Ashburton Contracting Limited

ANNUAL REPORT

YEAR ENDED 30 JUNE 2023

Ashburton Contracting Limited

Our Vision:

YOUR FIRST CHOICE FOR CUSTOMERS, COMMUNITY AND PEOPLE

Our Values:

We Care
- Customers
- Community
- People

We Grow
- People
- Capability
- Experience

We Deliver
- Quality
- Knowledge
- Innovation

ANNUAL REPORT
THE YEAR ENDED 30 JUNE 2023

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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

PERFORMANCE REPORT
For the Financial Year Ended 30 June 2023

It is with pleasure we present the Annual Review for the year ended 30 June 2023.

The company has followed last year's record result with its second-best year in its history, completing the financial year ended 30 June 2023 with a Parent pre-tax profit of $4.678m. This compares with last year's pre-tax profit of $5.547m. When taking in account the share of the loss in our Associate, LHEP, the company made an overall profit before tax of $4.407m compared with last year's pre-tax profit of $7.123m. The high levels of activity in 2022 continued through into 2023.

Total revenue for 2023 was $47.296m compared with last year's of $50.288m which is down $2.992m or 6% on last year. 2022 revenue was up $10.695m or 27% over the 2021 year. Key comments on our activities are as follows:

- Our civil contracting divisions in Ashburton and Rolleston have experienced a reduction in revenue on last year with subdivison work underpinning our activity. Last year's higher turnover was supported by leveraging off subcontractors. Profitability has improved marginally.

- Sealing revenue was lower than last year. The Company negotiated a further separable portion of the 2020/22 ADC Reseals Contract. The income from this contract was lower than previous years with cost increases particularly in bitumen. In 2022 we had carried out sealing work in South Canterbury and McKenzie regions which did not eventuate to the same extent this year.

- Drainage has had a strong year with a number of projects being carried out for the ADC including Water and Sewer renewals along with work for the head contractor on the Methven Water Treatment Plant. We have built a very good and experienced Drainage team over the last two or three years as a result of the contracts that we have carried out.

- The Company's Rural division carried out a very significant project for Ministry of Primary Industries cleaning down the ANZCO Five Star feedlot following the discovery of Mbovis. This project was put together at short notice and ran very smoothly. Following completion of this work we laid further Cement Treated Basecourse (CTB) to improve pens and laneways. CTB was also laid at our Dobson St yard and at Range St improving access and reducing transmission of dirt and dust into the workshop.

- Ashburton District Three Waters Contract: This is the third year of this contract which commenced on 1 July 2020 and is now a nine year contract with some enhanced performance obligations.The Company is meeting the contract KPIs. There was a great deal of uncertianty around Three Waters with drafted legislation potentially taking local body owned maintenance providers into the Three Waters entities with no compensation to the COCC. Sense prevailed with COCC's maintaining their assets and contracts.

- Our Readymix Concrete division volume is back on last year. There have been fewer large commercial pours during the year. Rising aggregate and cement prices along with other operating costs have seen four increases in concrete prices betweem May 2022 and July 2023.

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For the Financial Year Ended 30 June 2023

- Our Ashburton and Timaru Workshop businesses revenues have lifted in the last year with an improved result for the year. The market for technicians and support staff remains competitive with constant pressure on wage rates.
  Isuzu and Scania service agreements underpin volumes in our workshops although we service and repair a wide variety of makes in the market, providing a diversity of income.

Staff

Staff numbers have remained consistant with last year with 154 at the end of the period compared with 151 last year. Staff have continued to move around with low unemployment rates and skill shortages giving opportunities in the market. This has also flowed through to upwards pressure on pay rates along with cost of living expectations. The Company paid $12.756m in wages and salaries and employment related costs including kiwisaver during the year. The Company provided a $300 grocery voucher to all our staff in recognition of their contribution to our performance in relation to the financial year.

The Company recognised that it was seeing signicant staff churn over the last two to three years as a result of very low levels of unemployment and lack of skills in the market driving pay rates and conditions enticing staff to move around. As a result of this, we needed to be focused on our people management and human resourses strategy to focus on and improve staff retention. We have now implemented a Human Resources Strategy Plan that was adopted by the Board last year. As part of this review, the Company carried out a comprehensive "Ask Your Team" survey of our people with an exceptional 83.1% response rate and an overall score of 66% which compares to external benchmarking of 65%. This has identified areas to foucus our strategy on. The over-arching objective is to improve staff retention rates.

COVID

Covid has become far less of an issue in 2023 with cases declining in the second half of the year. There were 63 cases in 2023, with 47 in the first half of the year and 16 in the second half with 11 reinfections overall. The Company observes government protocols.

Capital Expenditure

The Company continues to invest in its capital assets. The company spent $2.425m in 2023 (2022: $2.452m) and realised $0.140m in asset sales. Major asset purchases included a new Isuzu concrete truck $270k, Iveco truck $192K, Skidsteer with GPS control $186k, Wheelie excavator $247k, new Weighbridge $103k and yard improvements at Dobson St $107k and Range St $174k. There are still long lead times for delivery of equipment with a truck and trailer that we ordered in March 2023 being delivered in October 2023. This is a result of truck deliveries and space at the constructors.

PERFORMANCE REPORT

For the Financial Year Ended 30 June 2023

Cash

The Company has had a net cash reduction of $0.365m (2022: $1.972m) during the year, finishing with a closing cash balance of $3.083m (2022: $3.448m) in funds with an additional $2.0m on Term Deposit. The Company generated $1.143m in cash from operations and repaid $0.116m in loans which are at fixed rates through to 2026. A final dividend in respect of the 2022 financial year of $1.200m was paid in November 2022 and an interim dividend in respect of 2023 of $300k in March 2023. The Company recieved $4.162m from Lake Hood Extension Project from the sale of Stage 14 lots and The Lakehouse Restaurant. We will be required to provide funding back to the JV in March 24 for the settlement of land purchased from ADC in December 22 and funding of Stage 15 development (when confirmed).

The Company has paid $1.0m in provisional tax after balance date 2022 year during the year. A tax payment of $1.970m was made in July 22.

Dividends

The Company has determined its final dividend for the 2023 financial year of $1.384m to be paid in November 2023.

The company has paid an interim dividend of $300k in March 2023.

Lake Hood Extension Project

The joint venture had a loss for the year of $0.720m, ACL's share being $0.271m. The joint venture settled two lots from Stage 14 and completed the sale of the Lakehouse Restaurant plus an adjoining piece of land to the Ashburton Aquatic Park Charitable Trust during the year resulting in a gain $0.897m. No other development has taken place in the year. An impairment of $1.055m (2022: $0.092m write up) has been recognised in the year following independent valuation of the development lots. These valuations have fluctuated markedly over the last few years with changing demand for development land.

The JV distributed $11.071m to its participants during the year.

The joint venture continues to manage Lake Hood on behalf of the Ashbuton District Council under a management agreement with further work being carried out to move this back to the ADC.

The JV has an unconditional agreement to purchase 10.76ha of land from the Ashburton District Council for the future development of Stage 15 (72 lots). A deposit has been paid with the balance due in March 2024. A subdivision application has been made to the ADC although timing of the development is not yet confirmed.

PERFORMANCE REPORT
For the Financial Year Ended 30 June 2023

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 0.7 LTI's per 100,000 hours worked. At the end of the 2023 year we had 4 LTI's which gave an LTFR rate of 1.3 on 300,530 hours worked. This compares with 30 June 2022 where 288,925 hrs were worked and we had 2 LTI's. The second is a year-on-year reduction in the Medical Treatment Injury Rate (MTIR). This was 1.7 injuries per 100,00 hours worked last year. In the current year we achieved 2.7 MTI's per 100,000 hours worked. Overall the Company reported 114 incidents for the year compared to 147 in the prior year. The Company is very focused on protecting our employees and the public. We have added a further person into our health and safety team to enhance its operations.

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. The Company was very pleased to donate $20,000 to support the Staveley Hall in its construction of the new Staveley Ice Rink. Other sponsorships include Mid Canterbury JAB Rugby, Mid Canterbury Netball, Cancer Society, Canterbury Westpac Helicopter Rescue, Plains Railway, Mid Canterbury Tennis, Mid Canterbury Athetics 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. The Company is currently working on Solar Power options for Range St and introduction of lower carbon flyash to substitute cement in our readymix plant. The Company is is a high user of diesel and while there is lot of development going on, we have still not seen practical options in relation to our plant and truck fleet. We have purchased a hybrid SUV and assess the opportunity when it arises for other vehicles.

Future Prospects

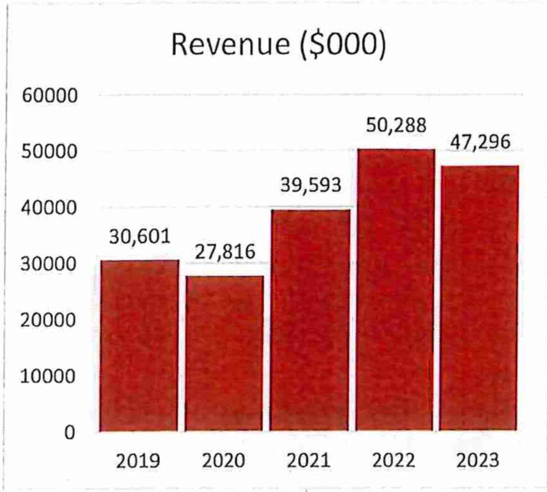
Our commentary from 2022 is still valid where we are in an environment with high degrees of economic uncertainty highlighted by technical ressessions in the economy driven by rising interest rates, high levels of inflation, low unemployment, high government debt and much reduced farming incomes. The Company has a reasonable order book for construction through to the end of calendar 2023, and part way into 2024. The Company has budgeted for a profit for the 2024. Key risks sit with the subdivision market particularly in Ashburton and the ADC Reseals Contract going to tender this year. The Company sees that the preservation of cash while maintaining capability is important in this environment.

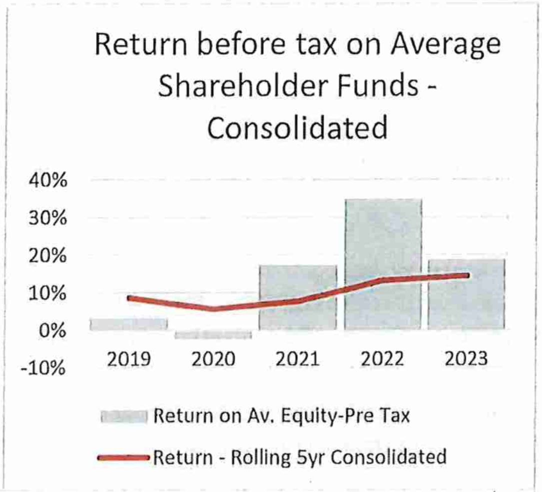
The Directors acknowledge the significant workload that has occurred across the business in the last year by people at all levels of the organisation.

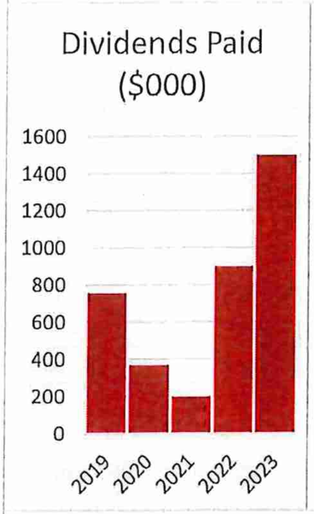
The Directors thank all staff for their efforts in the last year and their continued loyalty in the current environment.

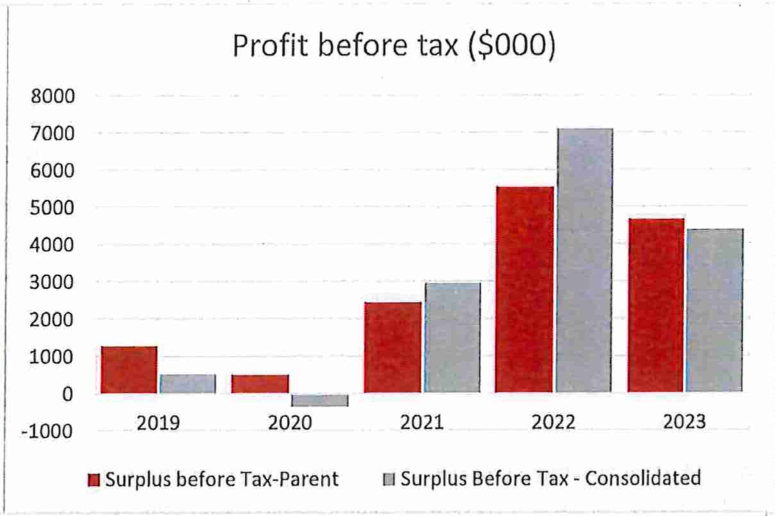
Alister Lilley	Gary Casey
Chairman	Chief Executive Officer
26-Sep-23	

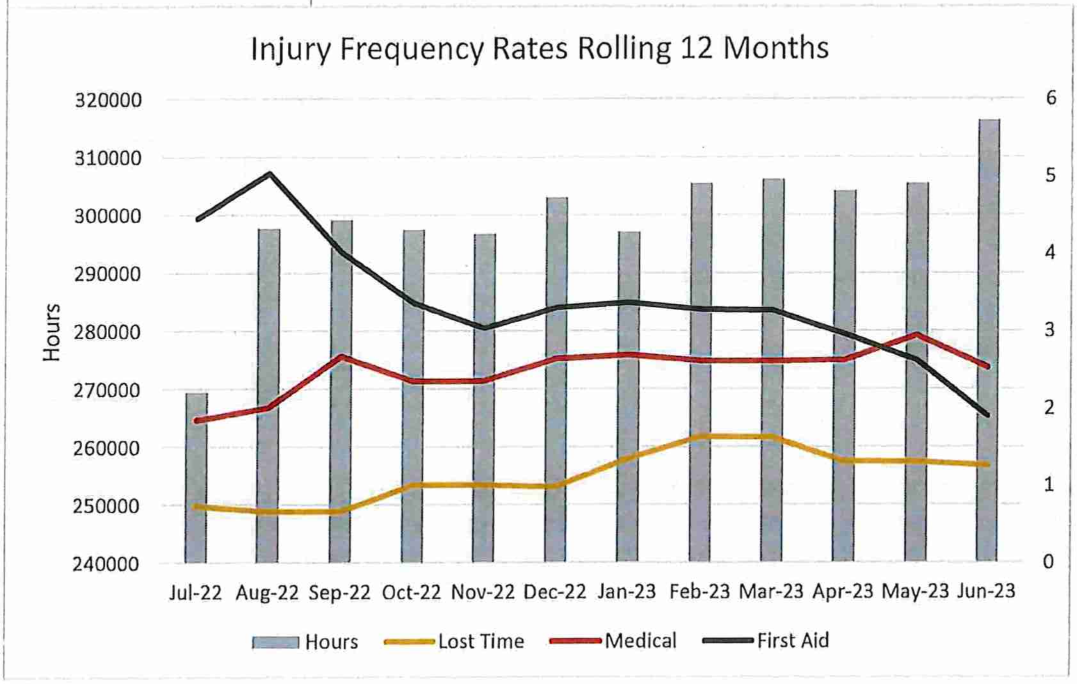
REVIEW OF OPERATIONS











DIRECTORS' REPORT
THE YEAR ENDED 30 JUNE 2023

The Directors present their Annual Report for the year ended 30 June 2023 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 2023 is as follows:

		Change	2023 $000's	2022 $000's
Total Assets	-	0.64%	38,586	38,836
Were financed by:				
Equity	+	7.24%	24,060	22,435
Liabilities	-	11.43%	14,526	16,401
			38,586	38,836

Dividends

The Company paid a fully imputed interim dividend in respect of the 2023 financial year of $300,000 in March 2023 and a fully imputed final dividend for 2022 in November 2022 of $1,200,000, bringing total dividends paid in the financial year to $1,500,000. The Company will pay a final dividend in respect of 2023 year of $1,384,000.

Directors and remuneration are as follows:	2023 $000's	2022 $000's
A Lilley (Chairman)	70	68
D Prendergast	35	34
B S Warren (Retired 31/10/2021)	-	11
D R Cusack (Appointed 01/02/2022)	35	15
R A Pickworth	35	34
A D Barlass	35	34
	210	196

Directors Insurance

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

DIRECTORS' REPORT
THE YEAR ENDED 30 JUNE 2023

Donations

Donations for the financial year ended 30 June 2023 totalled $23,621 (2022: $10,000).

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.

Remuneration of Employees

Remuneration bands for employees earning over $100,000 in the 30 June 2023 are as follows:

	2023	2022
$100,000 to $109,999	11	3
$110,000 to $119,999	2	3
$120,000 to $129,999	3	4
$130,000 to $139,999	4	3
$140,000 to $149,999	3	1
$150,000 to $159,999	3	1
$160,000 to $169,999	1	1
$170,000 to $179,999	1	-
$200,000 to $209,999	-	1
$220,000 to $229,999	1	-
$240,000 to $249,999	-	1
$250,000 to $259,999	1	-
$420,000 to $429,999	-	1
$490,000 to $499,999	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 20, 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 $95,023 (2022 $75,337)

No other services were purchased from Audit New Zealand (2022 $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-Retired October 2021) 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.

DIRECTORS' REPORT
THE YEAR ENDED 30 JUNE 2023

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

For and on behalf of the Board

Director ______________________ Director ______________________

Date 26 September 2023

DIRECTORS' INTERESTS

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

Alister Stewart Lilley	Appliance Connexion Limited
	Cass Street Prioperties Limited
	Electraserve Limited
	Havelock Holdings Limited
	Score Pos Limited
	Smith & Church Appliances Limited
	Westpark Office Solutions Limited (Removed 31 Jan 2023)
Darcy Prendergast	Advanced Maintenance Limited
	Ashburton Tree Topping Limited
	Road Markers Otago Limited
	Spray Marks Road Marking Limited
	Traffic Management Services New Zealand Limited
Ross Anthony Pickworth	Burwood Resource Recovery Park Limited (ceased 31/05/2022)
	ElectroNet Services Ltd (ceased 18/08/2023)
	ElectroNet Technology Ltd (ceased 18/08/2023)
	ElectroNet Transmission Ltd (ceased 18/08/2023)
	Industrial Controls South Canterbury Ltd
	McLenaghan Contracting Limited
	Mitton ElectroNet Ltd (ceased 18/08/2023)
	Pipeline and Civil Limited
	Pipeline Group Ltd
	PLC Plant Limited
	Transwaste Canterbury Ltd
	West Oak Trading Ltd
	Westpower Ltd (ceased18/08/2023)
	Westroads Ltd
	Whitestone Contracting Ltd
Andrew David Barlass	Ashburton Trading Society "Ruralco" (ceased 21/08/2023)
	ATS Fuel Limited (ceased 21/08/2023)
	Christchurch International Airport Limited
	Electricity Ashburton Limited
	Kowhai Barlass Trustee Limited
	Kowhai Farmlands Limited
	Pro-Active NZ Limited (ceased 21/08/2023)
	Ruralco NZ Limited (ceased 21/08/2023)

Darin Ronald Cusack	Absolute Solutions Group Limited
	Airways Corporation of NZ Limited
	Airways International Limited
	Auckland One Rail Limited
	Auckland Transport Limited (Independent Chair)
	Canterbury Cricket Association
	CSC Group Limited (Partner)
	Dunedin International Airport Limited
	Hawkes Bay Airport Limited
	Hawkes Bay Airport Construction Ltd
	YHA New Zealand Limited

Statement of Accounting Policies and Disclosures for Financial Year 2023

Reporting Entity

Ashburton Contracting Limited (the "Company") is a Tier 1 for-profit 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, Local Government Act 2022, 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).

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.

Statement of Accounting Policies and Disclosures for Financial Year 2023

New and amended standards and interpretations

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.

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

Statement of Accounting Policies and Disclosures for Financial Year 2023

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.

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.

Statement of Accounting Policies and Disclosures for Financial Year 2023

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

<u>Civil construction and contracting</u>

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.

<u>Rendering of services</u>

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.

<u>Production and sale of goods</u>

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.

Statement of Accounting Policies and Disclosures for Financial Year 2023

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 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.

Term Deposits

Term Deposits are recorded at cost at the time of investment and where interest is compounded then this is added to the Term Deposit when credited.

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.

Statement of Accounting Policies and Disclosures for Financial Year 2023

Income Tax

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

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

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

Employee Entitlements

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

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

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

Net Financing Costs

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

Trade and Other Payables

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

Provisions

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

Loans

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

Goods and Services Tax (GST)

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

Statement of Accounting Policies and Disclosures for Financial Year 2023

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.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
Revenue	1	47,296	50,288
Trading Expenses	2	(38,965)	(41,260)
Gross Profit		8,331	9,028
Other Operating Income		230	242
Administrative Expenses	2	(3,511)	(3,163)
Operating Profit before Financing Costs		5,050	6,107
Financial Income	3	158	8
Financial Expenses	3	(530)	(568)
Net Financing Costs		(372)	(560)
Parent Operating Profit		4,678	5,547
Share of Joint Venture Surplus/(Deficit)	27	(271)	1,576
Profit before Tax		4,407	7,123
Income tax Expense	4	(1,241)	(1,960)
Profit after Tax		3,167	5,163
Other Comprehensive Income			
Fair Revaluation Gain/(Loss) on Land and Buildings	5	(24)	121
Deffered Tax on Revaluation of Buildings	4	(18)	(29)
Other Comprehensive Income for the Period after Tax		**(42)**	**92**
Total Comprehensive Income		**3,125**	**5,255**

The accompanying notes and policies form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
Equity at the start of the year		22,435	18,080
Profit for the Period		3,167	5,163
Other Comprehensive Income		(42)	92
Total Comprehensive Income for the Period		3,125	5,255
Dividends Paid		(1,500)	(900)
Equity at the end of the year	14	24,060	22,435

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		Notes	2023 $'000	2022 $'000
ASSETS				
	Non-Current Assets			
	Property, Plant & Equipment	5	14,135	13,232
	Right of Use Assets	6	5,741	5,647
	Participation in Joint Venture	27	2,079	6,513
	Investment	8	10	10
	Intangibles	9	107	103
	Goodwill	28	488	488
			22,560	25,993
	Current Assets			
	Cash & Cash Equivalents	10	3,084	3,449
	Term Deposits	11	2,000	-
	Receivables & Prepayments	12	6,819	4,729
	Inventories	13	2,440	2,587
	Contract assets	29	1,683	2,078
			16,026	12,843
	TOTAL ASSETS		38,586	38,836
EQUITY				
	Share Capital	14	4,500	4,500
	Retained Earnings	14	17,511	15,844
	Capital Reserve	14	372	372
	Revaluation Reserve	14	1,677	1,719
			24,060	22,435
LIABILITIES				
	Non-Current Liabilities			
	Provision for Employee Entitlements	16	63	45
	Lease Liability	7	5,848	5,839
	Term Loans	17	1,577	1,698
	Deferred Tax Liability	4	580	613
			8,068	8,195
	Current Liabilities			
	Bank Overdraft	10	1	1
	Provision for Employee Entitlements	16	1,262	1,319
	Lease Liability – Current Portion	7	450	214
	Term Loans – Current Portion	17	121	116
	Accounts Payable & Accruals	18	3,706	4,554
	Tax Payable	4	919	2,002
			6,459	8,206
	TOTAL LIABILITIES		14,526	16,401
	TOTAL EQUITY & LIABILITIES		38,586	38,836

The accompanying notes and policies form part of the financial statements

The financial statements were approved and authorised for issue on 26 Spetember 2023
for and on behalf of, the Board:

Director ____________________

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
Cash Flows from Operating Activities			
Cash receipts from customers		45,988	49,710
Cash paid to suppliers and employees		(41,517)	(41,623)
Cash generated from operations		4,471	8,087
Income taxes paid		(2,381)	(620)
Interest Paid		(83)	(120)
Interest Paid Lease Liability		(447)	(452)
Net GST movement		(417)	(193)
Net Cash from Operating Activities	23	1,143	6,702
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		140	325
Interest received		158	8
Acquisition of property, plant & equipment		(2,126)	(2,645)
Acquisition of intangibles		(44)	(27)
Purchase of ANZ Bank Term Deposit		(2,000)	-
Cash Distributions from LHEP		4,162	-
Dividends Received		66	62
Net Cash from Investing Activities		356	(2,277)
Cash Flows from Financing Activities			
Repayment of borrowing		(116)	(2,136)
Proceeds from borrowing		-	814
Lease Liability		(248)	(230)
Dividends paid		(1,500)	(900)
Net Cash from Financing Activities		(1,864)	(2,452)
Net Increase/(Decrease) in Cash & Cash Equivalents		(365)	1,973
Add Opening Cash & Cash Equivalents brought forward		3,448	1,475
Closing Cash & Cash Equivalents carried forward	10	3,083	3,448

The accompanying notes and policies form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue from contracts with customers

	2023	2022
	$'000	$'000
Disaggregated revenue information		
Type of good or service		
Construction and contracting	20,578	27,165
Rendering of services	18,079	13,975
Production and sale of goods	8,639	9,148
Total revenue from contracts with customers	47,296	50,288

2 Trading & Administration Expenses

	2023	2022
	$'000	$'000
Trading Expenses		
Materials and consumables	15,949	17,430
Net loss on sale of property, plant & equipment	53	2
Short term & low value leases	78	77
Personnel expenses	10,940	10,297
Other trading expenses	11,945	13,454
Total Trading Expenses	38,965	41,260
Administration Expenses		
Audit fees	95	75
Directors fees	210	196
Bad debts	-	7
Short term & low value leases	4	3
Personnel expenses	1,816	1,435
Other administrative expenses	1,386	1,447
Total Administration Expenses	3,511	3,163
Personnel Expenses included in Trading and Administration Expenses		
Wages and salaries	12,411	11,438
Contributions to defined contribution plans	15	14
Contributions to Kiwisaver	319	283
Increase/(decrease) in liability for long service leave	11	(3)
Total Personnel Expenses	12,756	11,732

3 Net Financing Costs

	2023	2022
	$'000	$'000
Interest income	158	8
Interest expense	(83)	(116)
Interest expense on lease liabilities	(447)	(452)
Net Financing Costs	(372)	(560)

4 Taxation

	2023 $'000	2022 $'000
Imputation credits available for use in subsequent periods	6,828	5,494

Reconciliation of effective tax rate

	2023 $'000	2022 $'000
Profit before tax	4,407	7,123
Tax @ 28% (2020: 28%)	1,234	1,994
plus/(less) tax effect of:		
Non-deductible expenses/(non-taxable gains)	5	-
Temporary differences not previously recognised	(1)	
Reversal of Prior Year Overprovision	(2)	(34)
Tax Credits	5	-
Income tax expense reported in profit and loss	1,241	1,960

Recognised in the income statement

	2023 $'000	2022 $'000
Current year tax payable	1,322	2,220
Relating to origination/reversal of temporary differences	(79)	(226)
Deferred Tax Prior Year Adjustment	(30)	(23)
Overprovision of Prior Year Tax	28	(11)
Total income tax expense in the income statement	1,241	1,960

Amounts charged or (credited) through Other Comprehensive Income

	2023 $'000	2022 $'000
Revaluation of property, plant & equipment.	18	(29)
	18	(29)

Movement in tax payable / (refund)

	2023 $'000	2022 $'000
Balance at the start of the year	(2,002)	(416)
Taxation paid / (refunded)	2,376	623
(Overprovision)/under provision prior year	11	11
Provided for this year	(1,304)	(2,220)
Balance at the end of the year-(payable)/refund due	(919)	(2,002)

Deferred Tax assets/(liabilities)

2023	Opening Balance	Recognised in Income	Recognised in Other Comprehensive Income	Other	Closing Balance
	$'000	$'000	$'000	$'000	$'000
Plant, Property & Equipment	(820)	19	(18)	-	(819)
Employee Benefits	259	(27)	-	-	232
Retentions	(235)	(17)	-	-	(252)
Capitalised Interest	(182)	1	-	-	(181)
Provisions	254	36	-	-	290
Intangible Assets	(4)	(2)	-	-	(6)
Finance Leases	114	43	-	(1)	156
Other	1	(1)	-	-	-
	(613)	52	(18)	(1)	(580)

2022	Opening Balance	Recognised in Income	Recognised in Other Comprehensive Income	Other	Closing Balance
	$'000	$'000	$'000	$'000	$'000
Plant, Property & Equipment	(795)	(14)	(11)	-	(820)
Contract Assets	212	47	-	-	259
Employee Benefits	(232)	(3)	-	-	(235)
Retentions	(196)	14	-	-	(182)
Capitalised Interest	109	145	-	-	254
Provisions	(3)	(1)	-	-	(4)
Intangible Assets	71	43	-	-	114
Finance Leases	-	1	-	-	1
	(834)	232	(11)	-	(613)

5 Property, Plant & Equipment as at 30 June 2023

2023	Leasehold Improvement	Land & Buildings (Valuation)	Motor Vehicles	Plant	Office Equip	Total
	$'000	$'000	$'000	$'000	$'000	$'000
<u>Cost/Valuation</u>						
Opening Balance	1,177	2,335	16,457	7,314	561	27,844
Purchases	192	107	1,448	616	61	2,424
Transfers	-	-	-	-	-	-
Disposals	-	-	(775)	(247)	(36)	(1,058)
Valuations	-	(43)	-	-	-	(43)
Closing Balance	1,369	2,399	17,130	7,683	586	29,167
<u>Depreciation/Impairment Losses</u>						
Opening Balance	261	-	9,763	4,128	460	14,612
Depreciation for the year	78	17	741	406	75	1,317
Impairment Losses	-	-	(5)	(4)	-	(9)
Transfers	-	-	-	-	-	-
Valuations	-	(17)	-	-	-	(17)
Disposals	-	-	(628)	(207)	(36)	(871)
Closing Balance	339	0	9,871	4,323	499	15,032
<u>Carrying Amounts</u>						
At 30 June 2022	**916**	**2,335**	**6,694**	**3,186**	**101**	**13,232**
At 30 June 2023	**1,030**	**2,399**	**7,259**	**3,360**	**87**	**14,135**

2022	**Leasehold Improve-ment $'000**	**Land & Buildings (Valuation) $'000**	**Motor Vehicles $'000**	**Plant $'000**	**Office Equip $'000**	**Total $'000**
<u>Cost/Valuation</u>						
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	1,177	2,335	16,457	7,314	561	27,844
<u>Depreciation/Impairment Losses</u>						
Opening Balance	194	-	9,521	3,735	391	13,841
Depreciation for the year	67	20	857	436	74	1,454
Impairment Losses	-	-	(12)	9	-	(3)
Transfers	-	-	-	-	-	-
Valuations	-	(20)	-	-	-	(20)
Disposals	-	-	(603)	(52)	(5)	(660)
Closing Balance	261	-	9,763	4,128	460	14,612
<u>Carrying Amounts</u>						
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**

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.

<u>Valuation of Land and Building</u>

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 as it 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 2023. A 0.25% change in capitalisation rates makes a +/- $35k 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 & Improvements	2023	2022
	$'000	$'000
Land	38	38
Buildings and Improvements	541	455
Total	**579**	**493**

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 $0.034m (2022: $0.042m).

6 Right of Use Assets

ACL has contracts for various items of property, motor vehicles, plant and other equipment used 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 2022	5,567	49	-	30	5,647
Additions	197	-	-	-	197
Disposals	-	-	-	-	-
Adj. arising from lease modifications	295	-	-	-	295
Depreciation Expense	(358)	(28)	-	(12)	(398)
As at 30 June 2023	5,701	21	-	18	5,741
Carrying Amounts					
At 30 June 2022	**5,567**	**49**	**-**	**30**	**5,647**
At 30 June 2023	**5,701**	**21**	**0**	**18**	**5,741**

7 Lease Liability

ACL is committed to a total of $6,297,642 in all lease liability payments. The remaining time of property leases is between 2 and 17 years, vehicle leases have one year remaining and the printer/copier has one year remaining. During the financial year two new lease arrangements were secured; a lease at the Dobson Street site (5 years) and a new location in Rolleston (2 Years) - 167 Manion Road. The Range Street lease was price adjusted. 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
	$'000	$'000	$'000	$'000	$'000
As at 1 July 2022	5969	52	-	32	6,053
Leases added	197	-	-	-	197
Lease interest	443	2	-	2	447
Adj. arising from rent market review	295	-	-	-	295
Lease payments	(650)	(30)	-	(14)	(694)
As at 30 June 2023	6,254	24	-	20	6,298

Lease Liabilities	2023 $'000	2022 $'000
Opening Balance	6,053	6,283
Additions	197	-
Adj. arising from rent market review	295	-
Accretion of interest	447	452
Payments	(694)	(682)
Closing Balance	**6,298**	**6,053**
Current	450	214
Non-current	5,848	5,839
	6,298	**6,053**

Lease Liability Maturity (Future Payments)	2023 $'000	2022 $'000
Within 1 Year	738	651
2 - 5 Years	2,647	2,469
Greater than 5 Years	7,340	7,599
Total Future Payments	**10,725**	**10,719**

The following amounts are recognised in the Profit or Loss:	2023 $'000	2022 $'000
Depreciation expense of right-of-use assets	398	386
Interest expense on lease liabilities	447	452
Expenses relating to leases of low-value assets	84	80
Rent received on subleased right-of-use assets	(60)	(60)
Total amount recognised in the (Profit) or Loss	**869**	**858**

8 Investment

	2023 $'000	2022 $'000
Electricity Ashburton Limited - Shares (100 @ $1.00 each)	-	-
New Zealand Plumbers Merchants - Shares (10,000 @ $1.00 each)	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

2023	Software $'000	Resource Consents $'000	WIP $'000	Total $'000
Cost/Valuation				
Opening Balance	383	137	-	520
Purchases	30	14	-	44
Disposals	(11)	-	-	(11)
Closing Balance	402	151	-	553
Amortisation/Impairment				
Opening Balance	314	103	-	417
Amortisation for the year	31	9	-	40
Disposals	(11)	-	-	(11)
Closing Balance	334	112	-	446
Carrying Amounts				
At 30 June 2022	**69**	**34**	-	**103**
At 30 June 2023	**68**	**39**	-	**107**

2022	Software $'000	Resource Consents $'000	WIP $'000	Total $'000
Cost/Valuation				
Opening Balance	356	137	-	493
Purchases	27	-	-	27
Disposals	-	-	-	-
Closing Balance	383	137	-	520
Amortisation/Impairment				
Opening Balance	293	94	-	387
Amortisation for the 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**

10 Cash & Cash Equivalents

	2023	2022
	$'000	$'000
Bank Balances	458	401
Call Account and Till Floats	2,626	3,034
Retentions Account	-	14
Cash & Cash Equivalents	3,084	3,449
Bank Overdraft	(1)	(1)
Cash & Cash Equivalents in the Statement of Cash Flows	**3,083**	**3,448**

The Company has overdraft facilities with the ANZ Bank New Zealand Limited of $3,275,000 (2022: $3,275,000). The effective interest rate on call deposits was 1.10% to 3.75% (2022: 0.5% to 1.1%). The effective interest rate on overdraft facilities was 6.46% to 8.96% (2022: 4.46% to 5.46%). The Retentions account represents amounts held in relation to retentions due to sub-contractors under the Construction Contracts Act 2002.

11 Term Deposits

	2023	2022
	$'000	$'000
Term Deposits	2,000	-

The Deposits are as follows:

	Term	Maturity Date	Rate	Amount Invested
ANZ Term Deposit 00	180 Days	31/10/2023	5.35%	1,000,000
ANZ Term Deposit 01	270 Days	29/01/2024	5.40%	1,000,000

Term deposits are with the ANZ Bank Ltd, are not traded and are therefore not subject to market risk.

12 Receivables & Prepayments

	2023	2022
	$'000	$'000
Trade Accounts Receivable	5,803	3,734
Retentions	897	858
Prepayments	170	179
Sundry Debtors	17	-
	6,887	4,771
Allowance for expected credit losses on contract balances	(68)	(42)
	6,819	**4,729**
Trade Receivables ageing analysis		
Not past due	3,502	3,060
Past due 0-30 Days	709	414
Past due 31-120 days	361	169
Past due over 121 days	1,231	91
Total	**5,803**	**3,734**

Refer to note 19 for credit risk and liquidity risk of Receivables and Prepayments.

2023	Individually Impaired $'000	Expected Credit Losses $'000	Total $'000
Movements in Provision for Impairment of Receivables			
Opening Balance	12	30	42
Charge for the year	39	29	68
Utilised	-	-	-
Unused amounts reversed	(12)	(30)	(42)
Discount rate adjustment	-	-	-
Closing Balance	39	29	68

2022	Individually Impaired $'000	Expected Credit Losses $'000	Total $'000
Movements in Provision for Impairment of Receivables			
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	12	30	42

13 Inventories

	2023 $'000	2022 $'000
Aggregates	1,179	1,029
Cement	16	11
Civil	3	4
Contract Inventory	111	440
Fuel	35	37
Services/Plumbing	267	256
Sealing	25	56
Workshops	804	754
Total Inventories	**2,440**	**2,587**

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 $491,520 (2022: $309,821) in respect of write downs of inventory to net realisable value, which mainly relates to workshop stock.

14 Equity

	2023 $'000	2022 $'000
Share Capital		
4,500,000 issued and paid up ordinary shares at incorporation	4,500	4,500
	4,500	4,500
Retainned Earnings		
Balance at the start of the year	15,844	11,585
Net Profit after tax	3,167	5,163
Less Dividends Paid	(1,500)	(900)
Less Transfer to Capital Reserve	-	(4)
Balance at the end of the year	17,511	15,844
Capital Reserve*		
Balance at the start of the year	372	369
Realised gain on sale of property, plant and equipment	-	3
Balance at the end of the year	372	372
Land & Buildings Revaluation Reserve		
Balance at the start of the year	1,719	1,626
Disposals	-	-
Revaluation of Land & Buildings	(24)	121
Deferred Tax on Buildings	(18)	(28)
Balance at the end of the year	1,677	1,719
TOTAL EQUITY	**24,060**	**22,435**

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

ACL has 4,500,000 authorised, issued and fully paid shares, with $1.00 value each. All shares carry the same voting rights. None of the shares carry fixed dividend rights. No new shares were issued.

15 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.

16 Provision for Employee Entitlements

Annual leave, Long Service Leave, Sick Leave and Gratuities

	2023 $'000	2022 $'000
Current Portion	1,262	1,319
Non-Current Portion	63	45
	1,325	**1,364**

17 Term Loans

ANZ Bank New Zealand Ltd	Interest Rate	Maturity	2023 $'000	2022 $'000
Loan No. 1026 Fixed	4.94%	14-Aug-26	1,000	1,000
Loan No. 1030 Fixed	4.41%	14-Aug-26	698	814
Total Term Loans			**1,698**	**1,814**

Repayment Periods			
Less than six months	Current	60	57
Six to twelve months	Current	61	59
One to two years	Term	259	248
Two to five years	Term	1,318	1,450
		1,698	**1,814**

Debt Liability Reconciliation		
Debt at beginning of the year	1,814	3,137
Interest charged	83	111
Payments made including interest	(199)	(1,434)
Debt at end of the year	**1,698**	**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.

18 Accounts Payable & Accruals

	2023 $'000	2022 $'000
Trade Payables	2,848	3,828
Retentions	-	25
	2,848	3,853
Accruals for defects liability	545	564
Customer Deposits Received	22	-
Other payables & GST	291	137
	3,706	**4,554**

19 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 is 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.

	2023	2022
	$'000	$'000
Contract assets	1,683	2,078
Cash and Cash Equivalents	3,083	3,448
Term Deposits of > 3 months duration	2,000	-
Trade Accounts Receivable and Other Receivables	6,819	4,729
	13,585	**10,255**

Concentration of Credit Risk

The Company is exposed to concentration of credit risk in respect of accounts receivable balances including retentions. The risk on amounts due from accounts receivable balances is considered minimal, no collateral is held on these amounts. Significant accounts receivable balances greater than $100,00 net of GST are listed below:

		2023	2022
		$'000	$'000
Camrose Estate Ltd including retentions not due	*1	1881	107
ADC including retentions		915	523
Mason Engineers Ltd		267	-
Ruralco		187	306
Christchurch Property Group Ltd		143	-
EA Networks		118	-
LHEP		-	307
Fulton Hogan Ltd		-	146
Miccath Ltd		-	145
Goulds Developments Ltd retentions not due		-	117
Benz 2007 Ltd		-	104
		3,511	**1,755**

*1 The Company agreed to a deferral of payment related to work carried out for Camrose Estates Ltd and its subdivisions. Interest was charged on the outstanding amount on a daily basis. Payment is due on obtaining proceeds from titles on the subdivision. Since balance date Camrose has repaid the full amount due.

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.

2023	< 6 months	6-12 mnths	1-5 years	Total
	$'000	$'000	$'000	$'000
Liquid Financial Assets				
Cash and Cash Equivalents - ACL	3,084	-	-	3,084
Trade Accounts and Other Receivables	6,199	245	256	6,700
	9,283	245	256	9,784
Financial Liabilities				
Bank Overdraft	(1)	-	-	(1)
Accounts Payable and Accruals	(2,848)	-	-	(2,848)
Term Loans including Interest	(100)	(100)	(1,727)	(1,927)
	(2,949)	(100)	(1,727)	(4,776)
Net Inflow/(Outflow)	**6,334**	**145**	**(1,471)**	**5,008**

2022	< 6 months	6-12 mnths	1-5 years	Total
	$'000	$'000	$'000	$'000
Liquid Financial Assets				
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**

Interest Rate Risk

Interest rates on Term Loan borrowings are disclosed in Note 17. 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 $377 (2022: $34,710) and non-fixed interest received of $158,245 (2022: $8,062) during the financial year. Total exposure to fixed rate term loans is $1,697,959 (2022: $1,814,191).

Credit Facilities

The Company has formal overdraft facilities with the ANZ Bank New Zealand Limited of $3,275,000 (2022: $3,275,000). The Company also has loan financing in place as disclosed in Note 17.

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 $1,697,959 of term borrowings at 30 June 2023 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.

20 **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:

	2023 $'000	2022 $'000
Ashburton District Council		
Services provided (by) Ashburton District Council (1)	(40)	(189)
Services provided to Ashburton District Council (1)	11,768	10,349
Accounts payable to Ashburton District Council (2)	(3)	(25)
Accounts receivable from Ashburton District Council (2)	498	898
Construction contract claims included in Contract assets in relation to Ashburton District Council (1).	359	568
Dividends paid to Ashburton District Council	(1,500)	(900)
Lake Hood Extension Project (LHEP)		
Services provided (by) LHEP (1)	-	-
Services provided to LHEP (1)	445	2,459
Construction contract claims in Contract Assets not approved for payment at balance date (1)	-	24
Income in Contract Assets in relation to future Stage 15 not yet claimed from LHEP (1)	150	-
Accounts receivable from LHEP (2)	35	307
Directors Interests (GST Inclusive)		
Services/Goods provided to A Lilley	-	1
Services/Goods provided (by) Smith & Church (4)	-	(1)
Services/Goods provided (to) Smith & Church (4)	2	-
Services/Goods provided (by) Electraserve (4)	(2)	(2)
Services/Goods provided (to) Electraserve (4)	-	3
Services/Goods provided to B Warren (retired 01/11/2021)	-	-
Services/Goods provided to R Pickworth	-	-
Services/Goods provided to A Barlass	-	78
Services/Goods provided to Kowhai Farmlands Ltd (5)	-	-
Services/Goods provided to D Prendergast	-	-
Services/goods provided (by) Spraymarks Group Companies (3)	(106)	(100)
Services/goods provided to Spraymarks Group Companies (3)	4	2
Accounts due (to) Spraymarks Group Companies (3)	(21)	(29)
Accounts due from Spraymarks Group Companies (3)	-	-
Accounts due from Ashburton Tree Topping (3)	47	-
Services/goods provided to Ashburton Tree Topping (3)	304	-

Management Interests (GST Inclusive)		
Services/Goods provided to K G Casey (Chief Executive Officer)	9	5
Services/Goods provided from K G Casey (Chief Executive Officer)	(2)	(2)
Accounts receivable from K G Casey (Chief Executive Officer)	-	-
Services/Goods provided to G Bonniface (Chief Financial Officer)	-	33
Services/Goods provided (by) G Bonniface (Chief Financial Officer)	(1)	(2)
Services/Goods provided to T Bain (General Manager – Civil)	-	(66)
Services/Goods provided to J Jolly (HR and Compliance Manager)	1	2
Services/Goods provided from J Jolly (HR and Compliance Manager)	(2)	-

	2023	2022
	$'000	$'000
Key Management Personnel Compensation (6):		
Short-term employment benefits	1,275	1,260
Post-employment benefits	30	27
Termination benefits	-	-
Other long-term benefits	-	-
	1,305	**1,287**

(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 Ashburton Tree Topping 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.

21 Contingent Liabilities

The Company has the following contingent liabilities as at 30 June 2023.

	2023	2022
Performance Related Bonds	$'000	$'000
The Company has arranged with the ANZ Bank NZ Limited for the issue of performance related bonds in favour of:		
Ashburton District Council	300	300
Gould Developments Limited	-	267
	300	**567**

22 Capital Commitments

The Company has the following capital commitments:

	2023	2022
	$'000	$'000
Property, plant and equipment purchases	729	418
	729	**418**

23 Reconciliation of Operating Cash Flows with Reported Net Profit

	2023 $'000	2022 $'000
Net Profit after tax	3,167	5,163
Add/ (Deduct) Non-Cash Items:		
Amortisation of intangibles	40	29
Deferred tax movement	(58)	(249)
Depreciation	1,317	1,454
Depreciation – Right of Use Assets	398	386
Impairment of property, plant & equipment	9	(2)
Loss/(Gain) on sale of property, plant & equipment	40	(164)
Share of Joint Venture (surplus)/deficit	271	(1,576)
Movement in Working Capital		
Increase / (decrease) in accounts payable	(1,203)	1,428
Increase / (decrease) in tax payable	(1,082)	1,586
(Increase) / decrease in accounts receivable	(2,099)	(638)
(Increase) / decrease in prepayments	8	(29)
(Increase) / decrease in inventory	147	(495)
(Increase) / decrease in contract assets	394	(34)
(Increase) / decrease in employee entitlements	18	(8)
Increase / (decrease) defects liability provision	-	(79)
Items classified as Investing		
Interest income	(158)	(8)
Dividends received	(66)	(62)
Net Cash from Operating Activities	**1,143**	**6,702**

24 Covid 19 Impact

While New Zealand has had ongoing levels of Covid 19 in its communities, these have retreated to relatively low levels. The Company's work force had 63 cases in 2023 with 47 of those in the first half of the year. The Company is taking a business as ususal approach to management along with other ailments such as Flu. The Company has recieved $36,359 in Covid subsidies in the current year. During last financial year the company received the resurgence grant of $21,500 and $149,508 wage subsidy in relation to the shutdown during that financial year.

25 Dividends (in respect of the Financial Year)

	2023	2022
	$'000	$'000
Interim Dividend	300	200
Final Dividend	1,384	1,200
Total Dividend	**1,684**	**1,400**

Dividend per share (DPS)	$ per Share	$ per Share
Interim	0.07	0.04
Final	0.31	0.27
Total Dividend Per Share	**0.38**	**0.31**

After balance date the Directors propose to pay a Final Dividend of $1,384,000 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 2023 to 38 cents per share fully imputed (2022: 31 cps).

26 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.

27 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 is 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 three independent members, including the chair.

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

The development is long term in nature and ACL is liable to any costs associated with the purchase/sale of the land under the Joint Venture agreement to the extend of its respective investment. The Creditors of the joint arrangement do not have rights of recourse against any party with respect to debts or obligations of the arrangement. The Joint Venture is liable for the debts and obligations of the arrangement. The judgment is applied under NZ IFRS 11 and ACL considers its investment in the Lake Hood Extension Project as a joint arrangement and it is a joint venture.

Financial Information of Joint Venture

	2023	**2022**
	$'000	**$'000**
Cash on hand	368	10,980
Other Current Assets	32	2,191
Current Assets (Subdivision development in progress)	3,146	4,036
Current Assets-Inventory (Completed Stages)	1,580	2,776
Bund in Progress	75	-
Deposit Paid on Stage 15 Land	296	-
Non-Current Assets	159	114
Total Assets	**5,656**	**20,097**
Current Liabilities	(126)	(2,084)
Non-Current Liabilities	-	(686)
Partners Equity	**5,530**	**17,327**
Company's interest at 37.59% (2022: 37.59%)	2,079	6,513

Revenues	2,646	13,946
Other Income	333	-
Capital Gain on Sale of Fixed Assets	-	-
Surplus/(Deficit)	(735)	4,302
Loss on Investment Property Revaluation Reserve	-	(33)
Interest Income (if any)	18	16
Interest Expense	(3)	(93)
Profit attributable to Joint Venture Partners	(720)	4,192
Company's interest at 37.59%. (2022: 37.59%)	**(271)**	**1,576**

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

During 2022 the Joint Venture completed the development of Stage 14 (40 lots). These lots were titled in June 2022 with 37 settlements taking place before Balance Date. A further 3 lots were subject to sale and purchase agreements which were due to settle in early 2023. Two of these settled and one was defaulted upon. This remains in inventory on hand.

The JV carried out a valuation of its Subdivision Development - Inventory at 30 June 2023. This has resulted in a negative impairment of $1.055m (2022: $0.092 write up) to the Profit and Loss.

In August 2022 the Joint Venture sold The Lakehouse Restaurant and a parcel of surrounding land to one of the Joint Venture partners, Ashburton Aquatic Park Charitable Trust for $3.282m. Independent valuations were obtained for the property concerned with a negotiation between the parties This was settled by way of a mixture of cash and forgiveness of loans to the Ashburton Aquatic Park Charitable Trust.

The Joint Venture is currently working on the development of Stage 15, a 72 lot subdivision on the north east side of the new Lake comprising a range of residential and lifestyle sections. This development will use some existing LHEP land and require the purchase of further land. The development may require advances back to the Joint Venture by the partners as part of the development but this has not as yet been determined.

The Joint Venture entered into an unconditional Sale and Purchase Agreement with the Ashburton District Council to purchase approximately 10.76 hectares of farmland for the development of Stage 15 at Lake Hood in 2022. The purchase price is $2.960m and was based on independent valuations. The Joint Venture has paid a deposit of $0.296m with the balance of $0.817m to be settled by the end of March 2024 by way of Participant advances.

During the 2023 year the Joint Venture made cash distributions of $11,071,542 from the proceeds of sale of Stage 14 and The Lake House. The Company received $4,161,793. These were made after due consideration to the operating cash flow requirements of the joint venture.

28 Goodwill

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

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

The Company has performed an impairment review of the value of goodwill held for the Ashburton workshop CGU. A 'value in use' impairment test of the Ashburton CGU using a cash flow projection for the 2023 financial year and high-level financial forecasts out to 2027. A revenue growth rate of 5% per annum was applied, with a terminal growth rate of 2.5%. A weighted average cost of capital of 11% was assumed and an appropriate share of corporate overheads were allocated to CGU costs for the forecast periods being modelled. The estimated recoverable amount of the cash generating unit is estimated to be $8.931m (2022: $8.842m).

The impairment test determined that the goodwill associated with the Ashburton Workshop CGU was not impaired at the 30 June 2023 reporting date.

	2023	2022
	$'000	$'000
Goodwill	488	488

29 Contract Assets and Contract Liabilities

	2023	2022
	$'000	$'000
Rendering of Services	728	570
Sale of Goods	53	-
Construction Contracts	902	1,508
Total Contract Assets	**1,683**	**2,078**
Rendering of services (revenue in advance) current portion	-	-
Total Contract Liabilities	-	-

The Company applies a practical expedient due to the performance obligation being 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.

30 Events after Balance Date

Dividend Proposed

The Directors have resolved to pay a fully imputed dividend of $1,384,000 following the Company's AGM in November 2023. The dividend will carry $538,222 of tax imputation credits. This is subject to the company meeting solvency tests.

Performance targets were set by the Company in the Statement of Intent dated 23 May 2022
A comparison of the Company's performance compared to those targets is as follows:

				Achievement YTD			Annual Target
a	Profit before tax - Parent		$	4,678,000	193%	$	2,408,000
	Profit before tax - Consolidated		$	4,407,000	183%	$	2,600,000
b	Annual Rate of Return on average shareholders funds - rolling 5 Year						10.0%
	Current Year-Parent Pre Tax Profit			14.4%			10.0%
	Current Year-Consoldated Pre Tax Profit			14.6%			10.0%
	(The measure at year end is calculated on rolling 5 Year average)						
c	ISO 9001 Certification	Quality		Maintained	100%		Maintain
	ISO 14001 Certification	Environmental		Maintained	100%		Maintain
	ISO 45000 Certification	Health & Safety		Maintained	100%		Maintain
d	Compliance with the Resource Management Act			Maintained			No breaches
e	Audit Opinion			Unqualified			Unqualified
f	Reduction in lost time injury rate year upon year (LTI)			1.3	Not OK		0.7
	(per 100,000 hours worked)	LTI Injuries YTD		4			2
	Reduction in medical Injury treatment (MTI)	injury rate year upon year		2.5	Not OK		1.7
	(per 100,000 hours worked)	MTI Injuries YTD		8			5
g	Meet Budgeted External revenue		$	47,295,601	107%	$	44,318,000
	Ratio of Shareholders Funds to Total Assets			62.4%			> 50%
h	Dividend in respect of current year			FY2023			
	Interim	Paid March	$	300,000			
	Final Proposed	Paid November	$	1,384,000			
			$	1,684,000			

Notes

a Please refer to the Operations Report on page 3.

b Annual rate of return on average shareholder's funds will be a minimum of 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 20.7%.

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

f Lost Time Injury Frequency Rate. Calculated as the number of lost time injuries per 100,000 hours worked. Four Lost Time injuries occurred during the year (2022: 2). All incidents were investigated and were not considered to be incidents that would lead to serious harm.

h The Directors have determined that the Company will pay a final dividend of $1,384,000 regarding the 2023 year. In March 2023 an interim dividend of $300,000 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.

FIVE YEAR REVIEW OF PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022	2021	2020	2019
	$'000	$'000	$'000	$'000	$'000
Turnover	47,296	50,288	39,593	27,816	30,601
Profit before Tax and charitable donations and Share of Joint Venture surplus/(loss) *1	4,678	5,547	2,451	505	1,278
Share of Joint Venture	(271)	1,576	518	(841)	(734)
Profit Before Tax	4,407	7,123	2,969	(337)	544
Taxation	1,241	1,960	865	91	(176)
Profit after Tax	3,167	5,163	2,104	(245)	368
Profit after Tax and qualifying donations *1	3,167	5,163	2,104	(245)	368
Equity	24,060	22,435	18,080	15,972	16,456
Total Assets	38,586	38,836	33,520	29,386	24,562
Dividends relating to the current financial year *2	1,684	1,400	900	-	491
Dividends Paid during the financial year	1,500	900	200	371	755
Current year Return before tax on Average Equity -Consolidated	19.0%	35.2%	17.4%	(2.1%)	3.3%
Rolling five-year Return before tax on Average Equity-Consolidated	14.6%	13.3%	7.7%	5.6%	8.6%
Equity to Total Assets	62.4%	57.8%	54.0%	54.0%	67.0%

*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 2023 (2022: $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 2023

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 13 to 44, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on page 45.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; and
    - its financial performance and cash flows for the year then ended.
  - comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the company 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 2023.

Our audit was completed on 26 September 2023. 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 of Directors and our responsibilities relating to the financial statements and the performance information, 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 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 of Directors is also responsible for preparing the performance information for the company.

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

The Board of Directors' 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 financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

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

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

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

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

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

- 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.

- 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 of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 12, 46 and 51 to 52, 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*, (including International Independence Standards) (New Zealand) (PES 1), issued by the New Zealand Auditing and Assurance Standards Board.

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

Y Yang

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

Appendix A: Environmental Sustainability

Note: The following information is not subject to audit.

Emissions profile and trend (All ACL operations)

Total Emissions have reduced 18% from 9,530 T CO2-e in 2022 to 7,780 T CO2-e in 2023. In our first year of reporting, 2019, we recorded 6,980T CO2-e. ACL emissions are comprised predominantly of fuel (diesel) and concrete production, representing ~99% of emissions.

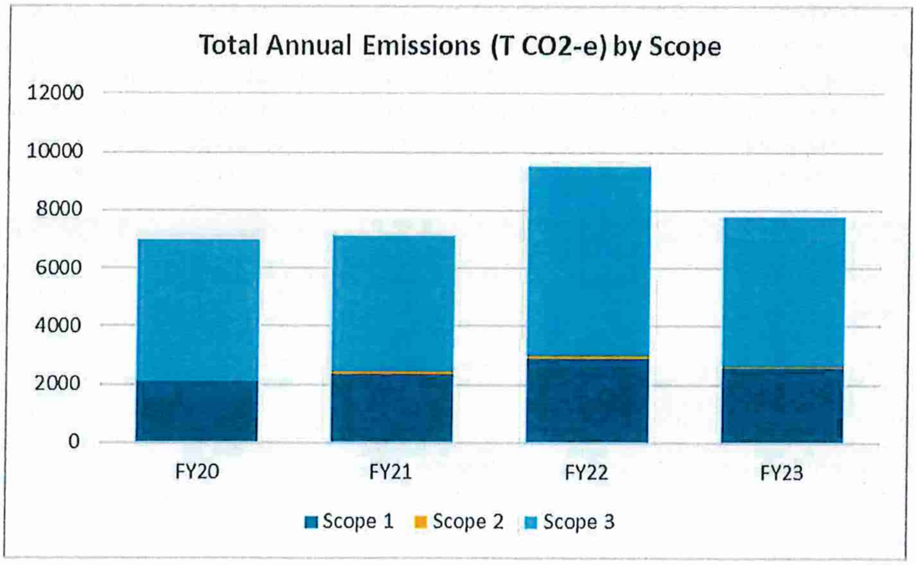
Scope 1 – direct emissions (fuel we burn)
This is predominantly diesel which has increased 22% over the last four years in line with an increase in activity across the business and the fleet requirements to support this activity. Fuel particularly diesel is used in all our business activities including cartage of raw materials, concrete & asphalt, replenishment in our quarry sites involving excavation at Lake Hood, and civil construction used in a variety of plant, machinery and vehilcles.

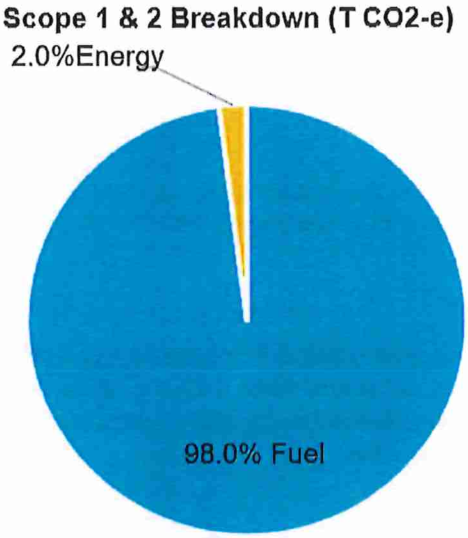
Scope 2 – indirect emissions (other energy we use – electricity)
This is electricity used in our plants and offices. Our energy provider is Meridian who currently provide us 'renewable' but not 'carbon neutral' electricity.

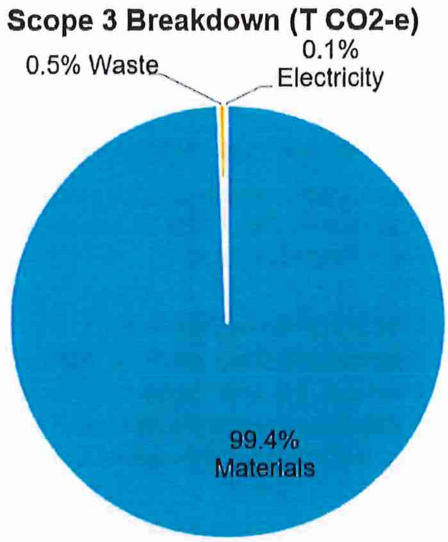
Scope 3 – indirect emissions (embedded in our materials and products)
This is made up 99.5% of concrete. Concrete has high emissions because of its cement content. We source our cement from Holcim, who's EPD (Environment Product Declaration) identifies cement emissions at 897kg CO2-e/tonne.

FY23 saw a decrease in Scope 3 emissions from FY22 of 22%. Scope 3 is predominantly driven from cement through 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.







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. We are currently working on low carbon cement substitutes in concrete, use of ev or hybrid vehicles where available and economocally viable and investigating solar power.

	H1 (12 months)	H2 (1-3 yrs)	H3 (3-5yrs)
Start	o Energy efficiency assessment o Develop waste plan o Transition to synthetic oil o Establish sustainability strategy	o Report carbon shadow price in P&L o Review fleet transition options as technology advances	o Commit to carbon offsets
Stop	o ?	o ?	o ?
Continue	o Driver efficiency focus (including monitoring and training) o Increase focus on CO2 efficiency in procurement o Improving understanding of CO2 impact of operations o Continue to transition company vehicles to PHEV	o Implement actions from driver efficiency monitoring	o ?
Innovate	o Explore options with Suppliers & Customers (Cement/Fibre) o Conduct review to identify key sustainability risks and opportunities	o Demonstrate effectiveness of lower carbon Cement & Asphalt alternatives	o 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.