Increase) / decrease in accounts receivable	717	(1,137)
(Increase) / decrease in prepayments	1	(7)
(Increase) / decrease in inventory	(381)	(256)
(Increase) / decrease in work in progress	-	895
(Increase) / decrease in contract assets	110	(1,209)
Increase / (decrease) in provision for employee entitlements		11
Increase / (decrease) defects liability provision	(213)	289
<u>Items classified as Investing</u>		
Interest income	(136)	(114)
Dividends received	(50)	(84)
Net Cash from Operating Activities	<u>2,217</u>	<u>902</u>

**23 Events after Balance Date**

The Company has consolidated its operational activities and in particular workshops to new premises at 1 Range St, Ashburton. The premises at 48 South St, Ashburton are being vacated.

The Country has experienced another COVID-19 lockdown change with Auckland going to Level 3 and the rest of the Country at Level 2. Apart from distancing in the work and environment this appears to have had little impact on the Company's current operations.

	2020 \$'000	2019 \$'000
<b>24 Dividends</b>		
Final dividend	<u>-</u>	<u>371</u>

The Directors do not propose to pay a dividend in relation to the 2020 year. No dividend has been provided for. Total fully imputed dividends paid in respect of the financial year ended 30 June 2020: \$0.0 cps (2019: \$10.9 cps).

## 25 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.

## 26 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.

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.

***Continued on next page...***

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**Note 26 continued...**

	2020	2019
<b>Summarised financial information of Joint Venture</b>	<b>\$'000</b>	<b>\$'000</b>
Current Assets	550	1,885
Current Assets (Subdivision development in progress)	7,163	8,285
Current Assets-Inventory (Completed Stages)	4,522	5,537
Non-Current Assets	1,480	6,619
<b>Total Assets</b>	<b>13,715</b>	<b>22,326</b>
Current Liabilities	(140)	(1,437)
Current Liabilities-Loan due to ACL	(1,127)	(1,600)
Non-Current Liabilities	(685)	(5,286)
<b>Partners Equity</b>	<b>11,763</b>	<b>14,003</b>
Company's interest at 37.59% (2019: 37.59%)	4,422	5,264
Revenues	818	3,027
Surplus/(Deficit)	(2,239)	(1,953)
Company's interest at 37.59%. (2019: 37.59%)	(842)	(734)

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

The Joint Venture sold approximately 145 ha of farmland and reserve land for \$5.086m at 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.

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.

There are no contingent liabilities related to the Joint Venture as the loans from Value Plus have been discharged.

The Company had at 30 June 2020 advanced the Joint Venture \$1.127m (2019: \$1.600m). This is an interest-bearing advance and is repayable in priority from the proceeds of section sales. The Joint Venture has repaid \$0.200m of this loan since 30 June 2020. The Joint Venture has undertaken to provide mortgage security for this advance.

The JV has experienced good levels of enquiry since balance date having sold \$0.460m (gst exclusive) of sections. The JV has approved the construction of a further 12 sections in Stage 10 with 7 presold to a developer. A plan has been initiated to carry out a marketing campaign for sections on Stage 14 (Peninsula lots). There has been strong enquiry for these sections with a good level of presales expected.

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**27 COVID 19 Commentary**

On 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 from 26 March to 27 April, and then remained in lockdown at Alert Level 3 until 13 May.

During this period, the Company closed down a significant portion of its activities operating only as an essential service provider for its Three Waters contract, mechanical workshops and some transport activities associated with the agricultural sector. Management and administration staff worked from home where possible.

After 13 May, the Company has commenced to operate relatively normally within the restrictions of the levels of COVID response. These have been managed via our Health and Safety staff. Depending on the level and restrictions required.

The Company received a Government grant from the Ministry of Social Development in the form of a wage subsidy in relation to COVID-19. The amount received in total was \$826,000. The Company has netted the subsidy against the related staff costs recognising the subsidy income in the Income Statement on a systematic basis over the period in which the Company recognised as an expense the related employee benefit. There are no unfilled or other contingencies in relation to the wage subsidy at the balance date that have been recognised. Wage staff who were not working were on 80% of their normal pay for the period. Those that were working were paid at their normal rates. Management staff were on 80% through to the end of May while the Board received 70% of their fees for a six-week period.

The effect on our operations is reflected in these financial statements, based on the information available to the date these financial statements are signed. At this time, it is difficult to determine the full-on going effect of Covid-19 and therefore some material uncertainties remain. There could also be other matters that affect the Company in future, of which we are not yet aware.

The Company continues to operate in what would be described as a normal manner and is working with the impacts of COVID as they arise. The Company continues to seek revenue opportunities in the market as they come to hand and is managing costs in response to activities. It has not laid any staff off through the period.

The main impacts on the Company's financial statements due to Covid-19 are explained below:

**Revenues**

The main impacts on the Company have been in relation to trading activities through the lockdown. The month of April saw revenue decline by 65% in that period. Revenue and activity have since recovered albeit with tight margins on jobs won. We have seen some projects put on hold; however, these have now restarted.

*Valuation of land and buildings*

A valuation was undertaken by McLeod Valuation & Consulting on 30<sup>th</sup> June 2020 for a property owned by ACL at 6 Dobson Street West, Ashburton. The valuer included a note of valuation uncertainty.

"A valuation is an estimation of the most probable range of outcomes based on assumptions made from following the valuation process on the valuation date. The valuation process relies on empirical data to access value. In most cases, due to the lag in property related transactions, this historical data has not yet influenced by the predicted Covid-19 economic downturns. The only inputs and metrics available relate to the market prior to Covid-19 pandemic. The full impact of the event of prices will not be known until the market has stabilised. While the valuer will consider the impact of the uncertainty of market factors, ultimately these factors will be reflected in market evidence. As at the date of valuation, we consider there to be a market uncertainty resulting in significant valuation uncertainty. The valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as result of factors the valuer could not reasonably have been aware of as the date of valuation)"

*Impairment of tangible and intangible assets*

An impairment assessment has been completed for tangible and intangible assets. The result of this assessment was that a resulting impairment loss of \$126,000 has been recognised. These impairments have disclosed in Note 5 (Property, Plant & Equipment as at 30 June 2020). There was no impairment on intangibles.

ASHBURTON CONTRACTING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

**28 Acquisition of Small Bones Ltd.**

ACL entered into a Sale and Purchase Agreement with Smallbone Ltd to purchase the parts and service business and assets of Smallbone Ltd. Specifically, ACL agreed to purchase the business, free from any security interest and obligations, and related assets of the business, which mainly includes Plant & Equipment, Stock and Work in Progress. The total consideration paid of \$1.519m was transferred by ACL as at 5 December 2019. Management have worked through the accounting considerations as required by NZ IFRS 3 and determined the fair value of the assets and liabilities assumed as at acquisition date of the Small Bones business. The table below outlines the outcome of management's analysis and purchase price allocated.

	<b>\$'000</b>
<b><u>Fair Value of Considerations Transferred</u></b>	<b>1,519</b>
Property, Plant & Equipment	704
Stock	362
Work in Progress (Net)	19
Employee related provisions	(56)
Adjustment for asset – employee tool account	6
Purchases share of local rates paid by Vendor	1
Deferred tax asset/(liability)	(5)
Goodwill arising from acquisition	<b>488</b>

The Company has performed an impairment review of Goodwill arising from the purchase of the business. 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 CGU (cash generating unit).

The Company has performed a 'value in use' impairment test of the Ashburton CGU using a cash flow projection for the 2021 financial year, a growth rate of 5% per annum was then applied, and corporate overheads were allocated to the CGU. The impairment test determined that the goodwill associated with the Ashburton CGU was not impaired at the reporting date..



ASHBURTON CONTRACTING LIMITED

29 **Performance targets were set by the Company in the Statement of Intent dated 28 February 2019. A comparison of the Company's performance compared to those targets is as follows:**

	Achievement	Target
a Profit before tax - Parent	\$504,632	\$1,232,000
Profit Before tax Consolidated – Including Associate	\$(336,639)	\$1,147,000
b Annual Rate of Return before tax on average equity – Parent (five year rolling average)	7.5%	>12%
Annual Rate of Return before tax-on average equity including Associate (five year rolling average)	5.6%	-
c Ratio of Equity to Total Assets	54%	>50%
d Audit Opinion	Unqualified	Unqualified
e ISO 9001 Certification	Maintained	Maintain
f Compliance with Resource Management Act	No breaches	No breaches
g Accident Compensation Corporation Worksafe Safety Management Programme Certification (programme ceased 31/12/2018)	Maintained	Maintain
h Reduction of year on year Lost Time Injury Rate. Represents 1 lost time injury for the year.	0.4	1.3
i Dividend 50% of Net Profit after tax (Parent). (in respect of the financial year)	-	\$453,000
j Achieve Annual Budgeted Turnover	\$27,816,000	\$27,878,000
	Interim Paid	-
	To be paid	-
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>

**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.
- c The ratio for the current year is calculated following the implementation of NZ IFRS 16 Lease Accounting.
- g ACC Worksafe Safety Management Programme was ceased by ACC. The Company's certification under this programme expired on 31 December 2018. The Company attained ISO45001: 2018. Occupational Health & Safety Management System's on 1 August 2019.
- h Lost Time Injury Frequency Rate. Calculated as the number of lost time injuries per 100,000 hours worked. Three Lost Time injuries occurred during the year (2019: 1.3). These were investigated and not considered to be incidents that would lead to serious harm.
- i A Final Dividend of \$371,000 (fully imputed), for the year ended 30 June 2019, was paid on 31 October 2019.

The Directors have determined that no dividends will be paid in regard to the 2020 year. No Interim Dividend will be paid. All dividends paid are subject to meeting the requirements of the Solvency Test in the Companies Act 1993 and its amendments.

J Please refer to the Operations Report on page 3

ASHBURTON CONTRACTING LIMITED  
FIVE YEAR REVIEW OF PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2020

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Turnover	27,816	30,601	32,025	27,723	29,361
Profit before Tax and charitable donations and Share of Joint Venture surplus/loss	505	1,278	2,165	1,081	901
Share of Joint Venture	(841)	(734)	(74)	14	105
Profit Before Tax	(337)	544	2,091	1,095	1,006
Taxation	91	(176)	(591)	(310)	(295)
Profit after Tax before donations * <sub>1</sub>	(245)	368	1,500	785	711
Profit after Tax	(245)	368	1,500	785	711
Equity	15,972	16,456	16,793	15,618	15,023
Total Assets	29,386	24,562	22,784	23,124	22,706
Dividends relating to the current financial year * <sub>2</sub>	-	491	793	330	182
Dividends Paid during the financial year	371	755	406	264	648
Return before tax before donations on Average Equity	(2.1%)	3.3%	13%	7%	7%
Rolling five-year Return before tax on Average Equity- Consolidated	5.6%	8.6%	11%	11%	13%
Equity to Total Assets	54%	67%	74%	68%	66%

\*<sub>1</sub> 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 be in compliance with the Income Tax Act 2007. No donations under this policy have been made in the financial year ended 30 June 2020 (2019: \$Nil.)

\*<sub>2</sub> There is no final dividend in relation to the current financial year. Dividends when paid are subject to a solvency test at time of payment.

## Independent Auditor's Report

### To the readers of Ashburton Contracting Limited's financial statements and statement of performance for the year ended 30 June 2020

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

## Opinion

We have audited:

- the financial statements of the company on pages 11 to 38 that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of performance of the company on page 39.

In our opinion:

- the financial statements of the company on pages 11 to 38:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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 statement of performance of the company on page 39 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 2020.

Our audit was completed on 25 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the impact of the COVID-19 pandemic on the company. In addition, we outline the responsibilities of the Board of Directors

(the Board) and our responsibilities relating to the financial statements and statement of performance, we comment on other information, and we explain our independence.

### **Emphasis of matter - COVID-19 pandemic**

Without modifying our opinion, we draw your attention to the disclosures in note 27 on page 37 of the financial statements which explain the impact of the COVID-19 pandemic on the company.

### **Basis for our opinion**

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

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

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

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

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 statement of performance for the company.

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

In preparing the financial statements and the statement of performance, 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 statement of performance**

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the statement of performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of performance, including the disclosures, and whether the financial statements and the statement of performance 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 in 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 3 to 10 and 40, but does not include the financial statements and the statement of performance, and our auditor's report thereon.

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

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

## **Independence**

We are independent of the 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 New Zealand Auditing and Assurance Standards Board.

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



Dereck Ollsson  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand