Inframax Construction Limited

Financial Statements

For the year ended 30 June 2020

Inframax Construction Limited

("Inframax" or "the Company")

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INFRAMAX CONSTRUCTION LIMITED
CHAIRMAN'S ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

This year has been one of the most challenging the Company has seen. In October we lost Sean Smyth, one of our highly valued employees in a tragic workplace incident that occurred in the Inframax Te Kuiti yard. This incident had a large impact on the Inframax 'family' and we are grateful to everyone who provided support to Sean's family and other staff members.

The second half of the year was dominated by the effects of Covid-19. While we had some staff doing essential work during the Level 4 lockdown, the Company was mostly closed for business during this time. Inframax was able to access both the initial wage subsidy programme and the follow-up wage subsidy extension. Combined, both of these programmes allowed the Company to retain staff during very uncertain times.

With the ongoing business disruption caused by Covid-19, it has been imperative that the Company has remained nimble around decision making as the contracting landscape has continually changed week by week. Management has been strongly focused on working with our clients to find opportunities for them to access Government funding that meet the criteria for 'shovel ready/worthy' status.

Due to the revenue drop and business uncertainty caused by Covid-19, in June 2020 the Inframax Directors made the difficult decision to cancel the dividend payment due to the Shareholder for the year ending June 2019.

Inframax ended the year with an Equity Ratio of 57%. Revenue was $30.5m, a shortfall of $11.1m on budget.

The Directors and Management of Inframax have worked towards having the business 'Right sized' in terms of staff and equipment to manage the uncertainty of the year ahead. Along with most other contracting businesses we are heading into uncharted territory around how the Government will fund and procure future roading projects.

I would like to thank all the Inframax staff for their understanding through this very difficult year. The health and wellbeing of our most valuable asset, our staff, remains our primary focus.

Craig Rowlandson
Chairman

INFRAMAX CONSTRUCTION LIMITED
REPORT FROM THE CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED 30 JUNE 2020

The Company tragically lost a highly regarded and respected member of the team in a workplace accident in October 2019. The accident occurred in the Te Kuiti yard and the response on site from the staff who tried to help Sean was exemplary. Sean will be greatly missed by his workmates, family and wider community.

The Company acknowledges this tragic loss and has focused on supporting Sean's family, the Inframax workforce and doing everything possible to ensure no further accidents happen.

The onset of COVID 19 in New Zealand came at a time the business was emerging from the initial impacts of Sean's accident, the construction season was coming to a peak and signs of a good recovery were evident. During lockdown, some essential services were undertaken by Inframax, however, April revenue plummeted to 23% of budget. Post lockdown the construction season was halted with customers deciding to postpone or defer work. The Company received both the wage subsidy and the wage subsidy extension and, with the adoption of cost saving measures, the Company was able to return a profit for the year.

The impact of the Workplace fatality and COVID 19 on the Health and Wellbeing of the Inframax team is acknowledged and the Company has and will continue to focus on supporting staff through these challenging times.

With limited visibility around upcoming work, the marketplace continues to demand considerable flexibility from civil construction companies. The market reality compounded by the uncertainties of COVID-19 has resulted in the Board and Management responding by pivoting from a plan to enable rapid growth to a plan where the Company can 'weather short term storms' whilst retaining initiatives to develop the Company and allow growth when the market supports it. The Company is successfully making that significant change.

Financial Results

Profit before Income Tax Expense of $0.5m was achieved with Revenue from Operations of $30.5m. Gross Margin as a percentage of sales was ahead of budget despite difficult operating conditions and is a further testament to the skill, capability and resilience of the Inframax staff. COVID 19 and changing market conditions have constrained the delivery of revenue and gross profit.

Resources within the business were strengthened with $1.3m of capital expenditure. The capex programme was underspent by $1.5m in response to changing market conditions and COVID 19.

Staff numbers reduced from 161 to 150 over the 12 months while the equity position improved to 57% from 52% in 2019.

Market and Outlook

The indications that Central Government would be spending through the Crown Infrastructure Partnership and on 'shovel worthy' schemes is not yet providing paying work. More generally NZTA and Central Government are not yet providing a clear plan or intention of how, or if, funds will be applied. In summary, the operating environment for the roading market is confused and uncertain.

The Company has approximately 55% of its annual revenue secured on long term contracts. Indications are that the Local Authorities funding from NZTA will not be cut on these contracts which is positive.

Also, the Company has had recent success with a number of NZTA opportunities and is currently tendering other significant contracts. If successful with these opportunities the Company has good forward work. Outside of these opportunities the market is competitive and is highly reliant on strong commitment and direction from Government.

Management is committed to continuing to enhance Company value and strengthening its market positioning with key strategies of improving people capability and working collaboratively with customers.

Inframax will continue to invest in capability whilst acknowledging the current trading conditions. The Company will also continue to focus on improving the safety culture and systems whilst delivering value for customers and the Shareholder.

Chris Hayward
Chief Executive Officer

INFRAMAX CONSTRUCTION LIMITED
COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020	2019
REVENUE FROM OPERATIONS	2	30,498,898	39,967,827
OPERATING EXPENDITURE			
Audit Services	3	82,268	72,749
Bad and Doubtful Debts (Recovered)		-	(19,544)
Depreciation and Amortisation	15	1,289,376	969,344
Direct Contract Expenses		13,295,358	18,918,883
Directors' Fees	4	100,000	120,000
Employee Benefits Expense	5	10,609,283	10,312,630
Raw Materials		1,702,079	3,099,580
Operating Lease Expense		95,374	101,614
Loss/(Gain) on Disposal of Assets		48,406	(53,029)
Repairs & Maintenance		2,073,863	2,177,139
Other Operating Expenses		1,523,271	2,491,443
		30,819,278	38,190,809
Operating (Loss)/Profit before Financing Costs		**(320,380)**	**1,777,018**
Plus: Interest Revenue	2	373	5,056
Less: Financing Costs		(221,339)	(259,946)
Other Income	2	1,073,882	135,555
Profit before Income Tax Expense		**532,536**	**1,657,683**
Income Tax Expense	6	(232,607)	487,168
Profit for the Year attributable to owners of the Parent		**765,143**	**1,170,515**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit and loss			
Revaluation of Property, Plant and Equipment and Quarry Assets	15	-	83,577
Income tax expense relating to other comprehensive income		-	(23,401)
Other Comprehensive Income for the Year Net of Tax		**-**	**60,176**
Total Comprehensive Income for the Year Net of Tax attributable to owners of the Parent		**765,143**	**1,230,691**

The Notes to the Financial Statements (pages 9-32) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

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INFRAMAX CONSTRUCTION LIMITED
BALANCE SHEET
AS AT 30 JUNE 2020

	NOTE	2020	2019
EQUITY:			
Ordinary Share Capital	8	6,378,540	6,378,540
Retained Earnings		3,109,091	2,343,948
Revaluation Reserve		1,543,867	1,543,867
TOTAL EQUITY		**11,031,498**	**10,266,355**
Current Assets			
Trade and Other Receivables	9	2,846,496	4,438,455
Prepayments		123,146	92,412
Inventories	10	1,758,084	1,446,186
Tax Receivable		-	-
Cash and Cash Equivalents		772,394	334,628
Total Current Assets		**5,500,120**	**6,311,681**
Non Current Assets			
Trade and Other Receivables	9	50,601	-
Property, Plant and Equipment	15	11,450,260	11,185,815
Intangible Assets	15	438,557	479,717
Capitalised Quarry Development Costs	11	757,810	771,355
Deferred Tax Asset	7	1,051,869	819,262
Total Non Current Assets		**13,749,097**	**13,256,149**
Total Assets		**19,249,217**	**19,567,830**
Current Liabilities			
Credit Facility	14	-	1,300,000
Interest Bearing Borrowings	14	375,000	500,000
Trade and other Payables	12	4,419,889	4,126,475
Lease Liabilitles	15	87,013	
Total Current Liabilities		**4,881,902**	**5,926,475**
Non Current Liabilities			
Interest Bearing Borrowings	14	3,125,000	3,375,000
Lease Liabilities	15	210,817	-
Total Non Current Liabilities		**3,335,817**	**3,375,000**
Total Liabilities		**8,217,719**	**9,301,475**
NET ASSETS		**11,031,498**	**10,266,355**

For and on Behalf of the Board

DIRECTOR
Date: ....11/9/20......

DIRECTOR
Date: 11/09/2020

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INFRAMAX CONSTRUCTION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020	2019
Cash flows from Operating Activities			
Cash was provided from:			
Receipts from Customers		37,923,923	46,812,717
Interest Received		373	5,056
		37,924,296	46,817,773
Cash was disbursed to:			
Payments to Employees		10,593,615	10,236,793
Payments to Suppliers		22,432,469	30,974,158
Interest Paid		221,339	259,946
GST Paid		1,139,561	880,004
		34,386,984	42,350,901
Net Cash Inflow from Operating Activities	16	**3,537,312**	**4,466,872**
Cash flows from Investing Activities			
Cash was provided from:			
Proceeds from Sale of Property, Plant and Equipment		172,958	250,673
		172,958	250,673
Cash was applied to:			
Purchase of Property, Plant and Equipment & Intangibles		1,513,504	4,327,991
		1,513,504	4,327,991
Net Cash (Outflow) from Investing Activities		**(1,340,546)**	**(4,077,318)**
Cash flows from Financing Activities			
Cash was provided from:			
Borrowings		-	6,200,000
		-	6,200,000
Cash was applied to:			
Repayments of Borrowings		1,675,000	6,207,134
Repayments of Lease Liabilities		84,000	-
		1,759,000	6,207,134
Net Cash (Outflow)/ Inflow from Financing Activities		**(1,759,000)**	**(7,134)**
Net Increase / (Decrease) in Cash Held		437,766	382,420
Add Opening Bank Balance		334,628	(47,792)
Closing Bank Balance		**772,394**	**334,628**
This is represented by:			
Cash and Cash Equivalents		772,394	334,628
Balance at Bank		**772,394**	**334,628**

The Notes to the Financial Statements (pages 9-32) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

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INFRAMAX CONSTRUCTION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	Fully paid ordinary shares	Revaluation reserve	Retained earnings	Total
Balance as at 30 June 2018		**6,378,540**	**1,483,691**	**1,114,834**	**8,977,065**
Adjustment for change in accounting policies				58,599	58,599
Profit for the Year				1,170,515	1,170,515
Other Comprehensive Income					
Revaluations	15		83,577		83,577
Income tax expense relating to other comprehensive income			(23,401)		(23,401)
Balance as at 30 June 2019		**6,378,540**	**1,543,867**	**2,343,948**	**10,266,355**
Profit for the Year				765,143	765,143
Other Comprehensive Income					
Revaluations	15				-
Balance as at 30 June 2020		**6,378,540**	**1,543,867**	**3,109,091**	**11,031,498**

The Notes to the Financial Statements (pages 9-32) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

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1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity
Inframax Construction Limited (the Company) is registered under the Companies Act 1993 and is wholly owned by Waitomo District Council. The Company is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002. The Company is incorporated and domiciled in New Zealand.

The principal activities of the Company are to operate as a provider of roading construction, roading maintenance, aggregate quarrying and crushing, and other infrastructure services.

The financial statements of the Company are for the full year ended 30 June 2020. The financial statements were authorised for issue by the Board of Directors on 11 September 2020.

Statement of Compliance
These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Local Government Act 2002. This includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) as appropriate for profit oriented entities. In accordance with section 211(3) of the Companies Act 1993, the Company's shareholders have passed a unanimous resolution that the annual report of the Company need not comply with sections 211(1)(a) and 211(1)(e) to 211(1)(j) of the Companies Act 1993.

They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS) and IFRIC interpretations.

Basis of Preparation
The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis, apart from Land & Buildings and Quarry Production Equipment which are stated at their fair value.

The functional and presented currency of the Company is New Zealand Dollars and all values are rounded to the nearest dollar.

The financial statements of the Company have been prepared on a going concern basis.

New or amended Accounting Standards and Interpretations adopted
The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019:

NZ IFRS 16 *Leases*

NZ IFRS 16 *Leases* (NZ IFRS 16) eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases on to their Balance Sheet. The standard replaces NZ IAS 17 *Leases* and its related interpretations. NZ IFRS 16 accelerates the accounting expense but does not change the overall lease expense over time.

The Company has adopted NZ IFRS 16 retrospectively from 1 July 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 July 2019 and comparatives for the 2019 financial year have therefore not been restated. The new accounting policies are disclosed in Note 1.

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INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Financial Assets
From 1 July 2018, the Company classifies its financial assets as those to be measured at amortised cost.

Regular purchase and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. Amortised cost assets are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, and are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as a separate line item in the statement of comprehensive income.

Financial Liabilities
Financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial liability.

Revenue
Construction and maintenance services
The Company enters into arrangements with its customers to provide civil construction and maintenance services. Contracts provide for an overall promise to be delivered to the customer, some of which include multiple performance obligations, such as earthworks, drainage and road sealing. In most cases these services are not separable performance obligations as they are interrelated with the overall promise to the customer and therefore they are accounted for as a single performance obligation.

The Company's major contracts are 'measure and value' contracts where prices are based on fixed rates for services rendered and the Company invoices its customers monthly based on the measured volume of output delivered to the customer at the end of each month. Payments are typically due 20 working days following the date of the Company's progress claim. Revenues from the completion of construction and maintenance contracts are recognised over time as the Company satisfies its performance obligations in the accounting period in which the services are rendered based on the direct measurements of the value transferred to the customer. This method of measurement provides a faithful depiction of the transfer of services as the measurement of the value is also certified by the customer.

The contracts typically allow the customer to hold a retention of up to 10% of the total amount invoiced for a period of up to 12 months following the practical completion date. During this period the Company provides a warranty for any defects identified. As the payment terms substantially align with the satisfaction of the Company's performance obligations, there is not considered to be a significant financing component.

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1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The Company also enters into contracts for minor construction works for which the contracts are completed within a short time period, typically less than one month. These contracts are fixed price contracts and payment is either due in full upon completion of the work or by 20th of the month following date of invoice or progress claim. Revenues from the completion of minor construction contracts are recognised over time as the Company satisfies its performance obligations in the accounting period in which the services are rendered based on an inputs method in relation to the Company's efforts to satisfy the performance obligation.

Sales of goods – aggregate sales
The Company operates quarries and sells aggregate to commercial and private customers. Prices for aggregate sales are fixed and payment is due by 20th of the month following invoice. Sales of these goods are recognised at a point in time when control of the goods has transferred to the customer, being when the goods are loaded into the customer's transport.

Provision for Contract Rework
A provision for contract rework is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to passage of time is recognised as interest expense.

Income Tax
Income tax expense on the profit or loss for the period comprises current tax expense and deferred tax expense. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The Company adopts the comprehensive balance sheet liability 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 following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are calculated using tax rates expected to apply when the assets are recovered or the liabilities settled, based on those tax rates which are enacted or substantially enacted at Balance Sheet date.

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1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised as an expense in profit or loss except when it relates to items credited or debited in other comprehensive income. Deferred taxation assets and liabilities can be offset when they relate to income taxes levied by the same taxation authority.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leases
The Company has changed its accounting policy for leases, and has adopted NZ IFRS 16. The financial impact of the transition has been disclosed in Note 15.

The Company leases buildings and photocopiers. Rental contracts are typically made for fixed periods of three to five years and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement Basis
Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include net present value for fixed lease payments.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

To determine the incremental borrowing rate, the Company:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a built-up approach that starts with a risk-free rate interest rate adjusted for credit risk leases held by the Company, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs; and
- restoration costs.

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1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Practical expedient used:
As part of adopting NZ IFRS 16, the following practical expedients have been used:
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Under the Company's previous accounting policy, lease payments were treated as operating leases and payments were recorded in the statement of comprehensive income.

Extension and termination options are included in some property and equipment leases held by the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options held are exercisable only by the Company and not by the respective Lessor.

Cash and Cash Equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown as a current liability in the balance sheet.

Trade and Other Receivables
Short-term debtors and other receivables are recorded at the amount due, less an allowance for expected credit losses. The Company applies the simplified credit loss model of recognising the lifetime expected credit losses for receivables. In measuring expected credit losses, short-term debtors and other receivables have been assessed on a collective basis as they possess shared credit risk characteristics. Short-term receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Capitalised Quarry Development Costs
The costs of stripping activity which provides a benefit in the form of improved access to rock is recognised as a 'stripping activity asset' where it is probable that the future economic benefit associated with the stripping activity will flow to the entity, the entity can identify the component of the rock for which access has been improved and the costs relating to the stripping activity associated with that component can be measured reliably.

A stripping activity asset is depreciated or amortised on a systemic basis over the expected useful life of the identified component of the rock that becomes more accessible as a result of the stripping activity using the units of production method.

Inventories
Inventories are valued on the basis of the lower of cost, determined on a weighted average cost basis, and net realisable value. Aggregate stocks are valued using a standard cost; this standard cost is based on the average cost of production.

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1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment
Property, plant and equipment, other than land and buildings and quarry production equipment, are carried at cost less accumulated depreciation and impairment losses.

Revaluations
Land, Buildings and Quarry Production Equipment are measured at fair value. Fair value is determined on the basis of independent valuation prepared by an independent valuer, based on current market appraisals, discounted cash flows or capitalisation of net income (as appropriate). Independent valuations are prepared every three years or at such earlier stage if the Company considers that the carrying value of the assets are unlikely to represent fair value.

Any revaluation increase arising from the revaluation of Land, Buildings or Quarry Production Equipment is recognised in other comprehensive income and accumulated as a separate component of equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the profit and loss statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit and loss to the extent, that it exceeds the balance, if any, held in the asset revaluation reserve relating to the previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Additions
The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the profit or loss.

Subsequent costs
Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation and Amortisation
Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The residual value and useful life of assets are reviewed annually. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Freehold buildings	50 years	2%
Vehicles, plant and equipment	4 to 15 years	7% to 25%
Motor vehicles	3 to 5 years	20% to 33.3%
Office and furniture	2 to 5 years	20% to 50%
Quarry production equipment	4 to 15 years	7% to 25%
Software	2 to 5 years	20% to 50%
Right-of-use asset	2 to 5 years	20% to 50%

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1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets
Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Recoverable amount is the higher of fair value less costs 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 which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a recoverable increase.

Trade and Other Payables
Trade and Other Payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Subsequent to initial recognition, Trade and Other Payables are recorded at amortised cost. Given the nature of these liabilities, amortised cost equals their notional principal.

Employee Benefits
Short-term benefits
Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Company recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater that the 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 that the Company anticipates it will be used by staff to cover those future absences.

Long Service Leave
The Company has a range of long service milestones from six years service to forty years service dependent on the particular contract terms relevant to the employee. Leave entitlements accrued towards milestones not yet achieved are calculated in accordance with the long term benefits policy. No benefit is payable to an employee upon leaving the Company for any milestone worked towards but not achieved, however the probability of attaining vested status is determined and applied in calculating the expected liability amount.

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1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Provisions

The Company recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost in profit or loss.

Interest Bearing Borrowings

Borrowings are initially recognised at their fair value net of transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Share Capital

Issued and paid up capital is recognised at the consideration received by the Company.

Dividends

Provision is not made for dividends unless the dividend has been declared by the Directors on or before the end of the period and not distributed at reporting date.

Statement of Cash Flows

The Statement of Cash Flows is prepared inclusive of GST.

Cash flows from operating activities are presented using the direct method.

Definitions of terms used in the Statement of Cash Flows:

- Cash means cash on deposit with banks, net of outstanding bank overdrafts
- Investing activities comprises the purchase and sale of property, plant and equipment and investments
- Financing activities comprise the change in equity and debt capital structure of the Company and the payment of cash dividends
- Operating activities include all transactions and events that are not investing or financing activities

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for trade receivables and trade payables and the Statement of Cash Flows, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST relating to investing and financing activities is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

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1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Estimates and Judgements
The preparation of financial statements requires judgements and estimates that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The areas of significant estimates and judgements are as follows:
Deferred Tax Asset/(Liability) (refer Note 7)
Fair value of Land, Buildings and Quarry Equipment (refer Note 15)
Useful life of property, plant and equipment:

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

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Profit for the Year attributable to the owners of the Parent, and the carrying amount of the asset in the Balance Sheet. The Company minimises the risk of this estimation uncertainty by:
- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Company has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in Note 15.

Changes in Accounting Policies
The Company has adopted NZ IFRS 16 *Leases* (NZ IFRS 16) retrospectively from 1 July 2019, as permitted under the specific transition provisions in the standard. Comparatives for the 2019 financial year have therefore not been restated. The new accounting policies are disclosed in Note 1.
On adoption of NZ IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July was 2.8%.

A reconciliation of Operating Lease commitments disclosed as at 30 June 2019 and the Lease Liability recognised as at 1 July 2019 is as follows:

Operating lease commitments disclosed as at 30 June 2019	355,584
Discounted using the incremental borrowing rate of 2.8%	(4,890)
Adjustment as a result of extension/termination option	(39,400)
Lease liability recognised as at 1 July 2019	311,294

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1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The associated rights-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019. Property, plant and equipment/right-of-use asset and lease liability both increased by $311,294 on 1 July 2019.

For a split of current and non-current portion of lease liability as at 30 June 2020, refer to Note 15.

In applying NZ IFRS 16 for the first time, the Company has used the following practical expedients permitted by the Standard:

- the exclusion of initial direct costs for the measurement of the right-to-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to apply NZ IFRS 16 to contracts that were not identified as containing a lease under NZ IAS 17 and NZ IFRIC 4 *Determining whether an Arrangement contains a Lease*.

2 REVENUE FROM OPERATIONS

	2020	2019
Revenue from contracts with customers - recognised over time		
Construction and maintenance services	29,646,813	38,325,038
Revenue from contracts with customers - recognised at a point in time		
Sale of product	852,085	1,642,789
Total Revenue from Contracts with Customers	30,498,898	39,967,827
Interest Revenue		
Bank and other Interest	373	5,056
Other Income		
Building rental	32,259	135,555
Grant Revenue	1,040,381	-
Other Income	1,242	-
Total Other Income	1,073,882	135,555
Total Revenue	31,573,153	40,108,438

The Grant Revenue is the MSD Employer Wage Subsidy.

COVID-19

During the lockdown period, most business operations were temporarily ceased leading to a significant reduction in revenue and direct contract expenditure. The Company was eligible for the MSD wage subsidy scheme and has received the grant. Subsequently, an application was made for the MSD wage subsidy extension and this was also approved. As at 30 June 2020, the Company had received the grant in advance (as included in Note 12) to cover the eight week period from 1 July 2020.

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INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

3 AUDIT SERVICES

	2020	2019
Deloitte Limited has provided audit services to the Company.		
Fees in relation to 2019 audit	-	72,749
Fees in relation to 2020 audit	82,268	-
	82,268	72,749

4 DIRECTORS' FEES

	2020	2019
Directors' Fees paid and accrued during the year were:		
C E Rowlandson	50,000	60,000
E S Rattray	25,000	30,000
A D Johnson	25,000	30,000
	100,000	120,000

During COVID-19, the Directors agreed to waive their fees for two months.

The Company pays directors and officers indemnity insurance premiums. The limit of insurance is $5,000,000 plus an additional $2,500,000 for defence costs with the annual premium being $8,300 in 2020 (2019: Limit $5,000,000 premium $7,550).

Director Interests
Directors were reimbursed travel costs at or below the IRD rate. No other costs were paid to any Directors during the year. No Directors hold any interests in the equity of the Company as at 30 June 2020 (2019: Nil).

Use of Company Information
No notices were received from Directors requesting the use of Company information received in their capacity as Directors which would not have been otherwise available to them.

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INFRAMAX CONSTRUCTION LIMITED
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5 EMPLOYEE BENEFITS EXPENSE

	2020	2019
Salary and Wage Expense	9,699,935	9,497,719
Fringe Benefits Tax	157,543	115,550
Accident Compensation Levies	80,114	91,032
Superannuation Contributions	227,699	199,186
Other Employee Benefits	443,992	409,143
	10,609,283	10,312,630

6 INCOME TAX EXPENSE

(a) Income Tax recognised in Profit or Loss

	2020	2019
Deferred Tax on temporary differences	(232,607)	487,168
Income Tax Expense per Profit or Loss	(232,607)	487,168

Income Tax is calculated at an average effective rate of 28% (2019: 28%) of the estimated assessable profit for the year.

(b) Reconciliation of Accounting Profit / Loss Before Tax & Income Tax Expense

	2020	2019
Profit / (Loss) before Taxation	532,536	1,657,683
Income Tax expense calculated at 28 percent	149,110	464,151
Tax Effect of non deductible expenses in profit before tax	292,198	2,208
Non Taxable Income	(291,307)	-
Adoption of IFRS 15	-	16,408
Re-recognition of temporary differences	(380,349)	-
Under / (Over) Provided in Prior Periods	(2,259)	4,401
Income Tax Expense per Profit or Loss	(232,607)	487,168

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INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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7 DEFERRED TAX (LIABILITY) / ASSET

	2020	2019
Opening Balance as at 1 July	819,262	1,329,831
(Charged)/Credited to profit or loss	232,607	(487,168)
(Charged)/Credited to equity	-	(23,401)
Closing Balance as at 30 June	1,051,869	819,262
Depreciation/ Amortisation		
Opening balance as at 1 July	(837,143)	(791,631)
(Charged)/ credited to the income statement	213,171	(22,111)
(Charged)/ credited to equity	-	(23,401)
Closing balance as at 30 June	(623,972)	(837,143)
Right of Use Asset / Liability		
Opening balance as at 1 July	-	-
(Charged)/ credited to the income statement	1,316	-
(Charged)/ credited to equity	-	-
Closing balance as at 30 June	1,316	-
Employee entitlements		
Opening balance as at 1 July	144,489	133,866
(Charged)/ credited to the income statement	(6,797)	14,809
(Charged)/ credited to equity	-	-
Under / (Over) Provided in prior periods	-	(4,186)
Closing balance as at 30 June	137,692	144,489
Other provisions		
Opening balance as at 1 July	(170,541)	(143,093)
(Charged)/ credited to the income statement	89,164	(27,448)
(Charged)/ credited to equity	-	-
Closing balance as at 30 June	(81,377)	(170,541)
Tax losses		
Opening balance as at 1 July	1,682,457	2,130,691
(Charged)/ credited to the income statement	(51,508)	(452,420)
(Charged)/ credited to equity	-	-
Under / (Over) Provided in prior periods	(12,739)	4,186
Closing balance as at 30 June	1,618,210	1,682,457

Accounting Estimates and judgements

Included in the net deferred tax asset as at 30 June 2020 is a $1.61m asset arising from the recognition of carried forward tax losses by the Company. NZ IAS 12 *Income Taxes* requires the recovery of the losses to be probable in order to be recognised in the balance sheet. With a profit achieved in 2020 and budgeted for 2021, and an expectation of continued profitability, the Directors have elected to recognise all of the remaining unused tax losses as a deferred tax asset. As at 30 June 2020, the Company has unused tax losses of $5,760,857 (2019: $6,000,182).

The New Zealand Government also enacted changes to the tax legislation reinstating the ability to make tax deductions for building depreciation. This change has been factored into the Company's deferred tax balances as disclosed above.

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7 DEFERRED TAX (LIABILITY) / ASSET (CONTINUED)

Imputation Credit Account

	2020	2019
Opening Balance as at 1 July	3,416,577	3,416,577
Other credits	-	-
Closing Balance as at 30 June	3,416,577	3,416,577

8 ORDINARY SHARE CAPITAL

Authorised Issued and Paid Up Capital is 6,378,540 shares at 30 June 2020 (30 June 2019: 6,378,540). These shares have no par value. The Statement of Changes in Equity shows the movement in both value of $6,378.540 (2019: $6,378,540) and the number of shares 6,378,540 (2019: 6,378,540).

All shares rank equally in terms of voting rights, rights to fixed dividends and rights to share in any surpluses on the wind up of the Company. There is no right of redemption attached to these shares.

9 TRADE AND OTHER RECEIVABLES

	2020	2019
Progress Payments Due	779,270	2,054,108
Retentions Receivable	625,017	887,650
Expected Credit Loss Provision	-	-
Trade Receivables	1,492,810	1,496,697
	2,897,097	4,438,455

	2020	2019
Current	2,846,496	4,438,455
Non-current	50,601	-
	2,897,097	4,438,455

Movement in Expected Credit Loss Provision:	2020	2019
Opening balance	-	20,000
Increase (Decrease) in Expected Credit Loss Provision	-	(20,000)
Closing balance	-	-

No bad debts were written off during the year (2019: $456).

The Company's normal terms of trade are 20th of the following month. The analysis below represents trade receivables past 30 days overdue but not impaired:

	2020	2019
30 days to 60 days overdue	34,159	103,320
61 days to 90 days overdue	310	7,035
Over 90 days overdue	-	14,675

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10 INVENTORIES

	2020	2019
Aggregates	1,564,873	1,186,954
Finished Goods	193,211	259,232
	1,758,084	1,446,186
The cost of inventories recognised in expenses during the year	2,418,565	3,243,526

11 CAPITALISED QUARRY DEVELOPMENT COSTS

	2020	2019
Movement in capitalised quarry development costs:		
Opening balance	771,355	611,844
Stripping costs capitalised in current year	291,378	266,939
Stripping costs amortised (within the raw materials cost)	(304,923)	(107,428)
Closing balance	757,810	771,355

12 TRADE AND OTHER PAYABLES

	2020	2019
Trade Creditors and Accruals	1,890,708	2,818,375
Accrued Staff Entitlements	789,392	773,724
Goods and Services Tax	1,069,468	525,751
Other Payables	661,696	-
Directors' Fees Payable	8,625	8,625
	4,419,889	4,126,475

13 INCOME IN ADVANCE

Construction Contracts Income in Advance

	2020	2019
Opening Balance as at 1 July	-	48,913
Amounts received in advance	-	-
Amounts incurred/charged against provision	-	(48,913)
Closing Balance as at 30 June	-	-

For civil construction contracts the Company provides for amounts where either:

- contract costs exceed income received as at financial year end by an amount greater than can be expected to be realised by the end of the contract in full; or
- contract income exceeds costs incurred as at financial year end by an amount greater than can be expected to be realised by the end of the contract on a pro rata basis.

These provisions are reassessed on a monthly basis throughout the financial year and it is therefore expected that any economic benefits or outflows will be recognised within one financial year.

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14 BORROWINGS

Summary of Borrowings

	2020	2019
Current		
Bank Overdrafts	-	-
Credit Facility	-	1,300,000
Interest Bearing Borrowings	375,000	500,000
Total Current Borrowings	375,000	1,800,000
Non Current		
Interest Bearing Borrowings	3,125,000	3,375,000
Total Non Current borrowings	3,125,000	3,375,000

At 30 June 2020 pursuant to the facility agreements ASB Bank Limited had provided:

- a Bank Overdraft Facility of $500,000 of which $500,000 (2019: $500.000) was undrawn;
- a Revolving Credit Facility of $3,300,000 of which $3,300,000 (2019: $2,000,000) was undrawn;
- Performance Bond Guarantees of $531,945 (2019: $55,696)
- a Term Loan of $3,500,000 (2019: $3,875,000)
- a Standby Letter of Credit in the sum of $500,000 (2019: $1,989,225)

The Company has undertaken to achieve specified gearing, debt servicing and equity ratios each quarter. In December 2019, the debt servicing covenant was not met and in March 2020, the debt servicing and gearing covenants were not met. In June 2020, all covenants were met taking into consideration the COVID-19 impact adjustment as allowed in the covenant calculation definitions. ASB Bank has provided waivers for these periods.

At balance date the loan which has a maturity date of 28 February 2024 had a fixed rate of 2.805% (2019: 4.22%) repricing 31st August 2020. Interest is payable between one and three months after funds are drawn.

The following securities were held by ASB Bank Limited:

- General Security Deed over all present and after acquired property of Inframax Construction Limited on the terms of the Deed dated 27 February 2019
- Senior Facility Agreement dated 27 February 2019

As at 30 June 2019 Westpac Banking Corporation had provided contract performance bond to a value of $1,709,255. The facility was secured through a standby letter of credit issued by ASB Bank Ltd which in turn was secured by the General Security Deed. As at 30 June 2020 no obligation remained.

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INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15 PROPERTY, PLANT, EQUIPMENT AND SOFTWARE

	Freehold Land	Freehold Buildings	Vehicles Plant & Equipment	Quarry Production Equipment	Office Furniture	Software	ROU Assets / Leased Assets	Total
Balance at June 2020								
Cost/Valuation 30 June 2020	790,000	2,562,470	17,574,863	749,508	656,817	663,089	381,830	23,378,577
Accumulated depreciation	-	(504,204)	(9,750,228)	(477,677)	(444,415)	(224,532)	(88,704)	(11,489,760)
Net book value 30 June 2020	790,000	2,058,266	7,824,635	271,831	212,402	438,557	293,126	11,888,817
Year ended 30 June 2020								
Carrying amount 1 July 2019	790,000	1,784,012	8,071,680	332,752	207,371	479,717	311,294	11,976,826
Additions	-	344,511	810,841	8,805	83,042	82,437	70,536	1,400,172
Revaluation increase/(decrease)	-	-	-	-	-	-	-	-
Disposals at cost	-	-	(525,703)	-	(31,662)	(447,732)	-	(1,005,097)
Accumulated depreciation recovered on disposal	-	-	329,767	-	31,273	445,252	-	806,292
Depreciation	-	(70,257)	(861,950)	(69,726)	(77,622)	(121,117)	(88,704)	(1,289,376)
Carrying amount 30 June 2020	790,000	2,058,266	7,824,635	271,831	212,402	438,557	293,126	11,888,817
Balance at June 2019								
Cost/valuation 30 June 2019	790,000	2,217,959	17,289,725	740,703	605,437	1,028,384	-	22,672,208
Accumulated depreciation	-	(433,947)	(9,218,045)	(407,951)	(398,066)	(548,667)	-	(11,006,676)
Net book value 30 June 2019	790,000	1,784,012	8,071,680	332,752	207,371	479,717	-	11,665,532
Year ended 30 June 2019								
Carrying amount 1 July 2018	861,000	1,817,514	5,946,912	288,039	97,526	99,163	-	9,110,154
Additions	-	34,715	2,980,389	22,062	145,273	421,519	-	3,603,958
Revaluation increase/(decrease)	-	-	-	83,577	-	-	-	83,577
Disposals at cost	(71,000)	-	(457,463)	-	-	-	-	(528,463)
Accumulated depreciation recovered on disposal	-	-	365,650	-	-	-	-	365,650
Depreciation	-	(68,217)	(763,808)	(60,926)	(35,428)	(40,965)	-	(969,344)
Carrying amount 30 June 2019	790,000	1,784,012	8,071,680	332,752	207,371	479,717	-	11,665,532

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15 PROPERTY, PLANT, EQUIPMENT AND SOFTWARE (CONTINUED)

Asset Revaluation Reserve

The Asset Revaluation Reserve arises on the revaluation of Land, Buildings and Quarry Production Equipment. Where revalued Land, Buildings or Plant is sold, that portion of the Asset Revaluation Reserve which relates to that asset and is effectively realised, is transferred directly to Retained Earnings.

All Quarry Production Equipment is used or held for operational requirements and is revalued every three years under NZ IAS 16 using a Market Comparison Approach taking into consideration recent sales of similar assets. An assessment test is performed in each non-valuation year to ensure that the valuations do not materially differ from that which would be determined using fair value at the end of the reporting period. The last revaluation was carried out by an Independent Valuer as at 25 June 2019.

All Land and Buildings are used or held for operational requirements and are revalued every three years under NZ IAS 16 using a market-based approach taking into consideration recent sales in the area and rental returns on the property and comparing these to a depreciated replacement cost method. An assessment test is performed in each non-valuation year to ensure that the valuations do not materially differ from that which would be determined using fair value at the end of the reporting period. The last revaluation was carried out by an Independent Valuer as at 30 June 2018.

The carrying amount of the Quarry Production Equipment, Land and Buildings had they been recognised under the cost model is as follows:

	2020	2019
Carrying Amount of Quarry Production Equipment as at 30 June	46,842	38,037
Carrying Amount of Land as at 30 June	236,972	236,972
Carrying Amount of Buildings as at 30 June	1,993,233	1,648,722
Carrying Amount as at 30 June	2,277,047	1,923,731

For those items recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

Level 1 – fair value is calculated using quoted prices in active markets for identical assets or liabilities;

Level 2 – fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Company recognises freehold Land, freehold Buildings and Quarry Production Equipment at fair value, using an independent expert to determine the value based on accepted valuation methodologies. These valuations are Level 3 valuations.

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15 PROPERTY, PLANT, EQUIPMENT AND SOFTWARE (CONTINUED)

Leases

	2020	2019
Balance at 1 July	311,294	-
Depreciation charge for the year	(88,703)	-
Additions to right of use assets	70,536	-
Adjustments to existing right of use assets	-	-
Derecognition of right of use assets	-	-
Balance at 30 June	293,127	-

Amounts recognised in the balance sheet
The balance sheet item Property, Plant & Equipment includes the following amount relating to leases:

	2020	2019
Right-of-use assets		
Buildings	236,698	-
Equipment	56,429	-
	293,127	-

Lease liabilities		
Current	(87,013)	-
Non-current	(210,817)	-
	(297,830)	-

Amounts recognised in the statement of profit or loss
The statement of profit or loss shows the following amounts relating to leases:

	2020	2019
Depreciation charge of right-of-use assets		
Buildings	74,596	-
Equipment	14,107	-
	88,703	-

Interest expense (included in finance cost)	9,636	-

The total cash outflow for leases in 2020 was $84,000 (2019: Nil).

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16 RECONCILIATION OF NET SURPLUS AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	2020	2019
Profit for the Year attributable to owners of the Parent	765,143	1,170,515
Add Back Non Cash Items:		
Amortisation	121,117	40,965
Depreciation	1,168,259	928,379
Decrease in Deferred Tax Balance	(232,607)	487,168
Adjustment for change in accounting policy	-	58,599
Net (Gain) on Disposal	48,406	(53,029)
Movement in Working Capital:		
Trade and other Receivables	1,541,358	992,137
Income Received in Advance	-	(48,913)
Prepayments	(30,734)	(5,607)
Inventories	(311,898)	537,088
Trade and other Payables	(250,303)	(490,481)
GST effect on operating cash flows	718,571	850,051
Net Cash Inflow from Operating Activities	3,537,312	4,466,872

17 CONTINGENT LIABILITIES

2019: As at 30 June 2019 there were no contingent liabilities outstanding.

2020: As at 30 June 2020 there was a contingent liability outstanding in relation to a workplace accident that occurred in October 2019. It is not possible to quantify what if any liability will arise from the very distressing event. Worksafe are required to advise by no later than 14 October 2020 of any intention to pursue formal proceedings.

18 COMMITMENTS

Commitments exist for:

	2020	2019
Property Leases	-	355,584

These commitments are payable as follows:

	2020	2019
Within One Year		169,000
One to Two Years	-	153,000
Two to Five Years	-	33,584
	-	355,584

As at 1 July 2019, the Company has adopted NZ IFRS 16 *Leases*. The change in accounting policies is disclosed in Note 1 of the financial statements.

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19 TRANSACTIONS WITH RELATED PARTIES

The Company had a related party relationship with its parent, directors and executive officers.

The Company is a wholly-owned subsidiary of Waitomo District Council. The following related party transactions are included.

	2020	2019
a) Comprehensive Income Statement		
Road Construction and Maintenance Income	8,150,002	9,698,362
Other Income	-	-
Royalty Payments and Other Expenses	96,977	182,242
b) Balance Sheet		
Receivables, Claim Accrual and Work in Progress	859,008	976,645
Retentions Due	143,461	191,169
Payables and Accruals	11,270	46,965

The Company has an employee who runs his own registered business that provides services to Inframax Construction Limited and Inframax Construction Limited has provided services to another employee.

	2020	2019
a) Comprehensive Income Statement		
Hired Plant - Provided by R & M Simpson Contracting (Ross Simpson)	19,950	46,312
b) Balance Sheet		
Payables - Provided by R & M Simpson Contracting (Ross Simpson)	-	6,512
Work in Progress - Provided to CJ & HJ Hayward	10,927	-

20 COMPENSATION FOR KEY MANAGEMENT PERSONNEL

The compensation of the Directors and Executives, being the key management personnel of the Company is set out below. There are no key management personnel with provisions for retirement leave.

	2020	2019
Short term employee and Director benefits	360,879	439,678

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INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

21 SUBSEQUENT EVENTS

There have been no material events subsequent to balance date.

22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

The Company manages its capital to ensure it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt which includes the borrowings disclosed in Note 14 and equity attributable to the shareholder comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Company's Board of Directors monitors and reviews the capital structure annually through the Statement of Corporate Intent process including the monitoring and review of the annual business plan. Through this process the Company seeks to balance the growth objectives of the Company with the Company's dividend policy objective.

Categories of Financial Assets and Liabilities

30 June 2020	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total and fair value
Assets			
Cash and cash equivalents	772,394	-	**772,394**
Trade and other receivables	2,897,097	-	**2,897,097**
	3,669,491	-	**3,669,491**
Financial liabilities			
Credit Facility (Secured)	-	-	**-**
Trade and other payables	-	3,350,421	**3,350,421**
Lease Liabilities	-	297,830	**297,830**
Borrowings	-	3,500,000	**3,500,000**
	-	7,148,251	**7,148,251**

30 June 2019	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total and fair value
Assets			
Cash and cash equivalents	334,628	-	**334,628**
Trade and other receivables	4,438,455	-	**4,438,455**
	4,773,083	-	**4,773,083**
Financial liabilities			
Credit Facility (Secured)	-	1,300,000	**1,300,000**
Trade and other payables	-	3,600,724	**3,600,724**
Lease Liabilities	-	-	**-**
Borrowings	-	3,875,000	**3,875,000**
	-	8,775,724	**8,775,724**

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Financial Risk Management

The finance department of the Company provides treasury services to the Company by monitoring and reviewing financial risk through internal management reporting. These risks include market risk (including interest rate risk, cash flow risk and price risk), credit risk and liquidity risk. The Company does not have a written Treasury Policy.

Market Risk Management

The Company's activities expose it to interest rate movement risk. The Company has no written Treasury Policy but the Board and Management continually monitor and review the debt structure to follow prudent business practice and to mitigate risk. There have been no changes to the management of this risk.

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Financial instruments which potentially subject the Company to concentrations of risk consist principally of cash, short term investments and trade receivables. The Company places its cash and short-term investments with high credit quality financial institutions which are reviewed by the Board annually.

Trade receivables consist of a number of customers spread across the operating area. Monthly management reviews are conducted on the financial performance of accounts receivable. Acceptance of new customers is subject to a satisfactory credit check. There have been no changes to the management of this risk since the prior year.

Concentrations of credit risk with respect to accounts receivable is significant with reliance on the following receivables who each constitute 20% or more of total receivables in the current or prior year:

	2020	2019
Waitomo District Council	35%	21%

Except, as currently provided for, the Company expects performance in respect of outstanding obligations at balance date.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Interest Rate Risk and Currency Risk

All financial instruments are denominated in New Zealand dollars, therefore the Company has no foreign currency risk.

As the Company has no significant interest-bearing assets, its income and operating cash in-flows are substantially independent of changes in the market interest rates. The Company's interest rate risk arises from long-term borrowings issued at fixed rates that expose the Company to fair value interest rate risk.

The Directors monitor the interest rate risk by monitoring the underlying interest rate exposure and economic conditions regularly.

Other receivables and trade payables are interest-free and have settlement dates within one year.

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INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate management framework for the management of the Company's short, medium and long-term funding and liquidity management. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in Note 14 is a list of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

A summary table with maturity of financial liabilities presented below is used by key management personnel to manage liquidity risk and is derived from managerial reports at an entity level. There have been no changes to the management of this risk since the prior year.

30 June 2020	**Weighted average effective interest rate**	**Less than 12 months**	**12-24 months**	**Between 3 and 5 years**	**Over 5 years**	**Total**
Financial Liabilities						
Credit Facility (Secured)	*0.00%*	-	-	-	-	**-**
Trade and other payables	*0.00%*	4,419,889	-	-	-	**4,419,889**
Lease Liabilities	*2.81%*	94,255	90,894	101,074	30,000	**316,223**
Borrowings	*2.81%*	469,669	581,228	2,729,311	-	**3,780,208**
		4,983,813	672,122	2,830,385	30,000	**8,516,320**

30 June 2019	**Weighted average effective interest rate**	**Less than 12 months**	**12-24 months**	**Between 3 and 5 years**	**Over 5 years**	**Total**
Financial Liabilities						
Credit Facility (Secured)	*3.54%*	1,300,000	-	-	-	**1,300,000**
Trade and other payables	*0.00%*	4,126,475	-	-	-	**4,126,475**
Lease Liabilities	*0.00%*	-	-	-	-	**-**
Borrowings	*4.22%*	653,854	632,754	3,126,002	-	**4,412,610**
		6,080,329	632,754	3,126,002	-	**9,839,085**

Interest Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

If the interest rates had varied higher/lower by the basis points noted with all other variables held constant, the Company's pre-tax profit and equity would increase / decrease as shown.

	2020	**2019**
50 points change	20,966	28,563
100 points change	41,724	57,126
150 points change	62,482	85,689

There has not been any change in the methods and assumptions used during the period.

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INFRAMAX CONSTRUCTION LIMITED
STATEMENT OF PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2020

	Statement of Intent 2020		Statement of Intent 2019	
	Achieved	**Target**	**Achieved**	**Target**
The Statement of Corporate Intent states the Company will endeavour to exceed the targets of the Projected Business Plan. The results achieved compare with performance criteria in the Statement of Corporate Intent as follows:				
PERFORMANCE MEASURES				
Equity Ratio	57%	54%	52%	51%
Current Ratio	Positive	Positive	Positive	Positive
Revenue	$30m	$43m	$40m	$43m
Closing Bank and Shareholder Loans	$3.5m	$4.8m	$5.2m	$1.8m
Bank Covenants	Satisfied	Unconditionally met	Unconditionally met	Unconditionally met
Earnings before Interest, Taxation, Depreciation & Amortisation	$2.0m	$3.6m	$2.9m	$5.0m
The Equity Ratio is the average Shareholders Funds expressed as a percentage of average Total Assets. Average Total Assets and average Shareholders Funds are based on 30 June 2019 and 30 June 2020 figures. Bank covenants were satisfied Dec-19 and Mar-20 due to waiver letters issued.				
NON-FINANCIAL PERFORMANCE MEASURES				
Lost Time Injury Frequency Rate Calculated as the number of lost time injuries per million hours worked. There were 3 lost time injuries in the 12 months to 30 June 2020.	13	Zero	11	Zero
Accident Compensation Days	274	195	124	30
ISO 9001 Accreditation	Standard Achieved	Standard Achieved	Standard Achieved	Standard Achieved
Environmental Consent Compliance Assessed level of environmental consents by Waikato Regional Council:				
Non-compliant	-		-	
Partially compliant	-		-	
Highly compliant	3	All	-	All
Fully compliant	-		7	
Not assessed	6		2	
Support of local events in operating area Number of local events within operational areas where the Company provided complimentary goods, services or financial support.	12	12	9	10

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INFRAMAX CONSTRUCTION LIMITED
DIRECTORY

COMPANY OFFICE and REGISTERED OFFICE
Waitete Road
P O Box 242
TE KUITI 3910

Phone:	(07) 878 8725
Fax:	(07) 878 8735

DIRECTORS
C E Rowlandson (appointed 3 May 2011)
E S Rattray (appointed 3 May 2011)
A D Johnson (appointed 1 September 2015)

CHIEF EXECUTIVE OFFICER
C J Hayward

BANKERS
ASB Bank Limited

AUDITOR
Bruno Dente of Deloitte Limited (on behalf of the Auditor General)
Hamilton

SOLICITORS
Peter Fanning of Tompkins Wake
Hamilton

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF INFRAMAX CONSTRUCTION LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of Inframax Construction Limited (the company). The Auditor-General has appointed me, Bruno Dente, using the staff and resources of Deloitte Limited 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 5 to 32, that comprise the balance sheet as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the company on pages 33.

In our opinion:

- the financial statements of the company on pages 5 to 32:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards and International Financial Reporting Standards; and

- the performance information of the company on pages 33 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2020.

Our audit was completed on 11 September 2020. 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.

Impact of COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the company as set out in note 2 to the financial statements.

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 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 2 to 4, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

B Dente

Bruno Dente
for Deloitte Limited on behalf of the Auditor-General
Hamilton, New Zealand