

STATEMENT OF INTENT EXPERIENCE MID CANTERBURY TRUST 2020 - 2021

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INTRODUCTION	3
1) IMPORTANCE OF TOURISM - SETTING THE SCENE	4
2)STRATEGIC DIRECTION	4
THE MISSION, VISION, AND GOALS OF EXPERIENCE MID CANTERBURY TRUST	4
THE MISSION OF THE TRUST IS:	4
THE VISION OF THE TRUST IS:	4 4
OBJECTIVES AND RESPONSIBILITIES OF THE TRUST	4
3)GOVERNANCE	5
ROLE OF THE BOARD	5
Board Membership	6
LEGISLATIVE REQUIREMENTS:	6
4) MANAGEMENT ACTIVITIES	7
BACKGROUND AND OPERATING ENVIRONMENT	7
THE MAIN ACTIVITIES OF THE TRUST	7
Leadership	7
Marketing	7
Encouraging, Enhancing & Delivering	8
Council Relationship Principles	8
MEASURING PERFORMANCE	9
GOAL	9
OBJECTIVES	9
OBJECTIVE 1: MAXIMISE SHARE OF REGIONAL CONSUMER SPENDING AND TOURISM CONTRIBUTION	
DISTRICT'S ECONOMY	9
SERVICE STATEMENT – TOURISM CONTRIBUTION TO THE DISTRICT ECONOMY PERFORMANCE MEASURE 1	9 9
PERFORMANCE MEASURE 1 PERFORMANCE MEASURE 2	10
OBJECTIVE 2: MAXIMISE SHARE OF THE DISTRICTS TOURISMS INDUSTRY CONTRIBUTION TO THE	10
ORGANISATION AND MARKETING CAMPAIGNS.	10
SERVICE STATEMENT – TOURISM INDUSTRY CONTRIBUTION TO THE SHAREHOLDER CONTR	
	10
Performance Measure 1	10
Performance Measure 2	10
OBJECTIVE 3: ACHIEVE AND MAINTAIN A TARGETED LEVEL OF SALES AND INFORMATION ENQUIRY A	
METHVEN I-SITE VISITOR CENTRE.	11
SERVICE STATEMENT – METHVEN I-SITE IS TO MEET THEIR SALES TARGETS	11
PERFORMANCE MEASURE 1	11
SUPPORTING FINANCIAL INFORMATION	11
TRUST ACCOUNTING POLICIES	11
• NEW OBJECTIVE / RESPONSIBILITY	13
• INDUSTRY GLOSSARY	14

Introduction

Experience Mid Canterbury (EMC) is a Council Controlled Organisation (CCO) for the purposes of the Local Government Act 2002. It has no subsidiaries and is a not-for-profit organisation. A Board appointed by the Ashburton District Council (ADC) under the Trust Deed establishing the CCO governs Experience Mid Canterbury.

This Statement of Intent (SOI) sets out Experience Mid Canterbury's Strategic direction for 2020-2021 and is useful for the financial year. It illustrates how EMC will contribute to Ashburton District Council's broader goals while reflecting the expectation of both Ratepayers and Industry. It describes the context within which the organisation operates, explains how EMC will achieve its outcomes through its activities and initiatives and shows how progress towards these outcomes will be measured.

The role of Experience Mid Canterbury is to ensure that the greater Mid Canterbury region is marketed as a visitor destination to maximise the long-term benefits of the Ashburton District economy. Its specific functions are to develop, implement and promote strategies for tourism as a more extensive district.

¹ Mid Canterbury region is defined geographically by the Ashburton District territorial authority boundaries.

1) Importance of Tourism – Setting the Scene

- Visitor income and employment opportunities from tourism investment are key direct outcomes of the ADC Council Long Term Plan, contributing to the district's economic and social development goals.
- Tourism in New Zealand is a \$107 million per day industry². Tourism delivers around \$39 Billion a year
- In 2008, MBIE released monitors providing regional/district stakeholders with total dollar estimates of tourism expenditure based on EFTPOS, ATM and Credit card spend for the district by visitors. In February 2019 the monitor showed tourism spend in the Ashburton district to be a value of \$184 million vs \$171 million for the previous year (Source: Ministry of Business, Innovation and Employment (MBIE) RTE³.
- Destination & event promotion increases the direct and multiplier-effect economic benefit⁴ to districts and assists in reducing seasonality⁵ as well as an opportunity for economical & labour diversification.
- Operator industry knowledge improves advertising uptake, service levels, business viability, client satisfaction, and economic sector growth. All of these factors, over time, contribute to the district social development and wellbeing outcomes.

2) Strategic Direction

The strategic direction is derived from and aligned with several key documents:

- Ashburton District Council EMC Letter of Expectation 2014.
- Experience Mid Canterbury Visitor Strategy 2018 2025.
- Ashburton District Council LTP.
- Ashburton District Council District Plan, Physical Activity Strategy, and Walking & Cycling
- New Zealand Tourism Four-Year Strategy, 2018 2022.
- Conference and Incentives New Zealand (CINZ) Strategic Plan to 2022
- Tourism 2025 TIA Strategy Plan Released in March 2014.

The Mission, Vision, and Goals of Experience Mid Canterbury Trust

The Mission of the Trust is:

To promote Mid Canterbury, its attractions and visitor assets as a visitor destination.

The Vision of the Trust is:

To increase the contribution of the Visitor Industry to Ashburton District's economic development.

Objectives and Responsibilities of the Trust

The focus of the Trust is to lead, co-ordinate and promote Mid Canterbury's Visitor Industry. In carrying out the principal objective, the Trust shall also have the following goals and responsibilities:

- Maximise Mid Canterbury's share of regional consumer spending through strategic campaigns promoting the Ashburton Districts visitor assets, events and activities, throughout New Zealand and overseas.
- Promotion of council community investments appropriate to the visitor sector as part of the generic district marketing activity outlined in the organisation's business plan; Along with providing further promotion opportunities to these assets via the organisation's business partnership.
- To serve as the voice of the district's visitor industry while gathering, analysing and distributing relevant information to the tourism sector and broader business interests of the region.
- Lead and co-ordinate joint venture branding and marketing campaigns that increase the leveraging of marketing funds while aligning the 'Experience Mid Canterbury' brand as appropriate to the visitor industry.

Mid Canterbury region is defined geographically by the Ashburton District territorial authority boundaries.

² based on overall national spend measured by MBIE

² based on overall national spena measured by insuit absolute dollar estimates of tourism expenditure at a detailed regional level (i.e. by regional council, territorial authority, visitors' country of origin and industry) http://www.med.govt.n/sectors-industries/tourism/tourism-research-data/regional-tourism-estimates Important notes: During the 2016 FY changes were made with the structure of the RTE results. The previous measurement created significant delays in reporting to the tourism industry. To mittigate the delays MBIE now captures the electronic data for the year ending Macron and forecasts the earning per month (MRTE's), as a result Tourism leaders across the nation can obtain relative data up to and including the previous month. e.g. November forecasted results are made available in December.

Estimating the Economic Impacts of Tourism; John E Wagner - Annals of Tourism Research - Volume 24, Issue 3, 1997.

Marketing the Competitive Destination of the Future; Dr Dimitrios Buhalis - Tourism Management - Volume 21, Issue 1, Feb 2000.

- Identify areas of potential market growth while encouraging corresponding council, agencies and operator commitment, and product growth in Mid Canterbury;
- Lead and co-ordinate Mid Canterbury's online-based information and encourage the
 operation and delivery of other visitor information services that provide quality services
 achieving excellent customer satisfaction;
- Encourage excellence in tourist amenities, quality of service and hospitality in Mid Canterbury through training, accreditation and information supply for the more extensive service industry;
- Enhance the profile of Mid Canterbury tourism businesses, events and conventions that
 have potential to grow tourism, bring economic benefit to and utilise critical district
 assets or cost-effectively increase the profile of Mid Canterbury via strategic and
 marketing alliances and networks;
- Work with and maintain relationships with regional organisations to promote tourism in the Canterbury Region.
- Build and maintain district confidence in EMC (and the annual investment made by council and tourism beneficiaries), being portrayed as providing expertise that delivers quality services and value for money.
- Promote benefits to the district of the organisation to the local visitor sector businesses, ensuring robust sector annual investment in EMC.
- Generally, do all acts, matters and things as are necessary, conducive or incidental to
 furthering or attaining the other objects of the Trust set out above. And to carry out
 these acts and do business in a manner that meets the requirements of its structure
 under the Local Government Act 2002.

3) Governance

Experience Mid Canterbury Trust is a Council Controlled Organisation and reports to the Ashburton District Council.

The Trust is accountable to the Ashburton District Council for the performance of Experience Mid Canterbury. The Board will aim to meet best practice governance standards and legislative requirements. Including those detailed under a CCO structure as defined in the Local Government act 2002. These include, but are not limited to, being a good employer and exhibiting a sense of social and environmental responsibility as defined in section 59 of the act.

Role of the Board

The Trustees are accountable for setting the strategic direction for the Trust and approving the Statement of Intent and development of the organisation's Key Priorities. The Trust is responsible for the delivery of those parts of the Ashburton District Council Long Term Plan (LTP), which fall within its sphere of responsibility.

The Board monitors organisational and financial performance and ensures that the ongoing viability of the organisation is maintained. It seeks to provide a return on investment through the achievement of objectives.

The Board delegates the day-to-day operation of the Trust to the General Manager and the Management Team, who report to the Board in line with set KPIs.

The Board reports to the Ashburton District Council under Sections 66 and 67 of the Local Government Act 2002 as follows:

- a) A minimum of 4 council meetings per year that may include the following reporting.
- b) A half-year report before the end of February each year with the presentation of the coming years SOI.
- c) An Annual report before the end of September each year.
- d) A detailed budget presented to the council annually (generally in November/December for a Long-

Term Plan and in February for an Annual Plan).

Section 68 (a) of the Local Government Act states that those reports must contain the information that is necessary to enable an informed assessment of the operations, including;

- A comparison of the performance of the organisation and its subsidiaries with the Statement of Intent;
- An explanation of any material variances between that performance and the Statement of Intent; and

(b) The dividend, if any, authorised to be paid or the maximum bonus proposed to be paid by that organisation for its equity securities (other than fixed interest securities) for the financial year to which the report relates.

The Annual Report must also include:

- (a) Audited Consolidated Financial Statements for that financial year for that organisation and its subsidiaries; and
- (b) An auditor's report on those financial statements;
- (c) Board member meeting attendance.
- (d) Activity reports on the distribution of the Community Events Funding Grant.

A generally accepted accounting practice must prepare the audited financial statements.

As part of the ongoing relationship with Ashburton District Council, the EMC Chair James Urquhart, EMC Board and EMC General Manager meets with the Council quarterly. The EMC General Manager meets with other Council Management when appropriate.

The board will ensure that 'related and third parties' are declared and follow responsible business practices.

Board Membership

Trustee Service Matrix – 01 July 2020 – 01 June 2021 EMC Trust deed was rewritten July 2014 to align all trustees to an October expiry date.

2018 / 19	Position	Start	End	Status
James Urquhart	Chair	14 Jul 2014	01 Oct 2020	3 years – Term 2
Anton Wilke	Deputy Chair	03 Dec 2015	29 January 2019	Resigned
Gary Lee	Trustee	26 Aug 2016	01 Oct 2019	3 years – Term 1
Bevan Rickerby	Trustee	01 Jul 2018	31 July 2019	Resigned
Sarah Jones	Trustee	01 Jul 2018	01 Oct 2021	Resigned
Gareth Reed	Trustee	01 Jul 2018	01 Oct 2021	3 years – Term 1
Graham Russell	Trustee	01 Oct 2019	30 Sep 2022	3 years – Term 1
Chris Gourley	Trustee	01 Oct 2019	30 Sep 2022	3 years – Term 1

Quorum - 4 Trustees

- Board appointments are made under the Trust Deed as defined in section 5 via a council appointments committee.
- The Board will aim to meet best practice governance and legislative standards.
- The Board will meet no less than eight times per year.
- Subcommittees will be established as required.

Legislative Requirements:

- 1. Experience Mid Canterbury must provide:
 - Audited consolidated financial statements for that fiscal year for Experience Mid Canterbury with a clean audit opinion.
- 2. The audited financial statements must be prepared in accordance with generally accepted accounting practice. (Requirement Local Government Act 2002, Section 69)
- 3. Annual Report
 - Within 3 months after the end of the financial year (by end September) the Board of EMC is required to deliver a report to Council (available for the public) on the

organisation's operations during that year. (Requirement - Local Government Act 2002; Section 67)

- Half Yearly Report
 - Within 2 months after the end of the first half of each financial year (by end February), the Board of Experience Mid Canterbury must deliver a report to Council on the organisation's operations during that half-year. (Requirement - Local Government Act 2002, Section 66)
- The delivery of the Audited Financial Statements for the year ending 30 June by the end of September each year.

4) Management Activities

Background and Operating Environment

The Trust is central to the visitor Industry in Mid Canterbury. It is accountable through the ADC to the people of the Ashburton District. Its primary role is in the leadership of the marketing, development and management of the visitor sector and in coordinating and managing the contributions of the private sector, the ADC, and the promotion sector.

The Main Activities of the Trust

Leadership

- Leading Mid Canterbury's visitor industry growth and development innovatively.
- Coordinating the various visitor marketing and tourism development activities of the private sector, local government and promotional sectors.
 - Ensuring that operators and stakeholders feel they receive a positive Return on Investment. Creating transparency promotes industry positivity and aids in driving membership.

Marketing

New Zealand Marketing

- Maintaining a targeted domestic marketing program aimed at bringing leisure visitors to Mid Canterbury.
- Working with Christchurch International Airport (CIAL) and ChristchurchNZ to maintain and grow domestic visitation.

Australian Marketing

- Marketing Mid Canterbury as a key New Zealand visitor destination in the Australian market.
- Working with Christchurch International Airport (CIAL), ChristchurchNZ and Tourism New Zealand to maintain and grow trans-Tasman air links between Christchurch and Australia.

International Marketing

- Marketing Mid Canterbury as a visitor destination targeting long haul markets, notably the emerging market of China, Singapore, Malaysia, India, Indonesia, Philippines as well as UK, USA, Europe.
- Ensuring better connectivity in long haul markets by working with domestic Christchurch air links.
- Align with appropriate TNZ, Christchurch NZ, CIAL & CINZ and TECNZ international campaign activity.

Online Internet Presence

- Lead the integration and reduce duplication of all Mid Canterbury online visitor marketing.
- Coordinating the private, promotional and local government input to the District's online visitor website and its linkages and growth.
- Ensure strong relevant content and links representing Mid Canterbury are achieved and maintained on key 3rd party tourism sites. In particular, the Mid Canterbury Brand and products feature strongly on NewZealand.com and its mobile applications.
- Devise and maintain a social media and application strategy that supports the district's promotional brand position.

Convention & Events

- Encourage and enhance the promotion of convention marketing as appropriate, for events and conventions that bring economic benefit to, or utilise key district assets, or cost-effectively increase the profile of Mid Canterbury.
- Marketing Mid Canterbury as a small to medium regional conference and convention destination to the New Zealand markets.

Trade Marketing

Maintaining existing channels and opening new opportunities from global travel sellers.
 Particularly crucial for packaged tours & travel agents. Normally achieved via ChristchurchNZ, TNZ, TRENZ, Inbound Tour Operators, Australian based winter travel shows, relationships with wholesalers and hosting trade & media familiarisations.

Winter Marketing

 Coordinate relationships and marketing activities that cost-effectively increase the profile of Mid Canterbury winter promotion via the snow sports industry.

Research

• Ensuring Experience Mid Canterbury's tourism dataset and information base is industry supportive and able to inform market and product development decision-making properly.

Other Activities

• At the board's discretion, it may partake in opportunities that arise that will increase the Mid Canterbury brand and awareness or enhancement of its visitor assets.

Encouraging, Enhancing & Delivering

Product Development

- In liaison with ADC support the development of new and existing tourism attractions.
- In conjunction with ADC, identify gaps in visitor experiences and advocate on business opportunities to close them.
- Maintaining an awareness of and identify strengths and weaknesses in Mid Canterbury's tourism product and infrastructure and initiate action where appropriate.

Partnership/Relationships

- Maintenance of activity within agreed funding levels.
- Maintaining strong relationships with relevant public and private sector interests (most notably Ashburton District Council, Mt Hutt Ski Area, Christchurch International Airport, ChristchurchNZ, Tourism New Zealand, Tourism Industry Aotearoa, Tourism Export Council).
- Develop and co-ordinate Industry networks for marketing and Industry development.

Advocacy on Behalf of the Industry

- Identify issues that may affect the environment within which the district visitor sector operates.
- Advocate changes to practices and policies that may be inhibiting visitor's economic and social benefit to the district.

Council Relationship Principles

The principles governing the relationship with Ashburton District Council as its primary stakeholder will include:

- Operating on a "no surprises" basis with open and full disclosure of information as required.
- Early advice to Ashburton District Council in the event of any situation that may be potentially contentious in nature or involve an unforeseen or significant variation from the Trust's Business Plan.

5) Measuring Performance

The Trust reports to Ashburton District Council against a range of agreed performance measures that reflect its contribution towards the district's desired outcomes, measures of organisational effectiveness and standards of the health and capability of the Trust.

GOAL

To increase the contribution of the visitor Industry to Ashburton District's economic development and in doing so, the overall well-being of residents.

OBJECTIVES

Objective 1: Maximise share of regional consumer spending and tourism contribution to the district's economy⁶

Service Statement – Tourism Contribution to the District Economy

Maximise Mid Canterbury's share of provincial consumer spending through strategic campaigns promoting the Ashburton Districts tourism assets, throughout New Zealand and overseas;

Performance Measure 1

renormance weasure i							
Performance measure	Ashburton District has a higher Regional Tourism Estimates (RTE) rolling average compared to the previous year						
Relevance		The RTE data from MBIE is now the industry benchmark and recognises forecasted visitor expenditure overtime at a territorial authority level.					
Measure & Explanation	 MBIE use eight product categories to measure the total visitor spend Accommodation services – e.g. Hotel & motels booked locally Other tourism products – Activities, e.g. Ballooning, Jet boating Other passenger transport – e.g. Bus, Train, Rental vehicles Food and beverages serving services – e.g. Cafés, Restaurants, Retail sales – Alcohol, food and drinks – e.g. Supermarkets Retail Sales – Other – e.g. Gifts, clothing etc. Retail sales – fuel and other automotive products Cultural, recreation and gambling services, e.g. DOC walks, 						
Targets*	Index Actual YE 2008**	Index Target 2018/19	Index Actual 2018/19	Index Target 2019/20	Index Actual 2019/20 ⁷	Index Target 2020/21	
Index \$ Change % Change	\$100	\$175m	\$185m \$ 10m 5.40%	\$193m \$ 8m 4.10%	\$192m ⁸ \$ -1m -1.00%	\$189 ⁹ \$ -2m -2.00%	

During the 2016 FY changes were made with the structure of the RTE. Results. The previous measurement created significant delays in reporting to the tourism industry. To mitigate the delays, MBIE now captures the electronic data for the year ending March and forecasts the earnings per month. As a result, Tourism leader across the nation can obtain relevant data up to and including the previous month. e.g. November predicted results are made available in December.

- Consideration should be made in that pre-reserved online bookings for accommodation, and other tourism services are not accounted for in these transactions such as Airbnb, Farm-stay and camping, accommodation or experiences type.
- Data Source: http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/monthly-regional-tourismestimates/annual-spend-grouped-by-region-country-of-origin-and-product-category

9 Reduced visitor spend due to the effects of COVID-19

⁶ The success measured by these KPIs is and always will be dependent on the level of funding ascribed to the Trust and the Trusts ability to partner in joint venture marketing campaigns and attract 'in kind' or contributions from industry partners. EMC is not solely responsible for attracting visitors, their contribution to the district and their experience. However EMC can have a significant role in influencing these results. Other influences include visitor flows, e.g. seasonal snow outcomes, inbound aviation capacity, global economies and exchange rates, global health and natural disaster issues.

⁷ The Index Actual 2019/20 was measured in February 10th – Data to November 2019 with the remaining data for December – March yet to be included. EMC should meet this target.

 $^{^{\}rm 8}$ Measured by MBIE as at January 2020

Performance Measure 2

Due to Statistics New Zealand no longer providing accommodation data, we are no longer able to obtain accurate measurements for this performance. All intentions show that this could be for the foreseeable future.

Objective 2: Maximise share of the districts tourisms industry contribution to the organisation and marketing campaigns.

Service Statement – Tourism Industry Contribution to the Shareholder Contribution.

Maximise Experience Mid Canterbury's percentage of district tourism sector partnering with the organisation via membership and join venture contributions.

Performance Measure 1

r erjormande meddare z							
Performance measure	Increase t	Increase the number of tourism partners compared to the previous year					
Relevance	Business Partnership uptake measures sector confidence in and financial contribution to the organisation. Indicates the level of connectivity that the districts operators have with the national tourism sector, information supply and standards.						
Targets	Target 2017/18	Actual 2017/18	Target 2018/19	Actual 2018/19	Target 2019/20	Actual 2019/20	Target 2020/21
	70	66	70	47 ¹⁰	70	60	65 ¹¹

Performance Measure 2

Performance measure	Increase the industry contribution value by 5% each year.					
Relevance	Measures contribution from the sector in the collective marketing goals of the organisation and its connectivity with the operators of the district.					
	*Year one to measure Joint venture contribution as a baseline and then will be able to set growth targets.					
Targets	Activity Ratio Monitor:	Actual 2019/20	Target 2019/20			
	\$ EMC contribution to \$ Industry contribution (E.g. \$1: \$5)	\$1.00: \$13.18	\$1.00: \$15.00			
	Plus, the total amounts Business partner membership EMC Total Contribution Industry Total Contribution Goods in Kind Total Value Total Investment	We are unable to provide this data until end of the current financial year.				

¹⁰ The actual result for 2018/19 decreased significantly due to EMC adjusting the partnership categories, removing the entry level in an effort to drive revenue growth. This initiative failed.

11 Lower business partnership numbers due to the effects of COVID-19

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- EMC Total Contribution is paid marketing activity that EMC has carried out.
- Industry Total Contribution includes paid support from local tourism operators and funding from our strategic partners, Christchurch Airport, ChristchurchNZ, NZSki.com and Tourism New Zealand.
- **Goods in kind** are experiences and accommodation provided to EMC free of charge for the purpose of trade and media familiarisations within the district.

Objective 3: Achieve and maintain a targeted level of sales and information enquiry at the Methven i-Site Visitor Centre.

Service Statement – Methven i-Site is to meet their sales targets

Maintain a high level of customer service and local knowledge for consumer satisfaction.

Performance Measure 1

Performance measure	Methven i-Site Visitor Centre is to meet its sales performance targets through the sale of the retail and commissionable product.						
Relevance	Meeting sales targets ensures staff performance and customer service excellence. Which in turn will provide substantial returns on the Experience Mid Canterbury Trust balance sheet. Now measured by Gross annual profit – as agreed by ADC 19 March 2020 Quarterly meeting.						
Targets	Target 2018/19 \$59,075	Actual 2018/19 \$40,103	Target 2019/20 \$40,000	Actual 2019/20 \$13,443 ¹²	Target 2020/21 \$25,000 ¹³		

Supporting Financial Information

Trust Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Statements under the New Zealand Equivalents to International Reporting Standard (NZ IFRS) as from June 2008.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represented amounts receivable for goods and services provided in the ordinary course of business, net of discounts and GST.

Contribution from Industry the Trust receives various contributions from industry/sponsorship. Specific contributions do not take the form of cash. They take the form of free or discounted, flights, hotels, advertising and other tourism-related benefits. The Contributions from Industry/sponsorship that do not take the form of cash are recognised at the face value of such contributions provided to Experience Mid Canterbury Trust. These items have been included as income and expenses in the Statement of Financial Performance. The impact on net surplus for the year is nil.

Interest Revenue

Interest revenue is recorded as it is received.

Taxation

As Experience Mid Canterbury Trust is no longer a Charitable Trust, it no longer has its Income Tax Exemption and is required to pay Income Tax.

 $^{^{12}}$ $\,$ Gross sales as at 01 April 2020 – Downturn in sales due to COVID -19 event

Assumed decreased gross profit for 2020 -21 due to effects of COVID-19 virus and international border closures

Goods and Services Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables that are recognised inclusive of GST. Where GST is not recoverable as an input tax, it is known as part of the related asset or expense.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in banks.

Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the purchase. Foreign currency monetary items at the reporting date are translated at the exchange rate existing at the reporting date.

Property, Plant & Equipment

Cost Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Price includes expenditure that is directly attributable to the acquisition of the assets. Where an asset is acquired for no cost or a nominal cost, it is recognised at fair value at the date of purchase.

Depreciation

Depreciation is provided on a straight-line basis for all assets, to write off the cost of each asset to its estimated residual value over its estimated useful life.

Expenditure incurred to maintain these assets at full operating capability is charged to the Statement of Financial Performance in the period incurred.

The estimated useful lives of the major asset classes have been estimated as follows:

Rate Method

Furniture and fittings 33% SL

The estimated meaningful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Disposal

An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition 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 Financial Performance in the period the asset is derecognised.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Trust in respect of services provided by employees up to reporting date.

Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Income Statement. The Statement of Cash Flows represents gross amounts of cash flows in most cases.

Definition of terms used in the Statement of Cash Flows:

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Trust and those activities relating to the cost of servicing the Trust's equity capital.

Comparative Amounts

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

The estimate of any distributions made to Ashburton District Council

There are no anticipated distributions to be made to the Ashburton District Council.

Procedures for buying other organisations

There are no procedures for buying other organisations, as this is not applicable.

An estimate of Commercial Value

There is no estimate of commercial value as this is not applicable.

Activities for which compensation from Council is sought

The Council has approved the following core operational funding grant for the Trust in the 2020/2021 Annual Plan

- 15/16 \$386,254 + GST plus \$22,024 for CEFG Events (current LTP figure)
- 16/17 \$386,244 + GST plus \$22,794 for CEFG Events (current LTP figure)
- 17/18 \$385,606 + GST plus \$22,794 for CEFG Events (current LTP figure)
- 18/19 \$384,998 + GST
- 19/20 \$374,998 +GST
- 20/21 \$364,998 + GST (assuming to \$10k reduction each FY)

The Experience Mid Canterbury Trust no longer administers the CEFG fund, as of 01 July 2018. The Ashburton District Council will manage the \$20,000 Events fund, as the council has the human resources and skill set required to operate events on council property and roads, such as traffic management, health and safety and direct accessibility to the council-owned property. The Community Relationship Manager agreed to this in 2017.

Experience Mid Canterbury will continue to list community events on their website and will continue to support the events with social media activity. EMC will continue to encourage members of the community to advise us of all future events.

The savings made by closing the Ashburton i-Site Visitor Centre will be funding increased marketing and promotion of the district as a tourism destination, such as increased digital marketing, print advertising and trade training in New Zealand and key international markets.

Significant Obligations/Contingent Liabilities

The Trust has no contingent liabilities.

New Objective / Responsibility

In carrying out the principal objective, the Trust shall also have the following objectives and responsibilities: which reads

Engage in cost-neutral or revenue-generating collaborative opportunities with other neighboring local authorities and bodies to improve the effectiveness and efficiency with which it achieves its objectives and responsibilities.

Bruce Moffat
General Manager
For the Experience Mid Canterbury Trust
27 February 2020

Industry Glossary

CAM Commercial Accommodation Monitor CEFG Community Events Funding Grant

ADC Ashburton District Council
ITOC Inbound Tour Operators Council
IVA International Visitor Arrivals
IVS International Visitor Survey
LGA Local Government Act
DTO District Tourism Organisation
RTO Regional Tourism Organisation

RTONZ Regional Tourism Organisation of New Zealand
CIAL Christchurch International Airport Limited
CCT Christchurch & Canterbury Tourism

RVM Regional Visitor Monitor SOI Statement of Intent

TIANZ Tourism Industry New Zealand

TNZ Tourism New Zealand

TECNZ Tourism Export Council New Zealand

RTI Regional Tourism Indicator MRTE Regional Tourism Estimates

MBIE Ministry of Business, Innovation and Employment.









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ASHBURTON CONTRACTING LIMITED

STATEMENT OF INTENT FROM 1 JULY 2020

(28 February 2019)

ASHBURTON CONTRACTING LIMITED

STATEMENT OF INTENT FROM 1 JULY 2020 (Covering the Financial Year Ended 30 June 2021)

1. **PREAMBLE**

This Statement of Intent (SOI) is required by section 64 of the Local Government Act 2002.

The Board of a Council Controlled Trading Organisation must deliver to the Council a draft Statement of Intent on or before 1 March each year. The Board must;

- a) consider any comments on the draft Statement of Intent that are made to it within two months of 1 March by the Council, and
- b) deliver the completed Statement of Intent to the shareholders on or before 30 June each year.

2. GOVERNANCE

Role of the Board

The collective responsibility of the Directors is to direct the management of the Company.

The Board carries out its responsibilities by setting the Company's strategic direction, providing leadership to put this into effect, appointing the Chief Executive Officer (CEO), agreeing targets and objectives and monitoring performance. The CEO has been delegated responsibility for the day-to-day management of the Company. He has an executive team to assist him.

Board Composition

The Company's Constitution provides the Board will consist of not more than five directors of whom not more than one shall be a member or employee of any Local Authority. Directors of the Company are appointed by the shareholder by notice in writing to the Company. The term of appointment shall be for a maximum period of three years, but may be for a lesser period as specified by the Council at the time of appointment. Retiring directors are eligible for reelection.

Board Meetings

Each year there are twelve scheduled directors' meetings. The Board is able to meet at other times if there is business to be conducted. Any two directors have the power to summon a meeting of the Board.

Remuneration of Directors

The Shareholder by ordinary resolution from time to time sets a total maximum amount payable for annual directors' fees divided among the directors as they consider appropriate. Director's Fees may be reviewed on an annual basis with a maximum review interval of two years. The Directors shall engage an independent consultant to provide a recommendation to the Shareholder

Board Interaction with Management

Board policy is to make site visits to view Company operations and to familiarise directors with issues associated with the business. These visits usually involve interaction between directors and management and direct access to employees when their particular area of expertise is required. Most contact is with the CEO whom the Directors hold accountable for the operational performance of the Company.

Directors Obligations

Directors' Interests

A Directors' Interests Register is maintained and records particulars of notices given by Directors in regard to positions and shareholdings held in other companies and entities. The Register is reviewed annually as part of the Company's annual reporting process. All Board Meetings contain an agenda item addressing any changes to Directors Interests or Conflicts of Interest.

Officers Interests

A Register of interests of senior management is maintained.

Directors' and Officers' Insurance and Indemnity

The Company has arranged Directors' and Officers' Liability Insurance which ensure directors and officers will incur no monetary loss as a result of actions undertaken by them as directors and officers. Certain actions are specifically excluded, for example, criminal acts and the incurring of penalties and fines which may be imposed in respect of breaches of law.

Financial Results

Management prepare monthly accounts which are provided to the Directors as part of the Board Report for review.

Unaudited half yearly summary reports are prepared for the Ashburton District Council.

The Company prepares Annual Accounts which are audited by Audit New Zealand. The directors review and sign the Annual Accounts which are incorporated in the Annual Report.

External Auditor

Section 70 of the Local Government Act 2002 requires that the Auditor General is the auditor of Council Controlled Organisations.

3. **OBJECTIVES**

The principal objectives of Ashburton Contracting Ltd are in accordance with section 59 of the Local Government Act 2002 to:

- a) be a successful business; and
- b) be a good employer; and
- c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- d) conduct its affairs in accordance with sound business practice.

4. NATURE AND SCOPE OF ACTIVITIES

The nature of the Company's activities are that of a civil and roading contractor. Its activities include excavation, transport, construction, drainage, civil works, pipeline installation and surfacing (chip sealing/hotmix).

The company manufactures hotmix and readymix concrete.

The company has a vehicle repair workshop which services internal and external customers.

The company carries out quarrying and the supply of aggregates and landscaping products.

The company maintains water, sewer and wastewater facilities.

The company is a partner in the Lake Hood Extension Project (LHEP) joint venture.

The company supplies goods, materials, services and equipment for sale or hire.

The company engages in any other relevant activity as determined by the directors in consultation with the Shareholder from time to time.

5. RATIONALE AND OBJECTIVES FOR ASHBURTON DISTRICT COUNCIL OWNERSHIP

The rationale for the ongoing ownership of the Company in terms of contributing to the Ashburton District Council Long Term Plan is:-

- a) To ensure local capacity and capability to undertake civil works, particularly focused on infrastructure.
- b) To promote competition in the district for civil construction and maintenance activities.
- c) To form part of a balanced portfolio of Council investments.
- d) To provide a commercial rate of return on the Council's investment.

6. **PERFORMANCE MEASURES**

- a) Budgeted profit before tax for ACL Parent is achieved. ACL Parent excludes LHEP.
- b) The annual rate of return on ACL Parent average shareholder's funds will be a *target* of 12% before tax based on the rolling average of the last 5 years (excluding any subvention payments and the before tax profit or loss relating to the LHEP).
- c) The Company will maintain its ISO 9001 certification.
- d) The Company will comply with the Resource Management Act.
- e) The Company will ensure business management procedures and practices meet with the requirements of the Auditor such that the Company receives an unqualified audit report of its annual Financial Statements.
- f) The Company will (a) maintain its ISO 45001 Health and Safety accreditation and (b) strive to reduce its lost time injury frequency rate year upon year.
- g) The Company will achieve its annual budgeted external revenue.
- h) The Company will achieve ISO 14001 Environmental accreditation.

7. LAKE HOOD EXTENSION PROJECT (LHEP) POLICY

The Company will actively participate in and manage the performance of its investment in the Lake Hood Extension Project and report on its progress in the Notes to the Financial Statements of the Annual Report.

8. FINANCIAL FORECASTS

The budget projection for the year ending 30 June 2021 and forecast projections for each of the years ending 30 June 2022 and 30 June 2023 will be disclosed to the shareholder, on a confidential basis, in a timely manner to enable the Council to incorporate this information in its Annual Plan.

9. RATIO OF EQUITY TO TOTAL ASSETS

- a) Equity is defined as the paid up capital, plus any tax paid profits earned and less any dividends distributed to shareholders. They include undistributed profits which have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves".
- b) Total Assets are defined as the sum of all current assets, investment assets and fixed assets of the Company.
- c) The ratio of Equity to Total Assets will be no less than 50%.

10. DIRECTORS' ESTIMATE OF THE COMPANY VALUE

The Directors estimate that the commercial value of the shareholder's investment in Ashburton Contracting Ltd will be represented by the opening balance of Equity.

11. REPORTING TO SHAREHOLDER

The Company will report to the Shareholder on both a regular basis and as and when necessary. The following information will be available to the shareholder based on an annual balance date of 30 June:

11.1 Draft Statement of Intent

The directors shall deliver to the shareholder a Draft Statement of Intent on or before 1 March each year which fulfils the requirements of section 64 of the Local Government Act 2002.

5

11.2 Completed Statement of Intent

The directors shall deliver to the shareholder a completed Statement of Intent on or before 30 June each year, which fulfils the requirements of section 64 of the Local Government Act 2002.

11.3 Reporting

Within two months after the end of the first half and the second half of each financial year, the Directors will meet with the shareholder and deliver to the Shareholder, a report containing the following unaudited information as a minimum in respect of the period year under review:

- a) An Income Statement disclosing actual and budgeted revenue and expenditure and comparative figures for the same period in the previous financial year.
- b) A Statement of Changes in Equity with comparative figures for the same period in the previous financial year.
- c) A Balance Sheet period with comparative figures for the same period in the previous financial year.
- d) An abbreviated Statement of Cash Flows with comparative figures for the same period in the previous financial year.
- e) A commentary on the results for the period under review. Where the Report is in respect of the first six months, the report will contain an outlook for the second six months with reference to any significant factors that are likely to have an effect on the Company's performance, including an estimate of the financial result for the year based on that outlook.
- f) Commentary on the Company's performance with regard to Health and Safety including appropriate graphical information on the Company's performance and KPIs.

11.4 Quarterly Reports

In addition, an abbreviated report, content to be agreed between the Board and the Ashburton District Council to maintain an overview on the Company and its operations, be provided at quarterly intervals between the half yearly report and the annual report.

11.5 Annual Report

Within three months of the end of each financial year, the Directors shall deliver to the Shareholder, an Annual Report which shall contain audited Financial Statements in respect of the financial year, containing the following information as a minimum:

- a) A Directors' Report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.
- b) An Income Statement disclosing actual and budgeted revenue and expenditure with comparative figures from the previous Annual Report.
- d) A Statement of Changes in Equity at the end of the year with comparative figures from the previous Annual Report.
- e) A Balance Sheet at the end of the year with comparative figures from the previous Annual Report.
- f) A Statement of Cash Flows with comparative figures from the previous Annual Report.
- g) An auditor's report on the above statements and the measurement of performance in relation to objectives.

12. ACCOUNTING POLICIES

The accounting policies adopted for Ashburton Contracting Limited are documented in Appendix 1. Note: NZIFRS 16 is due for implementation for the 30 June 2020 Annual Accounts.

13. **DIVIDEND POLICY**

- 13.1 The Company will, subject to the directors having completed a solvency certificate and discussion with the Council, distribute by way of dividend the expected 50% of the ACL Parent Company's operating surplus after tax.
- 13.2 The ACL Parent Profit after Tax excludes any realised capital gains/losses, revaluation movements and any after tax profits/losses arising from the LHEP.

14. CHARITABLE GIFTS POLICY

- 14.1 The Company may make charitable gifts to qualifying entities in terms of the 2007 Income Tax Act. Qualifying entities are those entities which are not carried on for private pecuniary profit and whose funds are wholly applied to charitable, benevolent, philanthropic or cultural purposes within New Zealand. The limit of the gifts is the level of taxable income for the Company. Charitable gifts for less than \$20,000 in total in any one financial year will not require prior formal approval of the Ashburton District Council.
- 14.2 Any charitable gift in excess of \$20,000 must have the formal agreement of the Company Directors and the Ashburton District Council regarding the recipient qualifying entity, the project and the amount of the gift.

15. PROCEDURES FOR ACQUISITION OF INTERESTS IN OTHER COMPANIES OR ORGANISATIONS

- 15.1 As a general policy, any proposed investment by the Company in other companies or organisations will be required to meet the weighted average cost of capital (WACC) of the proposed investment(s).
- 15.2 If the directors believe that the Company should invest in, or otherwise acquire, an interest in another company or organisation, the directors will obtain prior approval of the shareholder by special resolution.

16. SALES OF GOODS/ SERVICES TO LOCAL AUTHORITIES

- 16.1 The Company will provide goods and services to the Ashburton District Council as part of its normal business activities. These goods and services shall be charged for on a commercial basis.
- 16.2 Ashburton Contracting Limited, under any contract with Ashburton District Council, will be required to meet levels of service determined by the Council.

Appendix I

ACCOUNTING POLICIES

Significant Accounting Policies

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

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

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

Statement of Compliance

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

The Company qualifies as a Tier 2 for-profit reporting entity on the basis that it does not have public accountability and is not a large for-profit public sector entity with annual expenditure under \$30 million. The Company has elected to report under the reduced disclosure regime. The Company has in some cases chosen to include information within its accounts used for the financial reporting requirements of its parent.

Basis of Preparation

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

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

The preparation of financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments 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.

Financial Instruments

Classification and Measurement

Trade receivables and other current financial assets, previously classified as loans and receivables, are classified as subsequently measured at amortised cost as at the date of initial application of NZ IFRS 9 Financial Instruments.

Investments are classified and measured at fair value through profit or loss.

Impairment

Impairment losses for financial assets use the expected credit loss (ECL) approach. NZ IFRS 9 requires the Company to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss and contract assets.

Property, Plant and Equipment

Owned Assets

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

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

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

Subsequent Costs

Further expenditures are added to cost only if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the 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. Land is not depreciated.

The estimated useful lives are as follows:

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

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

Intangible Assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Amortisation of intangible assets with a finite life is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life of software is three to ten years.

Inventories

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

Revenue from contracts with customers

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

Civil construction and contracting

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

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

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

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

Rendering of services

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

Production and sale of goods

The Company earns revenue from the sale of goods, including ready-mix concrete and aggregates.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery. Payment is generally due based on standard 30-day trading terms.

Contract assets, contract liabilities and trade receivables

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

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

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

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

Warranties

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

Cash and Cash Equivalents

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

Investments

Other Investments

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

Advances and other financial assets at amortised cost

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

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

Joint Venture

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

Impairment of non-financial assets

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

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

Reversal of Impairment

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

Income Tax

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

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

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

Employee Entitlements

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

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

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

Expenses

Operating Lease Payments

Payments made under operating leases are recognised in profit or loss in the period in which they are incurred.

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 Pavables

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

Provisions

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

Loans

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

Goods and Services Tax (GST)

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

New Accounting Standards

NZIFRS 16 Leases. This comes into force in relation to the reporting period ending on or after 1 January 2019. This will be applicable to the 30 June 2020 reporting period. The Company has commenced its analysis of the requirements for IFRS 16.