



ANNUAL REPORT

YEAR ENDED 30 JUNE 2022

ASHBURTON CONTRACTING LIMITED

ANNUAL REPORT THE YEAR ENDED 30 JUNE 2022

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ASHBURTON CONTRACTING LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORS	A S Lilley (Chairman) D Prendergast B S Warren (resigned 31 October 2021) D R Cusack (appointed 01 February 2022) A D Barlass R A Pickworth
CHIEF EXECUTIVE OFFICER	K G Casey
SECRETARY	Mark Cousins CA
REGISTERED OFFICE	Gabites Limited Chartered Accountants 54 Cass St ASHBURTON
COMPANY NUMBER	CH 512584
NEW ZEALAND BUSINESS NUMBER	9429039092267
BANKERS	ANZ Bank Limited P O Box 112 ASHBURTON
SOLICITORS	Buddle Findlay Barristers and Solicitors P O Box 322 CHRISTCHURCH
ACCOUNTING and TAX ADVISORS	Ernst Young Level 4, 93 Cambridge Tce Christchurch 8013
AUDITORS	Audit New Zealand P O Box 2 CHRISTCHURCH
	On behalf of the Controller and Auditor-General
CONTACT US	Ashburton Contracting Limited Range St P O Box 264 ASHBURTON Phone 03 308 4039 Fax 03 308 0288 www.ashcon.co.nz

ASHBURTON CONTRACTING LIMITED

PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2022

It is with pleasure we present the Annual Review for the year ended 30 June 2022.

The company has had an excellent year completing the financial year ended 30 June 2022 with a Parent pre-tax profit of \$5.547m which compares with last year's pre-tax profit of \$2.451m. When taking in account the share of the gain in our Associate, LHEP, the company made an overall profit before tax of \$7.123m compared with last year's pre-tax profit of \$2.969m.

The 2022 financial year is the best year in the Company's history. Business activity has been strong across the whole business with demand continuing the trend of last year to a level best described as a "perfect storm".

Revenue for the current year was \$50,288m compared with last year's of \$39,593m. This is an increase of \$10.695m or 27% over the 2021 year. Key comments on our activities are as follows:

- A significant portion of the increase in revenue has come from contract related activity. This is up by \$7.922m or 40% to \$27.165m when compared to last year's \$19.243m. The increase has in the main come from ongoing subdivision work, commercial work and two large one off projects.
- In Mid Canterbury, subdivision work made up 41% of our civil contracting revenue as existing customers continued with further stages of existing developments and new developers carried out subdivisions on the back of the strong presales for sections in 2021. These subdivisions included Camrose S7, S10 and S11, LHEP S10d/e and the completion of LHEP Stage 14(40 lots) which was fully presold, Village Green S2 and Elmwood S1. Commercial site works included a full year of work on K Mart which commenced in the 2021 year. Drainage revenue has increased by 65% over the previous year with the company carrying out a number of Council contracts including the completion of the Ashburton Relief Sewer and commencement of ADC Sewer Renewal contracts.
- Sealing revenue was 15% ahead of last year. 2022 is the second year of the two year 2020/22 ADC Reseals Contract which the company tendered for and won in 2020. Separable Portion Two was completed in good time which allowed for other larger sealing work to be carried out in South Canterbury.
- Rolleston revenue was on par with last year with a large portion of work coming from subdivisions. Work was carried out for a mixture of existing customers ie Stage 1,2,3,6 of The Crossing and Olivefields S3, and a number new customers developing relatively small parcels of land.
- Rural Contracting has had a very good year carrying out a very significant project for ANZCO at the Five Star Beef Feed Lot with the stabilisation of pens, drains, and hardstand areas. This came up at short notice and the company was able to mobilise up to 17 staff and subcontractors, four dump trucks and excavators, along with subcontractors providing paving and the production of CTB using a pug mill. Internally the Quarry operation supplied over 40,000t of aggregates to this contract which were carted from our Springfield Rd quarry site. At the same time, our on farm work continued to be supported by our experienced team of operators.
- Ashburton District Three Waters Contract. This is the second year of this contract which commenced on 1 July 2020. It has an initial term of five years plus two, two year rights of renewal. This has now been amended to the maximum 9 years with some enhanced performance obligations The Company is meeting the contract KPIs.
- Our Readymix Concrete division has ended the year with volume 33% up on the 2021 year. Revenue has come from across the market with two major pours; SI Seeds in the Riverside Industrial Park, and the Ashburton Civic Centre. We have seen increasing pressure on costs with increases in aggregate, cement, labour and fuel cost rises. Fuel started the year at \$0.97c per litre and finished at \$2.15 per litre. The Company has responded to input pricing increases with two price increases during the year. We have had uninterrupted supply of cement from Holcim but have seen some issues with the supply of additives

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

- Our Workshop businesses continued with similar levels of revenue to last year with improved levels of contribution. The Company continues to find technicians through all levels difficult to come by. The industry has a significant shortage of trained mechanics making for a very competitive labour market.

The company has agreements with Isuzu and Scania to provide service and parts support in the region. These relationships continue to support volume in our workshops and parts sales.

Staff

Staff numbers at the end of the period were 151. This is an increase of 9 over the same time last year. The main increase in our people has come in our Civil Contracting area particularly in building up our Drainage capability where 5 staff have been added. There has been no real change in the Civil contracting sector in terms of scarcity of people with skilled people being hard to find. This has flowed through to upwards pressure on pay rates. The Company paid \$11.732m (2021: \$10.712m) in wages and salaries and employment related costs during the year.

The Company also recognises the changing nature of staff lifestyles and wellbeing and puts significant effort into ensuring that staff are well looked after. We have reviewed our levels of staff churn and the Company is working on initiatives mainly in relation to employee interaction to improve in this area and enhance long term staff retention.

COVID

Covid has impacted the Company during the year with the August 2021 two week lockdown and then staff being struck down as Covid has run through the community since January 2022. We have had 66 staff who have had Covid or isolated during the year. The Company has supported its staff through this, including putting in place a special Covid leave payment of four days when employees got Covid. This is over and above sick leave.

Capital Expenditure

The Company has continued to invest in its capital assets in the year although there are now long lead times for some items. The company spent \$2.452m in 2022 (2021: \$2.378m) and realised \$0.325m in asset sales. Major asset purchases included a new Isuzu truck and trailer unit \$410k, 8t loader \$117k, roller \$145k, 14t excavator \$216k, tractor drain camera \$109k, grader GPS \$96k. We continue to use hire companies and other cartage and civil contractors to provide resources to meet the peaks.

Cash

The Company has had a net cash improvement of \$1.973m during the year, finishing with a closing cash balance of \$3.448m (2021: \$1.475m) in funds. The Company generated \$6.702m in cash from operations. The company repaid \$2.136m in loans and drew down \$0.814m, and paid a final dividend of \$700k in November 2021 and an interim dividend in respect of 2022 of \$200k in March 2022.

The Company has not paid any provisional tax in respect of the 2022 year during the year. A tax payment of \$1.970m was made in July 22.

Dividends

The Company proposes to pay a final dividend of \$1,200,000 in November 2022 in relation to the 2022 financial year, bringing the total paid in relation to the year to \$1,400,000.

The company has paid an interim dividend of \$200k in March 2022.

Lake Hood Extension Project

The joint venture has produced a profit of \$4.192m for the year with ACL's share (37.59%) being \$1.576m.

Revenue from land sales for the year was \$13.946m (2021: \$2.025m). Revenue included the sale of 15 lots in Stage 10d with titles issued in Nov 22 and 37 lots in Stage 14 peninsula with titles issued for 40 lots in June 2022. The previous year's revenue included the sale of 9 lots.

The JV has had a very good year with the completion and titling of two stages. Stage 14 was fully presold and titled in June 22 with 37 settlements occurring in June and 3 post 30 June 2022. The JV currently has no stock of undeveloped sections and is working on further stages on the west side of the Lake which will utilise existing LHEP land and also require the purchase of farmland back from the Council.

The Joint Venture has made a distribution of \$3.636m in July 2022.

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

The Joint Venture sold The Lakehouse Restaurant and some adjoining land after balance date. The Company has received a further distribution of \$0.526m.

Health & Safety

The Company has two performance targets in relation to Health & Safety under our SOI. Firstly, a year-on-year reduction in the Lost Time Injury Frequency Rate (LTIR) which for last year was 1.4 LTI's per 100,000 hours worked. At the end of the year we had 2 LTI's which gave an LTFR rate of 0.7 on 288,925 hours worked. This compares with 30 June 2021 where 282,440 hrs were worked and had 4 LTI's. The second is a year-on-year reduction in the Medical Treatment Injury Rate (MTIR). This was 2.8 injuries per 100,00 hours worked last year. In the current year we achieved 1.7 MTI's per 100,000 hours worked

We have previously highlighted our focus on our staff's wellbeing. Due to staffing issues around Covid and time involved in managing Covid we have not been able to progress our Department of Health Workwell Gold programme.

We have maintained our Environmental, Quality and Health & Safety accreditations during the year.

Community Support

The Company supports various organisations in the community with a mixture of sponsorship and donations. These include Mid Canterbury JAB Rugby, Mid Canterbury Netball, Cancer Society, Canterbury Westpac Helicopter Rescue, Plains Railway, Mid Canterbury Tennis, Mid Canterbury Athletics and a number of smaller community and child based events.

Sustainability

The Company is aware of its impact on the environment particularly in the area of carbon emissions. During the year we have worked on measurement of those emissions of the last 3 years. These are shown in Appendix A: Environmental Impact at the back of the Annual report and in the main reflect two key inputs, diesel, and cement which have increased in consumption in relation to activities.

The Company is working on mapping out how we can reduce our carbon impact and carbon reduction targets that flow from that.

Future Prospects

We are currently in an environment with high degrees of economic uncertainty driven by rising interest rates, high levels of inflation, low unemployment, the potential ongoing impact of Covid and global issues with supply chain, fuel supply and the Ukraine War. While the Company has a good order book through to the end of 2022, 2023 is less clear. The Company has budgeted for a profit for the 2023 financial year of \$2.408m for the parent which is a return to normal levels although there are risks in this, particularly in the subdivision market. The Company sees that the preservation of cash while maintaining capability is important in this environment.

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

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

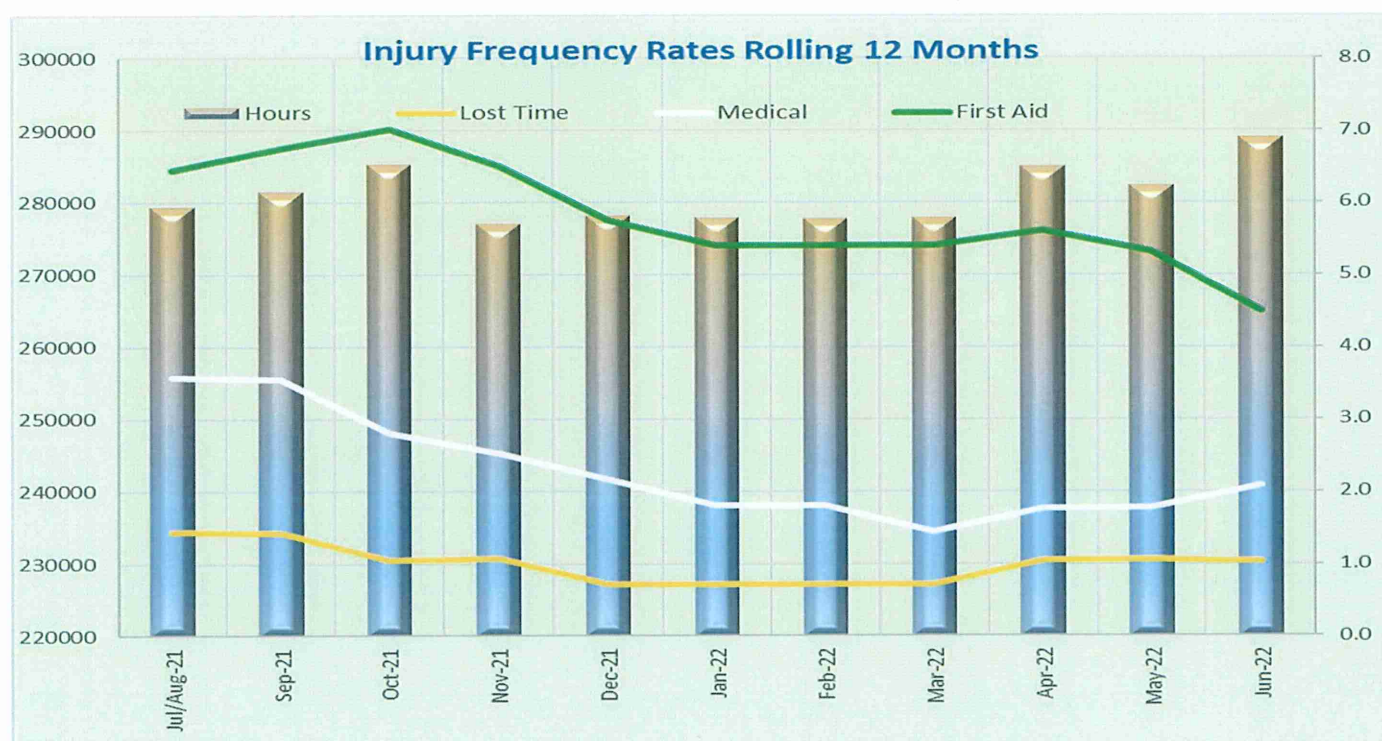
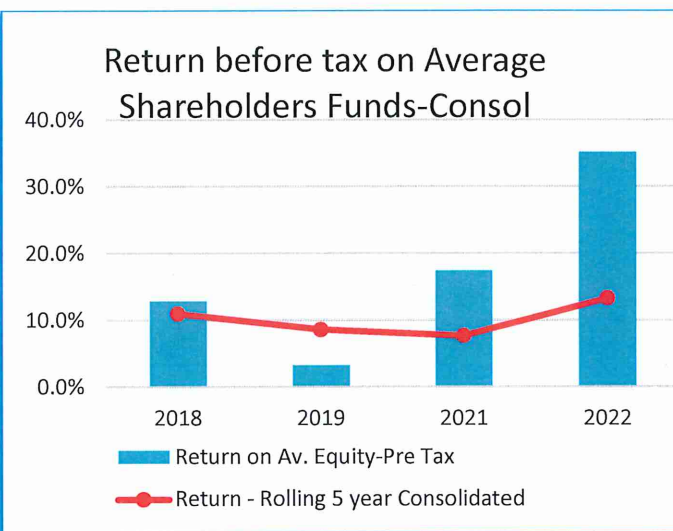
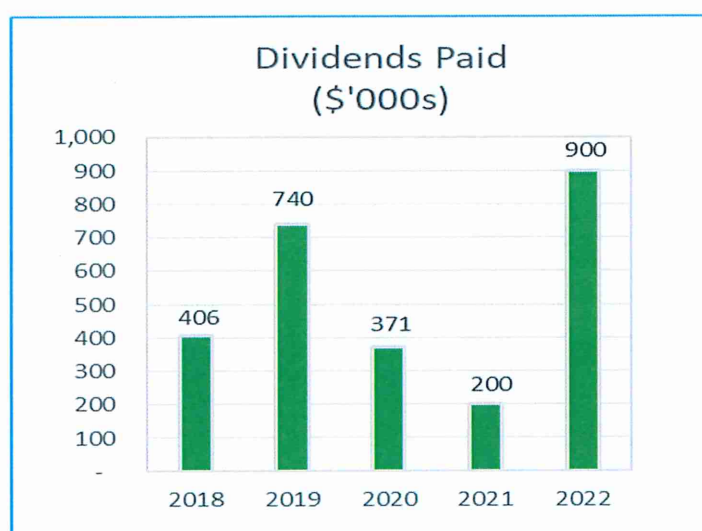
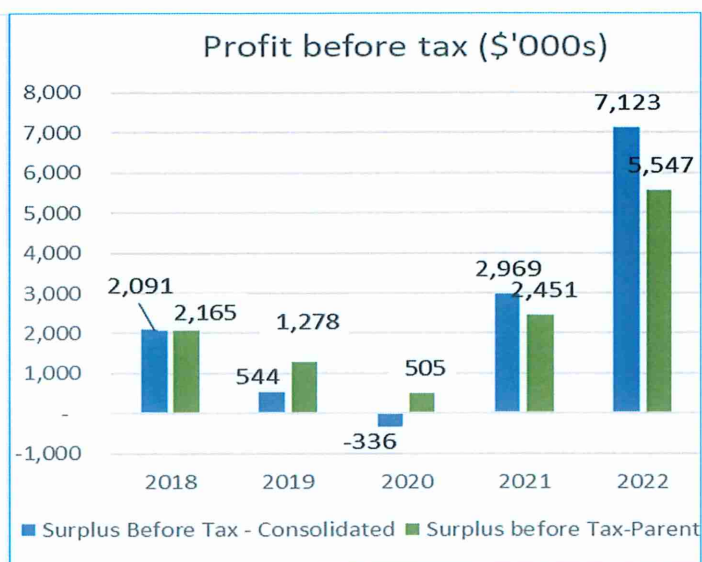
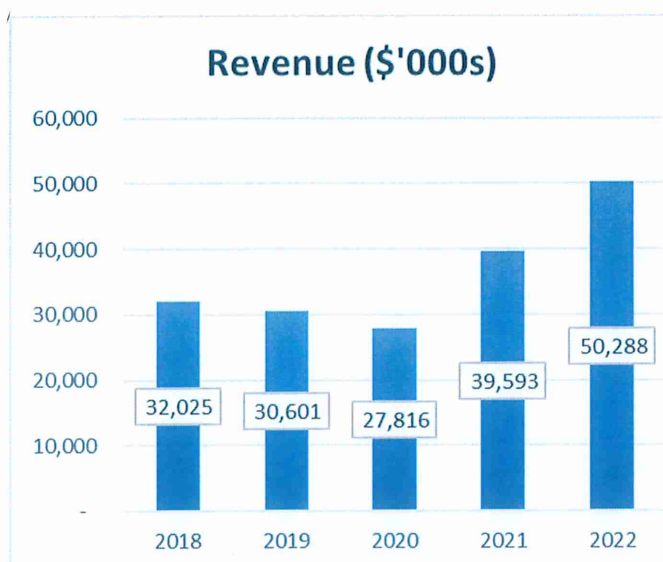
Alister Lilley
Chairman

Gary Casey
Chief Executive Officer

31 October 2022

ASHBURTON CONTRACTING LIMITED

REVIEW OF OPERATIONS



The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

The Directors present their Annual Report for the year ended 30 June 2022 in compliance with Section 211 of the Companies Act 1993, presented under the New Zealand equivalent to the International Financial Reporting Standards Tier 1 Reporting Regime (NZ IFRS) 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 2022 is as follows:

	Change	2022 \$'000	2021 \$'000
Total Assets	+15.9	<u>38,836</u>	<u>33,520</u>
Were financed by:			
Equity	+24.1%	22,435	18,080
Liabilities	+ 6.2%	<u>16,401</u>	<u>15,440</u>
		<u>38,836</u>	<u>33,520</u>

Dividends

The Company paid a fully imputed interim dividend in respect of the 2022 financial year of \$200,000 in March 2022 and a fully imputed final dividend for 2021 in November 2021 of \$700,000, bringing total dividends paid in the financial year to \$900,000. The Company will pay a final dividend in respect of 2022 year of \$1,200,000.

Directors Remuneration

Directors and remuneration are as follows:

	2022 \$'000	2021 \$'000
A Lilley (Chairman)	68	65
D Prendergast	34	32
B S Warren (Retired 31/10/2021)	11	33
D R Cusack (Appointed 01/02/2022)	15	-
R A Pickworth	34	32
A D Barlass	34	33
	<u>196</u>	<u>195</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.

Donations

Donations for the financial year ended 30 June 2022 totalled \$10,000 (2021: \$3,229).

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.

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

Remuneration of Employees

Remuneration bands for employees earning over \$100,000 in the 30 June 2022 are as follows:

Remuneration Bands	2022	2021
\$100,000 to \$109,999	3	4
\$110,000 to \$119,999	3	7
\$120,000 to \$129,999	4	4
\$130,000 to \$139,999	3	1
\$140,000 to \$149,999	1	1
\$150,000 to \$159,999	1	1
\$160,000 to \$169,999	1	-
\$170,000 to \$179,999	-	1
\$200,000 to \$209,000	1	-
\$220,000 to \$229,999	-	1
\$240,000 to \$249,000	1	-
\$420,000 to \$429,999	1	1

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 19, 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 \$75,337 (2021 \$64,517)

No other services were purchased from Audit New Zealand (2021 \$Nil).

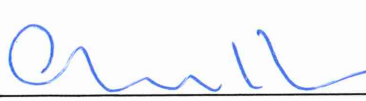

Conflicts of Interest

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

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

For and on behalf of the Board

Director  Director 

Date 31 October 2022

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

DIRECTORS' INTERESTS

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

Alistair Stewart Lilley	Electraserve Limited Westpark Office Solutions Limited Smith & Church Appliances Limited Cass St Properties Limited Appliance Connexion Group Services Limited Score Limited Havelock Holdings Limited Electricity Ashburton Shareholder's Committee Lake Hood Extension Project Shareholder's Committee
Darcy Prendergast	Spray Marks Road Marking Limited Ashburton Tree Topping Limited Advanced Maintenance Limited
Brian Stuart Warren (resigned 31/10/2021)	Rock & Pillar Limited Connexis Limited
Ross Anthony Pickworth	Westpower Limited Electronet Services Limited Mitton ElectroNet Limited ElectroNet Transmission Limited ElectroNet Technology Limited Westroads Limited Transwaste Canterbury Limited Burwood Resource Recovery Park Limited Pipeline Group Limited Pipeline and Civil Limited PLC Plant Limited West Oak Trading Limited McLenaghan Contracting Limited S&L General Partners Limited Industrial Controls South Canterbury Limited
Andrew David Barlass	Kowhai Farmlands Limited Kowhai Barlass Trustee Limited Electricity Ashburton Limited Christchurch International Airport Limited Ruralco NZ Limited Pro-Active NZ Limited ATS Fuel Limited
Darin Ronald Cusack (appointed 1/02/2022)	Airways Corporation of NZ Limited YHA New Zealand Limited Auckland One Rail Limited Absolute Solutions Group Limited CSC Group Limited (Partner) Auckland Transport Limited (Independent Chair) Dunedin International Airport Limited

The accompanying notes and policies form part of the financial statements

Statement of Accounting Policies and Disclosures for Financial Year 2022

Reporting Entity

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 (NZ IFRS)

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

External Reporting Standard A1, Application of the Accounting Standards Framework ("XRB A1") establishes the financial reporting tiers and the requirements for moving between tiers. Paragraph 18 of XRB A1 states the size criteria for Tier 1 reporting entities is Total Expenses above or \$30 million. The Company has previously reported under Tier 2. For the year ended 30 June 2021, the Company recorded total expenses above the \$30 million threshold for small entities per the Accounting Standards Framework. This has required the transition to full Tier 1 reporting in the 2022 financial year.

Basis of Preparation

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

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

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

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

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

Going Concern

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

New and amended standards and interpretations

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

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

ACL has changed to Tier 1 reporting due to now meeting tier reporting requirements. This has no effect on the figures reported in the financial statements, however, require extra disclosures and increased qualitative information that may enhance the financial statements.

Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses, except for Land and Buildings which are valued annually by a registered valuer and are stated at fair value with Level 3 inputs.

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

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

Subsequent Costs

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

Depreciation

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

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Particulars	Useful Life
Buildings	14 – 50 years
Leasehold Improvements	14 - 20 years
Plant, Motor Vehicles & Equipment	2 – 38 years
Office Equipment & Fixtures	2 – 10 years
Land Improvements	20 years

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.

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

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. 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. Goodwill is allocated to cash generating units and stated at cost less any accumulated impairment losses. 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 tested annually. Any impairment is not reversed in subsequent periods.

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.

Software

Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. The useful life of software has been estimated and amortised between 3 to 10 years.

Resource Consents

Any resource consent issued is amortised over the life of the consent.

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.

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.

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.

The write down from cost to net realisable value is recognised in the surplus or deficit in the Statement of Profit and Loss.

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 accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Civil construction and contracting

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

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

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

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

Rendering of services

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

Production and sale of goods

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

Contract assets, contract liabilities and trade receivables

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

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

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

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

Warranties

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

Cash and Cash Equivalents

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

Investments

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 accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

The Company had provided an advance to the Lake Hood Extension project (LHEP), which was interest bearing and unsecured. The advance was repaid in full by LHEP during the 2021 financial year.

If there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the instrument.

Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the Joint Venture are incorporated into these financial statements using the equity method of accounting.

Under the equity method an investment in a joint venture is recognised initially in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the joint venture.

Income Tax

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

Current tax and deferred tax are charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income, in which case the tax is dealt with in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Employee Entitlements

The Company has made provision in re
EssieRennes2022

Expect 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.

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

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

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.

Goods and Services Tax (GST)

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

Leases

Right-of use assets

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

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

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

- Buildings and Leasehold Improvements 0 to 20 years
- Plant, Motor Vehicles and Equipment 0 to 5 years
- Office Equipment & Fixtures 0 to 5 years

Sublease right-of-use-assets

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

Lease liabilities

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

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

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

Short term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e. those with a lease term of 12 months or less from the commencement date with no purchase option). The Company also applies the lease of low-value assets recognition exemption to leases of office equipment that are low value. Management has defined this as assets which are, when new, valued at \$8,000 or less.

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

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
Revenue	1	50,288	39,593
Trading Expenses	2	(41,260)	(34,005)
Gross Profit		<u>9,028</u>	<u>5,588</u>
Other Operating Income		242	327
Administrative Expenses	2	(3,163)	(2,850)
Operating Profit before Financing Costs		<u>6,107</u>	<u>3,065</u>
Financial Income	3	8	21
Financial Expenses	3	(568)	(635)
Net Financing Costs		<u>(560)</u>	<u>(614)</u>
Parent Operating Profit		<u>5,547</u>	<u>2,451</u>
Share of Joint Venture Surplus/(Deficit)	26	1,576	518
Profit before Tax	2	<u>7,123</u>	<u>2,969</u>
Income Tax Expense	4	(1,960)	(865)
Profit after Tax		<u>5,163</u>	<u>2,104</u>
Other Comprehensive Income			
Fair Revaluation gain/(loss) on Land and Buildings	5	121	209
Deferred Tax on Revaluation of Buildings	4	(29)	(5)
Other Comprehensive Income for the Period after Tax		<u>92</u>	<u>204</u>
Total Comprehensive Income		<u>5,255</u>	<u>2,308</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 2022

	Notes	2022 \$'000	2021 \$'000
Equity at the start of the year		18,080	15,972
Profit for the Period		5,163	2,104
Other Comprehensive Income		92	204
Total Comprehensive Income for the Period		<u>5,255</u>	<u>2,308</u>
Dividends Paid		(900)	(200)
Equity at the end of the year	13	<u><u>22,435</u></u>	<u><u>18,080</u></u>

The accompanying notes and policies form part of the financial statements

ASHBURTON CONTRACTING LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	5	13,232	12,270
Right of Use Assets	6	5,647	6,032
Participation in Joint Venture	26	6,513	4,939
Investment	8	10	10
Intangibles	9	103	106
Goodwill	27	488	488
		<u>25,993</u>	<u>23,845</u>
Current Assets			
Cash & Cash Equivalents	10	3,449	1,476
Receivables & Prepayments	11	4,729	4,062
Inventories	12	2,587	2,093
Contract assets	28	2,078	2,044
		<u>12,843</u>	<u>9,675</u>
TOTAL ASSETS		<u><u>38,836</u></u>	<u><u>33,520</u></u>
EQUITY			
Share Capital	13	4,500	4,500
Retained Earnings	13	15,844	11,585
Capital Reserve	13	372	369
Revaluation Reserve	13	1,719	1,626
		<u>22,435</u>	<u>18,080</u>
LIABILITIES			
Non-Current Liabilities			
Provision for Employee Entitlements	15	45	50
Lease Liability	7	5,839	6,053
Term Loans	16	1,698	1,615
Deferred Tax Liability	4	613	834
		<u>8,195</u>	<u>8,552</u>
Current Liabilities			
Bank Overdraft	10	1	1
Provision for Employee Entitlements	15	1,319	1,016
Contract Liabilities	28	-	79
Lease Liability – Current Portion	7	214	230
Term Loans – Current Portion	16	116	1,522
Accounts Payable & Accruals	17	4,554	3,624
Tax Payable	4	2,002	416
		<u>8,206</u>	<u>6,888</u>
TOTAL LIABILITIES		<u><u>16,401</u></u>	<u><u>15,440</u></u>
TOTAL EQUITY & LIABILITIES		<u><u>38,836</u></u>	<u><u>33,520</u></u>

The financial statements were approved and authorised for issue on 31 October 2022 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 2022

	Notes	2022 \$'000	2021 \$'000
Cash Flows from Operating Activities			
Cash receipts from customers		49710	38,034
Cash paid to suppliers and employees		(41,623)	(34,213)
Cash generated from operations		8,087	3,821
Income taxes paid		(620)	(69)
Interest Paid		(120)	(167)
Interest Paid Lease Liability		(452)	(469)
Net GST movement		(193)	155
Net Cash from Operating Activities	22	6,702	3,271
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		325	352
Interest received		8	21
Acquisition of property, plant & equipment		(2,645)	(2,322)
Acquisition of intangibles		(27)	(20)
Advance to Joint Venture		-	1,127
Dividends Received		62	24
Net Cash from Investing Activities		(2,277)	(818)
Cash Flows from Financing Activities			
Repayment of borrowing		(2,136)	(502)
Proceeds from borrowing		814	-
Lease Liability		(230)	(283)
Dividends paid		(900)	(200)
Net Cash from Financing Activities		(2,452)	(985)
Net Increase/(Decrease) in Cash & Cash Equivalents		1,973	1,468
Add Opening Cash & Cash Equivalents brought forward		1,475	7
Closing Cash & Cash Equivalents carried forward	10	3,448	1,475

The accompanying notes and policies form part of the financial statements

Notes to the Financial Statements

	2022 \$'000	2021 \$'000
1 Revenue from contracts with customers		
Disaggregated revenue information		
Type of good or service		
Construction and contracting	27,165	19,432
Rendering of services	13,975	13,243
Production and sale of goods	9,148	6,918
Total revenue from contracts with customers	50,288	39,593
	2022 \$'000	2021 \$'000
2 Trading & Administration Expenses		
Trading Expenses		
Materials and consumables	17,430	15,911
Net loss on sale of property, plant & equipment	2	87
Short term & low value leases	77	36
Personnel expenses	10,297	9,412
Other trading expenses	13,454	8,559
Total Trading Expenses	41,260	34,005
Administration Expenses:		
Audit fees	75	65
Directors fees	196	195
Bad debts	7	25
Short term & low value leases	3	3
Personnel expenses	1,435	1,300
Other administrative expenses	1,447	1,262
Total Administration expenses	3,163	2,850
Personnel Expenses included in Trading and Administration Expenses		
Wages and salaries	11,438	10,452
Contributions to defined contribution plans	14	14
Contributions to Kiwisaver	283	247
Increase/(decrease) in liability for long service leave	(3)	(1)
Total personnel expenses	11,732	10,712
	2022 \$'000	2021 \$'000
3 Net Financing Costs		
Interest income	8	21
Interest expense	(116)	(166)
Interest expense on lease liabilities	(452)	(469)
Net financing costs	(560)	(614)

4 Taxation

Imputation credits available for use in subsequent periods

2022
\$'000

2021
\$'000

5494

3,635

Reconciliation of effective tax rate

Profit before tax

7,123

2,969

Tax @ 28% (2020: 28%)

1,994

831

plus/(less) tax effect of:

Non-deductible expenses/(non-taxable gains)

-

2

Dividend imputation credits

-

-

Reversal of Prior Year Overprovision

(34)

32

Income tax expense reported in profit and loss

1,960

865

Recognised in the income statement

Current year tax payable

2,220

539

Relating to origination/reversal of temporary differences

(226)

295

Deferred Tax Prior Year Adjustment

(23)

149

Overprovision of Prior Year Tax

(11)

(118)

Total income tax expense in the income statement

1,960

865

Amounts charged or (credited) through Other Comprehensive Income

Revaluation of property, plant & equipment.

(29)

(5)

(29)

(5)

Movement in tax payable / (refund)

2022
\$'000

2021
\$'000

Balance at the start of the year

(416)

(76)

Taxation paid / (refunded)

623

81

(Overprovision)/under provision prior year

11

118

Provided for this year

(2,220)

(539)

Balance at the end of the year-(payable)/refund due

(2,002)

(416)

Deferred Tax assets/(liabilities)**2022**

Opening
Balance

Recognised
in income

Recognised
in other
comprehensive
income

Other

Closing
Balance
2021

\$'000

\$'000

\$'000

\$'000

\$'000

Property, plant & equipment

(795)

(14)

(11)

-

(820)

Employee benefits

212

47

-

-

259

Retentions

(232)

(3)

-

-

(235)

Capitalised Interest

(196)

14

-

-

(182)

Provisions

109

145

-

-

254

Intangible Assets

(3)

(1)

-

-

(4)

Finance Leases

71

43

-

-

114

Other

-

1

-

-

1

(834)

232

(11)

-

(613)

ASHBURTON CONTRACTING LIMITED

Deferred Tax assets/(liabilities)

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

5 Property, Plant & Equipment as at 30 June 2022

2022	Leasehold Improvement	Land & Buildings (Valuation)	Motor Vehicles	Plant	Office Equip	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost/Valuation		-				
Opening Balance	1,166	2,230	15,391	6,833	491	26,111
Purchases	11	3	1,776	586	76	2,452
Transfers	-	-	-	-	-	-
Disposals	-	-	(710)	(105)	(6)	(821)
Valuations	-	102	-	-	-	102
Closing Balance	<u>1,177</u>	<u>2,335</u>	<u>16,457</u>	<u>7,314</u>	<u>561</u>	<u>27,844</u>
Depreciation/impairment losses						
Opening Balance	194	-	9,521	3,735	391	13,841
Depreciation for year	67	20	857	436	74	1,454
Impairment losses	-	-	(12)	9	-	(3)
Transfers	-	-	-	-	-	-
Valuations	-	(20)	-	-	-	(20)
Disposals	-	-	(603)	(52)	(5)	(660)
Closing Balance	<u>261</u>	<u>-</u>	<u>9,763</u>	<u>4,128</u>	<u>460</u>	<u>14,612</u>
Carrying amounts						
At 30 June 2021	972	2,230	5,870	3,098	100	12,270
At 30 June 2022	916	2,335	6,694	3,186	101	13,232

2021	Leasehold Improvement	Land & Buildings (Valuation)	Motor Vehicles	Plant	Office Equip	Total
Cost/Valuation						
Opening Balance	571	1,965	14,545	7,160	609	24,850
Purchases	370	74	1,497	431	88	2,378
Transfers	406	-	(151)	(255)	-	-
Disposals	(99)	-	(500)	(503)	(206)	(1,308)
Valuations	-	191	-	-	-	191
Closing Balance	<u>1,248</u>	<u>2,230</u>	<u>15,391</u>	<u>6,833</u>	<u>491</u>	<u>26,111</u>

ASHBURTON CONTRACTING LIMITED

Depreciation/impairment losses

Opening Balance	230	-	9,232	3,625	522	13,609
Depreciation for year	63	19	761	445	64	1,352
Impairment losses	(44)	-	(16)	(22)	-	(82)
Transfers	7	-	(28)	21	-	-
Valuations	-	(19)	-	-	-	(19)
Disposals	(62)	-	(428)	(334)	(195)	(1,019)
Closing Balance	194	-	9,521	3,735	391	13,841

Carrying amounts

At 30 June 2020	341	1,965	5,313	3,535	87	11,241
At 30 June 2021	972	2,230	5,870	3,098	100	12,270

The Company has created a new asset class for Leasehold improvements and restated the comparative year as a result of this. The Company believes this leads to a better presentation for the financial statements.

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 Building

The carrying amount of Land and Buildings is the fair value of the property as determined by McLeod Valuation and Consulting Ltd, a registered independent valuer having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Fair value was determined by taking into consideration both the Income and Replacement techniques. The current market rental of the premises and the location, quality and type of properties, the lease arrangements and quality of the tenants of comparative properties were considerations of determining the similar market rental assessment as well as similar property sales. The Investment Method including Level 3 inputs has regard to recent market transactions for similar properties in the same location as the Company's property. The Investment Method reflects market dynamics and more closely reflects market value. The replacement method involves the depreciated replacement costs of the buildings plus the underlying land value. This method was used more as a guide or check method as this methodology does not consider wider market factors. The land value incorporates a reasonable portion of this property's value and has been analysed from commercial property sales which have occurred within the area for direct comparison purposes of assessed land values. The valuation was completed as at 30 June 2022. The valuer noted the impact of Covid 19 in determining market value and that they considered there to be market uncertainty which could result in significant valuation uncertainty. A 0.25% change in capitalisation rates makes a +/- \$25k difference in valuation.

Had ACL freehold Land & Buildings been measured on a historical cost basis, their carrying amount would have been as follows:

Net book value of revalued Land and improvements	2022	2021
Land	38	38
Buildings and improvements	455	472
Total	493	510

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 \$0.042m. (2021: \$0.044m)

6. Right of Use Assets

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

	Land & Buildings	Motor Vehicles	Plant	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2021	5,903	86	-	43	6,032
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation Expense	(335)	(37)	-	(13)	(385)
As at 30 June 2022	<u>5,567</u>	<u>49</u>	<u>-</u>	<u>30</u>	<u>5,647</u>

Carrying Amounts

At 30 June 2021	5,904	86	-	43	6,032
At 30 June 2022	5,567	49	-	30	5,647

7 Lease Liability

ACL is committed to a total of \$6,053,171 in all lease liability payments. The remaining time of property leases is 18 years, vehicle leases have two years remaining and the printer/copier has two years remaining. The properties leases at Rolleston and Dobson Street have expired with no rights of renewal. ACL is currently negotiating with the landlords regarding new lease contracts. As the leases have expired and no new contracts have been determined, ACL is currently paying rent on a month by month basis. ACL has not engaged in any new leases for 2022. Set out below are the carrying amounts of the lease liabilities and the movements during the period. Where leases have rights of renewals, management have determined that ACL will take up all rights of renewal and these have been included in the lease liability calculations.

	Land & Buildings	Motor Vehicles	Plant	Other	Total
As at 1 July 2021	6,150	88	-	45	6,283
Leases added	-	-	-	-	-
Lease interest	446	4	-	2	452
Lease payments	(627)	(40)	-	(15)	(682)
As at 30 June 2022	<u>5,969</u>	<u>52</u>	<u>-</u>	<u>32</u>	<u>6,053</u>

Lease Liabilities

Opening Balance

	2022 \$'000	2021 \$'000
Opening Balance	6,283	5,136
Additions	-	1,453
Adjustments arising from lease modifications	-	(18)
Accretion of interest	452	469
Payments	(682)	(757)
Closing Balance	<u>6,053</u>	<u>6,283</u>

Current	214	230
Non-current	<u>5,839</u>	<u>6,053</u>
	6,053	6,283

ASHBURTON CONTRACTING LIMITED

	2022	2021
	\$'000	\$'000
Lease Liability Maturity (Future Payments)		
Within 1 Year	651	683
2-5 Years	2,469	2,514
Greater than 5 years	7,599	8,205
Total Future Payments	10,719	11,402

	2022	2021
	\$'000	\$'000
The following amounts are recognised in profit or loss:		
Depreciation expense of right-of-use assets	386	456
Interest expense on lease liabilities	452	469
Expenses relating to leases of low-value-assets	80	39
Rent received on subleased right-of-use assets	(60)	(35)
Total amount recognised in profit or loss	858	929

	2022	2021
	\$'000	\$'000
8 Investment		
Electricity Ashburton Limited – Shares (100 @ \$1.00)	-	-
New Zealand Plumbers Merchants-Shares (10,000 @ \$1.00)	10	10
	10	10

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

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

9 Intangible Assets				
Cost/Valuation	Software	Resource Consents	WIP	Total
	\$'000	\$'000	\$'000	2022 \$'000
2022				
Opening Balance	356	137	-	493
Purchases	27	-	-	27
Disposals	-	-	-	-
Closing Balance	383	137	-	520
Amortisation/Impairment				
Opening Balance	293	94	-	387
Amortisation for year	21	9	-	30
Disposals	-	-	-	-
Closing Balance	314	103	-	417
Carrying amounts				
At 30 June 2021	63	43	-	106
At 30 June 2022	69	34	-	103

ASHBURTON CONTRACTING LIMITED

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

	2022 \$'000	2021 \$'000
10 Cash & Cash Equivalents		
Bank Balances	401	218
Call Account and till floats	3,034	1,196
Retentions Account	14	62
Cash & Cash Equivalents	<u>3,449</u>	<u>1,476</u>
Bank Overdraft	(1)	(1)
Cash & Cash Equivalents in the Statement of Cash Flows	<u>3,448</u>	<u>1,475</u>

The Company has overdraft facilities with the ANZ Bank New Zealand Limited of \$3,275,000 (2021: \$3,275,000). The effective interest rate on call deposits was 0.50% to 1.10% (2021: 0.05% to 0.15%). The effective interest rate on overdraft facilities was 4.46% to 5.46% (2021: 4.46%). The Retentions account represents amounts held in relation to retentions due to sub-contractors under the Construction Contracts Act 2002.

	2022 \$'000	2021 \$'000
11 Receivables & Prepayments		
Trade Accounts Receivable	3,734	3,068
Retentions	858	882
Prepayments	179	150
Sundry Debtors	-	-
	<u>4,771</u>	<u>4,100</u>
Allowance for expected credit losses on contract balances	(42)	(38)
	<u>4,729</u>	<u>4,062</u>
Trade receivables ageing analysis		
Not past due	3,060	2,409
Past due 0-30 days	414	296
Past due 31-120 days	169	186
Past due over 121 days	91	177
Total	<u>3,734</u>	<u>3,068</u>

ASHBURTON CONTRACTING LIMITED

	Individually Impaired	Expected credit losses	Total
	\$'000	\$'000	\$'000
Movements in Provision for Impairment of Receivables			
<u>2022</u>			
Opening Balance	11	26	37
Charge for the Year	12	30	42
Utilised	-	(7)	(7)
Unused Amounts Reversed	(12)	(19)	31
Discount Rate Adjustment	-	-	-
Closing Balance	<u>12</u>	<u>30</u>	<u>42</u>
<u>2021</u>			
Opening Balance	11	29	40
Charge for the Year	10	26	36
Utilised	(15)	(10)	(25)
Unused Amounts Reversed	6	(19)	(13)
Discount Rate Adjustment	-	-	-
Closing Balance	<u>12</u>	<u>26</u>	<u>38</u>

	2022	2021
	\$'000	\$'000
12 Inventories		
Aggregates	1,029	859
Cement	11	9
Civil	4	3
Contract Inventory	440	167
Fuel	37	12
Services/Plumbing	256	184
Sealing	56	16
Workshops	754	843
Total Inventories	<u>2,587</u>	<u>2,093</u>

No inventories are pledged as security for liabilities; however some inventories may be subject to retention of title clauses. The cost of Inventories recognised as an expense includes \$309,821 (2021: \$128,550) in respect of writedowns of inventory to net realisable value, which mainly relates to workshop stock.

	2022	2021
	\$'000	\$'000
13 Equity		
<u>Share Capital</u>		
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>
<u>Retained Earnings</u>		
Balance at the start of the year	11,585	9,691
Net Profit after tax	5,163	2,104
Less Dividends paid	(900)	(200)
Less Transfer to Capital Reserve	(4)	(10)
Balance at the end of the year	<u>15,844</u>	<u>11,585</u>
<u>Capital Reserve*</u>		
Balance at the start of the year	369	359
Realised gain on sale of property, plant & equipment	3	10
Balance at the end of the year	<u>372</u>	<u>369</u>

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

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Land & Buildings Revaluation Reserve

Balance at the start of the year	1,626	1,422
Disposals	-	-
Revaluation of Land & Buildings	121	209
Deferred Tax on Buildings	(28)	(5)
Balance at the end of the year	1,719	1,626
TOTAL EQUITY	22,435	18,080

ACL has 4,500,000 authorised, issued and fully paid shares, with \$nil par value. All shares carry the same voting rights. None of the shares carry fixed dividend rights. No new shares were issued

14. Capital Management

The company's capital is its equity, comprised of share capital, retained earnings and reserves and represented by net assets. It is the company's intention to maintain sufficient capital to provide security for the existing level of operations and the flexibility for future growth opportunities. The company pays dividends after considering profitability and future investment requirements. The Board of Directors determines the dividends payable after considering the group's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

15 Provision for Employee Entitlements

	2022	2021
	\$'000	\$'000
Annual Leave, Long Service Leave, Sick Leave and Gratuities		
Current Portion	1,319	1,016
Non-Current Portion	45	50
	1,364	1,066

16 Term Loans

			2022	2021
			\$'000	\$'000
<i>ANZ Bank New Zealand Ltd</i>	Interest Rates	Maturity		
Loan No 1022 Floating	3.65%	30-May-22	-	134
Loan No 1026 Fixed	4.94%	14-Aug-26	1,000	1,000
Loan No 1027 Floating	6.35%	30-Nov-22	-	1,857
Loan No 1030 Fixed	4.41%	14-Aug-26	814	-
			1,814	2,991
<i>UDC Finance Limited</i>				
Loan No 4002 Floating	4.90%	23-Dec-21	-	68
Loan No 4001 Floating	4.90%	30-Mar-22	-	78
			1,814	3,137
<u>Repayment Periods</u>				
Less than six months		Current	57	1,294
Six to twelve months		Current	59	228
One to two years		Term	248	1,615
Two to five years			1,450	-
			1,814	3,137

Debt Liability Reconciliation:

Debt at beginning of year	3,137
Interest charged	111
Payments made including interest	(1,434)
Debt at end of year	1,814

Security

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

	2022 \$'000	2021 \$'000
17 Accounts Payable & Accruals		
Trade payables	3,828	2,986
Retentions	25	63
	<u>3,853</u>	<u>3,049</u>
Accruals for defects liability	564	361
Other payables & GST	137	214
	<u>4,554</u>	<u>3,624</u>

18 Financial Instruments

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

Credit Risk

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

	2022 \$'000	2021 \$'000
Contract assets	2,078	2,044
Cash and Cash Equivalents	3,448	1,476
Trade Accounts Receivable and Other Receivables	<u>4,729</u>	<u>4,062</u>
	<u>10,255</u>	<u>7,582</u>

Concentration of Credit Risk

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

	2022 \$'000	2021 \$'000
ADC including retentions	523	527
LHEP	307	-
Ruralco	306	248
Heinz Watties including retentions	-	347
Spotless Limited	-	170
Fulton Hogan Ltd	146	101
Miccath Ltd	145	-
Goulds Developments Ltd retentions not due	117	-
Camrose Estate Ltd retentions not due	107	-
Benz 2007 Ltd	<u>104</u>	<u>166</u>
	<u>1,755</u>	<u>1,559</u>

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.

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2022	<6months	6-12mths	1-5 Years	Total
Liquid Financial Assets	\$'000	\$'000	\$'000	\$'000
Cash and Cash Equivalents-ACL	3,448	-	-	3,448
Trade Accounts and Other Receivables	4,106	293	193	4,592
	7,554	293	193	8,040
Financial Liabilities				
Bank Overdraft	(1)	-	-	(1)
Accounts Payable and Accruals	(3,829)	(24)	-	(3,853)
Term Loans including Interest	(100)	(100)	(1,929)	(2,129)
	(3,930)	(124)	(1,929)	(5,983)
Net Inflow/(outflow)	3,624	169	(1,736)	2,057

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

Interest Rate Risk

Interest rates on Term Loan borrowings are disclosed in Note 16. They are 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 \$34,710 (2021: \$103,669) and non-fixed interest received of \$8,062 (2021: \$20,829) during the financial year. Total exposure to fixed rate term loans is \$1,814,191 (2020: \$2,639,011).

Credit Facilities

The Company has formal overdraft facilities with the ANZ Bank New Zealand Limited of \$3,275,000 (2021: \$3,275,000). The Company also has loan financing in place as disclosed in Note 16.

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 \$1,814,191 of term borrowings at 30 June 2022 of which is all at fixed rates expiring in August 2026. With interest rates fixed the Company is not exposed to near term interest rate changes.

19 Transactions with Related Parties

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

	2022	2021
	\$'000	\$'000
Ashburton District Council		
Services provided (by) Ashburton District Council (1)	(189)	(154)
Services provided to Ashburton District Council (1)	10,349	10,988

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Accounts payable to Ashburton District Council (2)	(25)	(23)
Accounts receivable from Ashburton District Council (2)	898	166
Construction contract claims included in Contract assets in relation to Ashburton District Council .	568	881
Dividends paid to Ashburton District Council	(900)	(200)

Lake Hood Extension Project

Services provided (by) Lake Hood Extension Project (1)	-	-
Services provided to Lake Hood Extension Project (1)	2459	1,085
Construction contract claims in Contract Assets not approved for payment at balance date (1)	24	205
Income in Contract Assets not yet claimed from Lake Extension Project (1)	-	16
Accounts receivable from Lake Hood Extension Project (2)	307	32
Advance Receivable (see Note 25)	-	-

Directors Interests (GST Inclusive)

Services/Goods provided to A Lilley	1	-
Services/Goods provided to B Warren	-	-
Services/Goods provided to R Pickworth	-	-
Services/Goods provided to A Barlass	78	104
Services/Goods provided to D Prendergast	-	-
Services/Goods provided to Kowhai Farmlands Ltd (5)	-	71
Services/goods provided (by) Spraymarks Group Companies (3)	(100)	(77)
Services/goods provided to Spraymarks Group Companies (3)	2	1
Accounts due (to) Spraymarks Group Companies (3)	(29)	(3)
Accounts due from Spraymarks Group Companies (3)	-	-
Services/Goods provided (by) Smith & Church (4)	(1)	(2)
Services/Goods provided (by) Electraserve (4)	(2)	(2)
Services/Goods provided (to) Electraserve (4)	3	-

Management Interests (GST Inclusive)

Services/Goods provided to K G Casey (Chief Executive Officer)	5	5
Services/Goods provided from K G Casey (Chief Executive Officer)	(2)	-
Accounts receivable from K G Casey (Chief Executive Officer)	-	(4)
Services/Goods provided to G Bonniface (Chief Financial Officer)	33	-
Services/Goods provided (by) G Bonniface (Chief Financial Officer)	(2)	(2)
Services/Goods provided to T Bain (General Manager – Civil)	(66)	-
Services/Goods provided to J Jolly (HR and Compliance Manager)	2	-
Services/Goods provided from J Jolly (HR and Compliance Manager)	-	-

2022	2021
\$'000	\$'000

Key Management Personnel Compensation (6):

Short-term employment benefits	1,260	1,125
Post-employment benefits	27	25
Termination benefits	-	-
Other long-term benefits	-	-
	1,287	1,150

(1) Amounts are GST exclusive

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

(3) Companies where D Prendergast is the beneficial owner including Spraymarks Engineering Ltd, Spraymarks Road Marking Ltd, Spraymarks Traffic Management Ltd and Spraymarks Signs/Graphics Ltd.

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

(5) Entities associated with A Barlass as beneficial owner or beneficiary including Kowhai Farmlands Limited

(6) Key Management personnel comprise the Directors, Chief Executive Officer, Chief Financial Officer, General Manager – Civil, HR and Compliance Manager.

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20	Contingent Liabilities	2022	2021
	The Company has the following contingent liabilities as at 30 June 2022.	\$'000	\$'000
	Performance Related Bonds		
	The Company has arranged with the ANZ Bank NZ Limited for the issue of performance related bonds in favour of:		
	Ashburton District Council	300	200
	Gould Developments Limited	267	119
		567	319
21	Capital Commitments	2022	2021
	The Company has the following capital commitments:	\$'000	\$'000
	Property, plant & equipment purchases.	418	263
		418	263
22	Reconciliation of Operating Cash Flows with Reported Net Profit	2022	2021
		\$'000	\$'000
	Net Profit after tax	5,163	2,104
	<u>Add/ (Deduct) Non-Cash Items:</u>		
	Amortisation of intangibles	29	34
	Deferred tax movement	(249)	445
	Depreciation	1,454	1,352
	Depreciation – Right of Use Assets	386	456
	Impairment of property, plant & equipment	(2)	(82)
	Loss/(Gain) on sale of property, plant & equipment	(164)	(52)
	Share of Joint Venture (surplus)/deficit	(1,576)	(518)
	<u>Movement in Working Capital</u>		
	Increase / (decrease) in accounts payable	1,428	1,283
	Increase / (decrease) in tax payable	1,586	340
	(Increase) / decrease in accounts receivable	(638)	(737)
	(Increase) / decrease in prepayments	(29)	(46)
	(Increase) / decrease in inventory	(495)	(397)
	(Increase) / decrease in contract assets	(34)	(945)
	(Increase) / decrease in employee entitlements	(8)	
	Increase / (decrease) defects liability provision	(79)	79
	<u>Items classified as Investing</u>		
	Interest income	(8)	(21)
	Dividends received	(62)	(24)
	Net Cash from Operating Activities	6,702	3,271

23 Covid 19 Impact

New Zealand has experienced a COVID-19 lockdown in August 2021 with the country going to Level 4 and then being released in stages to lower levels. Whilst activity has been impacted in the period of restrictions, the Company has a very solid forward workload and well managed cash position it envisages that there is no impact on its viability. The Company has applied for and received the resurgence grant of \$21,500 and \$149,508 wage subsidy in relation to the shutdown during the financial year ended 30 June 2022.

24 Dividends (in respect of the Financial Year)

	2022 \$'000	2021 \$'000
Interim Dividend	200	-
Final Dividend	1,200	700
Total Dividend	1,400	700
Dividends per share (DPS)	\$ per Share	\$ per Share
Interim	0.04	-
Final	0.27	0.16
Total Dividend Per Share	0.31	0.16

After balance date the Directors propose to pay a Final Dividend of \$1,200,000 based on the Company's Statement of Intent. This dividend has not been provided for. This brings total dividends in respect of the year ended 2022 to 31 cents per share fully imputed (2021: 15 cps).

25 Accounting Estimates and Judgements

In the application of the Company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

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.

Property, Plant and Equipment changes 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 conditions of the asset expected period of use of the asset by the company, and expected disposal proceeds from the future sale of the asset

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

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

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

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

The Company determined that the input method is the best method in measuring progress of the workshop and transport services because there is a direct relationship between the Company's effort and the transfer of service to the customer.

For construction services, the Company uses an output method, as this appropriately measures all of the goods or services for which control has transferred to the customer.

Leases – Estimating the incremental borrowing rate

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

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. The Company provides an undertaking that it will severally support LHEP in meeting its share of any unpaid debts in relation to those operations.

	2022	2021
	\$'000	\$'000
Financial information of Joint Venture		
Cash on hand	10,980	1,512
Other Current Assets	2,191	193
Current Assets (Subdivision development in progress)	4,036	9,875
Current Assets-Inventory (Completed Stages)	2,776	2,660
Non-Current Assets	114	1,681
Total Assets	20,097	15,921
Current Liabilities	(2,084)	(2,094)
Non-Current Liabilities	(686)	(685)
Partners Equity	17,327	13,142
Company's interest at 37.59% (2021: 37.59%)	6,513	4,939
Revenues	13,946	2,025
Surplus/(Deficit)	4,302	1,448
Loss on Revaluation of Investment Property	(33)	-
Interest Income (if any)	16	5
Interest Expense	(93)	(75)
Profit attributable to Joint Venture Partners	4,192	1,378
Company's interest at 37.59%. (2021: 37.59%)	1,576	518

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

Leases – Estimating the incremental borrowing rate

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

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

	2022	2021
	\$'000	\$'000
Financial information of Joint Venture		
Cash on hand	10,980	1,512
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Current Assets (Subdivision development in progress)	4,036	9,875
Current Assets-Inventory (Completed Stages)	2,776	2,660
Non-Current Assets	114	1,681
Total Assets	20,097	15,921
Current Liabilities	(2,770)	(2,094)
Non-Current Liabilities	-	(685)
Partners Equity	17,327	13,142
Company's interest at 37.59% (2021: 37.59%)	6,513	4,939
Revenues	13,946	2,025
Surplus/(Deficit)	4,302	1,448
Loss on Revaluation of Investment Property	(33)	-
Interest Income (if any)	16	5
Interest Expense	(93)	(75)
Profit attributable to Joint Venture Partners	4,192	1,378
Company's interest at 37.59%. (2021: 37.59%)	1,576	518

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

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	2022	2021
	\$'000	\$'000
28 Contract Assets and Contract liabilities		
Rendering of services	570	239
Construction Contracts	1,508	1,805
Total Contract Assets	<u><u>2,078</u></u>	<u><u>2,044</u></u>
 Rendering of services (revenue in advance) current portion	 -	 79
Total Contract Liabilities .	<u><u>-</u></u>	<u><u>79</u></u>

The Company applies practical expedient due to the performance obligation is either part of a contract that has an original expected duration of one year or less or the Company has a right to consideration from a customer in an amount that corresponds directly with the value of the entity's performance completed to date.

29 Events after Balance Date

Dividend. The Director's have resolved to pay a fully imputed dividend of \$1,200,000 following the Company's AGM in November 2022. The dividend will carry \$466,667 of tax imputation credits.

Performance targets were set by the Company in the Statement of Intent dated 27 April 2021. A comparison of the Company's performance compared to those targets is as follows:

		Achievement	Target
a	Achieve Annual Budgeted Turnover	\$50,288,0000	\$39,045,000
	Profit before tax - Parent	\$5,547,000	\$2,025,000
	Profit Before tax Consolidated – Including Associate	\$7,123,000	\$3,759,000
b	Annual Rate of Return before tax on average equity –Parent (five year rolling average)	13.0%	>10%
	Annual Rate of Return before tax-on average equity including Associate (five year rolling average)	13.3%	10.0%
c	Ratio of Equity to Total Assets	58%	>50%
d	Audit Opinion	Unqualified	Unqualified
e	ISO 9001 Quality Certification	Maintained	Maintain
f	ISO 14001 Environmental	Maintained	Maintain
g	ISO 45001 Health & Safety	Maintained	Maintain
h	Compliance with Resource Management Act	No breaches	No breaches
i	Reduction of year-on-year Lost Time Injury Rate. Represents 1 lost time injury for the year.	0.7	1.4
j	Dividend 50% of Net Profit after tax (Parent). (in respect of the financial year)	\$900,000	\$386,000
	Interim Paid	200,000	\$218,000
	To be paid	1,200,000	\$510,000
		<u>1,400,000</u>	<u>\$728,000</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 10.0% before tax based on the rolling average of the last 5 years. The SOI measure is for ACL Parent only and excludes Lake Hood Extension Project Joint Venture results. The current year return was 35.2%.
- c The ratio for the current year is calculated following the implementation of NZ IFRS 16 Lease Accounting.
- i Lost Time Injury Frequency Rate. Calculated as the number of lost time injuries per 100,000 hours worked. Two Lost Time injuries occurred during the year (2021: 4). All incidents were investigated and were not considered to be incidents that would lead to serious harm.
- j The Directors have determined that the Company will pay a final dividend of \$1,200,000 regarding the 2022 year. In March 2022 an interim dividend of \$200,000 was paid. All dividends paid are subject to meeting the requirements of the Solvency Test in the Companies Act 1993 and its amendments. Total dividends paid for the year are fully imputed.

ASHBURTON CONTRACTING LIMITED

**FIVE YEAR REVIEW OF PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022**

	2022	2021	2020	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	50,288	39,593	27,816	30,601	32,025
Profit before Tax and charitable donations and Share of Joint Venture surplus/(loss) *1	5,547	2,451	505	1,278	2,165
Share of Joint Venture	1,576	518	(841)	(734)	(74)
Profit Before Tax	7,123	2,969	(337)	544	2,091
Taxation	1,960	865	91	(176)	(591)
Profit after Tax	5,163	2,104	(245)	368	1,500
Profit after Tax and qualifying donations *1	5,163	2,104	(245)	368	1,500
Equity	22,435	18,080	15,972	16,456	16,793
Total Assets	38,836	33,520	29,386	24,562	22,784
Dividends relating to the current financial year *2	1,400	900	-	491	793
Dividends Paid during the financial year	900	200	371	755	406
Current year Return before tax on Average Equity -Consolidated	35.2%	17.4%	(2.1%)	3.3%	13%
Rolling five-year Return before tax on Average Equity-Consolidated	13.3%	7.7%	5.6%	8.6%	11%
Equity to Total Assets	58%	54%	54%	67%	74%

*1 The Ashburton District Council has adopted the Ashburton Contracting Ltd Charitable Gifts Policy that allows the Company in conjunction with and approval of Council to make donations of greater than \$20,000 to qualifying projects being undertaken by qualifying entities that have already been identified in Council's LTP (or any subsequent amendment) or Annual Plan. For donations to be made the Company must achieve the agreed minimum required rate of return set by the Council. The donation must also comply with the Income Tax Act 2007. No donations under this policy have been made in the financial year ended 30 June 2022 (2021: \$Nil.)

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

Independent Auditor's Report

To the readers of Ashburton Contracting Limited's financial statements and performance information for the year ended 30 June 2022

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

Opinion

We have audited:

- the financial statements of the Company on pages 10 to 36, that comprise the statement of financial position as at 30 June 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

Appendix 1: the performance information of the Company on page 37.

In our opinion:

- the financial statements of the Company on pages 10 to 36:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand equivalents to International Financial Reporting Standards.
- the performance information of the Company on page 37 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2022.

Our audit was completed on 31 October 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the performance information

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

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

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

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

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

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

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

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

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

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

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

Appendix 2: 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.

Appendix 3: We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.

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

Appendix 4: We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 9, 38 and 43 to 44 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

A handwritten signature in black ink that reads "Yvonne Yang". The signature is written in a cursive, flowing style.

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

Appendix A: Environmental Sustainability

Note: The following information is not subject to audit.

Emissions profile and trend (All ACL operations)

Total Emissions have grown from 6,980 T CO₂-e in 2019 to 9,530 T CO₂-e in 2022, a 37% increase over three years. ACL emissions are comprised predominantly of fuel (diesel) and concrete, representing ~99% of emissions.

Scope 1 – direct emissions (fuel we burn)

This is predominantly diesel and this increase over the last three years is due to increased activity across the business and the fleet requirements to support this activity. Fleet requirements include delivering raw materials, concrete & asphalt, excavation at Lake Hood, and other plant and machinery usage.

Scope 2 – indirect emissions (other energy we use – electricity)

This is electricity used in our plants and offices. Our energy provider is Meridian who currently provide us 'renewable' but not 'carbon neutral' electricity.

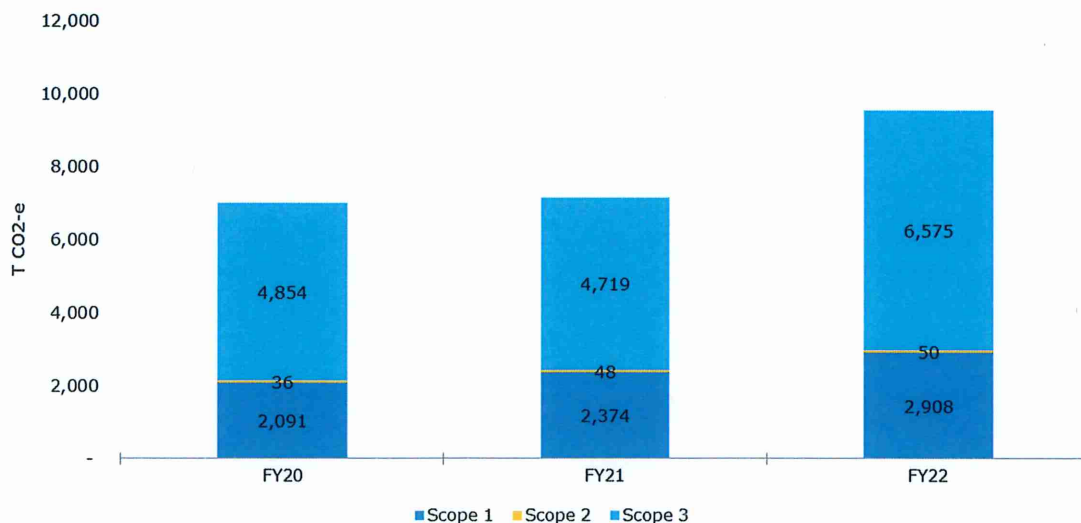
Scope 3 – indirect emissions (embedded in our materials and products)

This is made up 99.5% of concrete. Concrete has high emissions because of its cement content. We source our cement from Holcim, who's EPD (Environment Product Declaration) identifies cement emissions at 897kg CO₂-e/tonne.

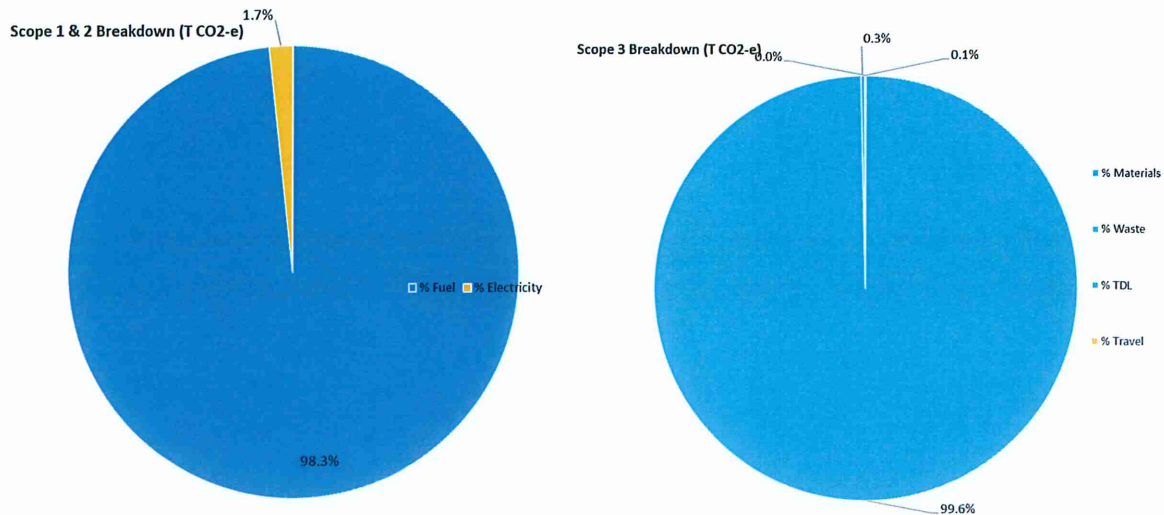
FY22 saw a significant increase in Scope 3 emissions from cement which was driven by increased concrete sales and significant CTB (Cement Treated Basecourse) use

A number of other common emission sources are included in Scope 3 such as waste, steel and travel, but they currently total less than 1% of our overall emissions.

Total Annual Emissions (T CO₂-e) by Scope



ASHBURTON CONTRACTING LIMITED



Emissions mitigation

New Zealand has made commitments to reduce emissions over the coming years and is currently finalising budgets, plans and policies to encourage business and the community to contribute to these commitments.

At present, it is not clear exactly how this will play out in the construction industry however science and international advice is clear that emissions need to reduce by 50% by 2030 to limit global warming to 1.5C. This gives us guidance to consider when making future business decisions.

If ACL is to contribute positively to this commitment then we need to take a proactive approach to managing our business and its associated emissions as soon as possible.

Our initial investigation into this has identified a number of potential opportunities by which ACL could seek to reduce its overall CO₂ emissions. Obviously this work will need to continue and be strongly aligned with the values and expectations of key stakeholders. As an initial step, we propose to continue reviewing our emissions profile and identify potential areas and opportunities to reduce emissions in a manner that strengthens business resilience for a low carbon future. The following opportunities will be prioritised and advanced in a way that seeks to optimise financial impact on the business. The ACL executive sees value in the potential efficiency, leadership and competitive advantage that could be gained through implementing these initiatives.

	H1 (12 months)	H2 (1-3 yrs)	H3 (3-5yrs)
Start	<ul style="list-style-type: none"> Energy efficiency assessment Develop waste plan Transition to synthetic oil Establish sustainability strategy 	<ul style="list-style-type: none"> Report carbon shadow price in P&L Review fleet transition options as technology advances 	<ul style="list-style-type: none"> Commit to carbon offsets
Stop	<ul style="list-style-type: none"> ? 	<ul style="list-style-type: none"> ? 	<ul style="list-style-type: none"> ?
Continue	<ul style="list-style-type: none"> Driver efficiency focus (including monitoring and training) Increase focus on CO₂ efficiency in procurement Improving understanding of CO₂ impact of operations Continue to transition company vehicles to PHEV 	<ul style="list-style-type: none"> Implement actions from driver efficiency monitoring 	<ul style="list-style-type: none"> ?
Innovate	<ul style="list-style-type: none"> Explore options with Suppliers & Customers (Cement/Fibre) Conduct review to identify key sustainability risks and opportunities 	<ul style="list-style-type: none"> Demonstrate effectiveness of lower carbon Cement & Asphalt alternatives 	<ul style="list-style-type: none"> Transition (?) to alternatives

Data quality assessment

Ashburton Contracting Limited engaged an independent party to undertake a review of data included in this report for completeness and accuracy.