Inframax Construction Limited

Financial Statements

For the year ended 30 June 2022

Inframax Construction Limited
Financial statements
For the year ended 30 June 2022

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Auditor	The auditor whose report is referred to in this Annual Report is Bruno Dente assisted by Deloitte Limited, acting as an agent on behalf of the Office of the Auditor-General. His address for service is Deloitte, The Deloitte House, 24 Anzac Parade, Claudelands, Hamilton 3216, New Zealand
Banker	ASB Bank Limited, ASB North Wharf, 12 Jellicoe Street, Auckland 1010, New Zealand
Company number	508698
Directors	E S Rattray – appointed 3 May 2011 H Goddard – appointed 1 April 2022 J Elrick – appointed 1 April 2022 C Ryan – appointed 1 April 2022 C E Rowlandson – resigned 31 March 2022 A D Johnson – resigned 31 October 2021
Registered office	Inframax Construction Limited, Waitete Road, Te Kuiti 3910, New Zealand
Shareholder	Waitomo District Council, Queen Street, Te Kuiti 3910, New Zealand
Solicitors	Daniel Shore of McCaw Lewis Limited

Report from the Chairman

For the year ended 30 June 2022

The 2021-22 reporting year has featured a period of stabilising and resetting for Inframax.

The financial year got underway as the second wave of Covid-19 gripped the country with associated response disruptions to day-to-day business. By year end, the inflationary aftermath of unprecedented economic stimulus coinciding with constrained materials and labour supply became a new challenge.

Protecting the health of our staff while at the same time meeting our contracted customer service obligations has been a fragile balancing act. It is real credit to the senior management within Inframax, and to our key customers who have supported us during this challenging period.

While operating cash flow recorded a marked improvement from the previous year, more than doubling to just over $1.3 million, the accounting profit has printed negative for the year in review. While this is largely attributed to both noncash adjustments and end of year expense accruals particularly in repairs and recovery linked to the Pio Pio quarry flood event, nevertheless printing a post-tax loss of $0.8 million is a frustrating outcome, at a time when Inframax is gaining confidence and strength.

The underlying capability of the business is highlighted by the recent award of the Ruapehu District maintenance contract. This multimillion dollar seven-year commitment leverages the core strength of Inframax and extends its reach over the entire King Country roading network. Our management are energised by this opportunity and are well prepared for the responsibility which comes with it.

Meanwhile, Inframax has refreshed its governing board, welcoming Janie Elrick, Hugh Goddard and Chris Ryan as new directors this year. This is a well-balanced and experienced board which has a clear focus on its responsibilities. At the same time, we have also welcomed Vesta Gribben as CEO to lead the executive and management functions of the company. The Board, CEO and entire senior management team is focused on optimising this business, generating sustainable profit and creating shareholder value in both the current financial year, and in the years ahead.

Businesses across New Zealand are having to adjust to accommodate cost inflation, labour constraints and materials shortages. Legacy contracts priced in a past era and being delivered at current costs will remain a headwind in the near term. Nevertheless, as these contracts are worked to completion and a range of business improvement initiatives now underway begin to add value, we can look forward to Inframax returning to profit in the 2023 reporting year. I am confident Inframax is putting the disruption of the past two years well behind us and is well placed to consolidate on its strength in years ahead.

Finally, I wish to covey the Board's thanks to Council for its ongoing support of Inframax, and its role in the Waitomo and wider King Country economy.

Earl Rattray
Chairman

Report from the Chief Executive Officer

For the year ended 30 June 2022

First and foremost, I want to acknowledge the hard work and commitment of the dedicated team of people that make up the Inframax team. The second half of the year has seen the regions in which we operate subject to a series of severe and heavy weather storm events. Starting in February, with ex-tropical Cyclone Dovi making landfall in the Waitomo district, and a series of major weather events since then, the road networks we care for have been repeatedly subjected to inundation and flooding. Our frontline teams, with the support of our wider team, have worked tirelessly to clear slips and debris, ensuring the road networks, they so proudly take care of, are accessible and safe. It is during events such as these, that the value of the company's intimate local knowledge of the road networks, terrain and geographical challenges becomes apparent, this being a key contributor to the company successfully delivering services that derive high levels of customer satisfaction. Evidenced by the number of compliments and expressions of appreciation the company received from our customers and the wider community alike during this time, the response provided by our teams further reinforced our reputation for delivering operational and customer centric excellence.

A period of change
Quarter four of this year witnessed a period of change for the company with the departure of long-standing CEO, Chris Hayward, and Board Chairperson, Craig Rowlandson. Both Chris and Craig provided strong oversight of the business over many years and during some difficult times and I would like to take the opportunity to acknowledge the contribution they have made to the Inframax business over those many years.

A challenging year, but a confident outlook
The company itself was negatively impacted by the unprecedented rainfall of ex-tropical Cyclone Dovi which caused one of our quarries to suffer major flooding, resulting in significant damage to, and loss of, plant and equipment. The one-off, non-recurring expenses incurred, and the loss of production, as of a result of this event, has been a major contributor to the disappointing financial performance being reported for the twelve months ending 30 June 2022. Whilst the company entered the year with a full contract order book and achieved 7% revenue growth on prior year, much of that order book was priced and secured in the 2020 calendar year. The macroeconomic environment has changed rapidly post 2020, which has seen this order book delivered in extremely tight labour and inflationary market conditions. These challenging trading conditions had a significant adverse effect on the company's profitability.

There are however several positives to take out of the twelve months to 30 June 2022 which places the company on a sound future footing and can provide our people, customers and shareholder, confidence in the outlook of the business:

- The health of the company's annuity revenue order book, secured by long-term maintenance contracts, was strengthened in the year through the:
    - Commencement of our partnership agreement with Fulton Hogan for the delivery of services on the Waka Kotahi West Waikato Network Outcomes Contract;
    - Extension of our long-term road maintenance contract with Waitomo District Council; and
    - Award of long-term road maintenance contract with Ruapehu District Council (commencement date October 2022).
- Investment and successful establishment of a specialist traffic management department, a service line for which there is high demand and limited market supply, providing the company excellent scope for growth.
- Investment in the training and development of our people to support them in growing their skills and ensuring that the company is future proofing our ability to deliver services.
- Continued focus on working safely, strengthening our capability in this area through training and development.

Looking ahead
Looking ahead, management's focus is to quickly pivot from this challenging year and to build on the strengths of the company to bounce back strongly in FY23. Our ability to improve the company's financial performance and deliver a return to our shareholder will bear a direct correlation to:

- Setting a clear strategic direction for the business;
- Building the skills and resources to deliver on that strategy;
- Establishing a clear identity and value proposition with our present and future customers and employees;
- Identifying new opportunities for growth;
- Increasing value to our customers by way of operational efficiencies and broader outcomes; and
- Making further improvements and enhancements to the company's risk management programme, particularly with regards to the safety and protection of our people and assets, our customers and the wider community.

This articulates the management's priorities for the year ahead and I look forward to working with the wider Inframax team and the company's new board of directors to deliver on these priorities.

Vesta Gribben
Chief Executive Officer

Comprehensive Income statement

For the year ended 30 June 2022

	NOTE	Year ended 30-Jun-22	Year ended 30-Jun-21
Total Operating Revenue	2	**34,494,936**	32,269,218
Operating Expenditure			
Audit Services	3	**86,113**	84,175
Bad and Doubtful Debts (Recovered)		-	3,732
Depreciation and Amortisation	15	**1,311,480**	1,271,730
Impairment of Assets	15	**204,340**	-
Direct Contract Expenses		**15,303,221**	13,848,357
Directors' Fees	4	**115,000**	120,000
Employee Benefits Expense	5	**11,605,121**	10,392,639
Raw Materials		**3,726,263**	2,405,920
Operating Lease Expense		**535,353**	70,434
Loss/(Gain) on Disposal of Assets		**(14,526)**	(97,219)
Repairs & Maintenance		**2,573,342**	2,074,276
Other Operating Expenses		**405,527**	2,007,208
Total Operating Expenses		**35,851,234**	**32,181,252**
Operating (Loss)/Profit before Financing Costs		**(1,356,298)**	**87,966**
Plus: Interest Revenue	2	**212**	1
Less: Financing Costs		**(130,326)**	(113,934)
Other Income	2	**348,336**	686,371
Profit before Income Tax Expense		**(1,138,076)**	**660,404**
Income Tax Expense	6	**(318,607)**	186,903
Profit for the Year attributable to owners of the Parent		**(819,469)**	**473,501**
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit and loss			
Revaluation of Property, Plant and Equipment and Quarry Assets	15	**574,811**	581,196
Income tax expense relating to other comprehensive income	7	**(124,296)**	(141,985)
Other Comprehensive Income for the Year Net of Tax		**450,515**	**439,211**
Total Comprehensive Income for the Year Net of Tax attributable to owners of the Parent		**(368,954)**	**912,712**

The notes to the Financial Statements (pages 10-30) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

Deloitte.
for Identification

Statement of changes in equity

For the year ended 30 June 2022

	NOTE	Fully Paid ordinary shares	Revaluation Reserve	Retained Earnings	Total
Balance as at 1 July 2020		6,378,540	1,543,867	3,109,091	11,031,498
Profit for the Year				473,501	473,501
Other Comprehensive Income					
Revaluations	15		581,196		581,196
Income tax expense relating to other comprehensive income			(141,985)		(141,985)
Balance as at 30 June 2021		6,378,540	1,983,078	3,582,592	11,944,210
Profit for the Year				(819,469)	(819,469)
Other Comprehensive Income					
Revaluations	15		574,811		574,811
Income tax expense relating to other comprehensive income			(124,296)		(124,296)
Balance as at 30 June 2022		6,378,540	2,433,593	2,763,123	11,575,256

The notes to the Financial Statements (pages 10-30) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

Inframax Construction Limited
Financial Statements
For the year ended 30 June 2022

Balance sheet

As at 30 June 2022

	NOTE	As at 30-Jun-22	As at 30-Jun-21
Equity			
Ordinary Share Capital	8	**6,378,540**	6,378,540
Retained Earnings		**2,763,123**	3,582,592
Revaluation Reserve		**2,433,593**	1,983,078
Total Equity		**11,575,256**	11,944,210
ASSETS			
Current Assets			
Trade and Other Receivables	9	**3,662,403**	3,829,695
Prepayments		**111,161**	183,569
Inventories	10	**1,403,871**	1,794,197
Tax Receivable		-	-
Cash and Cash Equivalents		**546,717**	145,693
Total Current Assets		**5,724,152**	5,953,154
Non Current Assets			
Trade and Other Receivables	9	**265,787**	249,273
Property, Plant and Equipment	15	**12,294,308**	11,956,860
Intangible Assets	15	**192,380**	307,580
Capitalised Quarry Development	11	**872,459**	832,133
Deferred Tax Asset	7	**917,292**	722,980
Total Non-Current Assets		**14,542,226**	14,068,826
Total Assets		**20,266,378**	20,021,980
LIABILITIES			
Current Liabilities			
Overdraft	14	-	2,742
Credit Facility	14	**1,500,000**	500,000
Interest Bearing Borrowings	14	**500,000**	500,000
Trade and other Payables	12	**3,994,635**	3,845,721
Provision for Enforceable Undertaking	17	**446,796**	393,489
Lease Liabilities	15	**50,880**	86,127
Total Current Liabilities		**6,492,311**	5,328,079
Non Current Liabilities			
Interest Bearing Borrowings	14	**2,125,000**	2,625,000
Lease Liabilities	15	**73,811**	124,691
Total Non-Current Liabilities		**2,198,811**	2,749,691
Total Liabilities		**8,691,122**	8,077,770
Net Assets		**11,575,256**	11,944,210

For and on behalf of the Board on 21 October 2022

Director

Director

The notes to the Financial Statements (pages 10-30) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

Inframax Construction Limited
Financial Statements
For the year ended 30 June 2022

Statement of cash flows

for the year ended 30 June 2022

	NOTE	Year ended 30-Jun-22	Year ended 30-Jun-21
Cash flows from Operating Activities			
Receipts from Customers		**40,225,680**	36,291,016
Interest Received		**212**	1
Payments to Employees		**(11,224,905)**	(10,383,099)
Payments to Suppliers		**(26,312,834)**	(23,409,391)
Interest Paid		**(130,326)**	(113,934)
GST Paid		**(1,200,518)**	(1,853,159)
Net Cash flows from Operating Activities	16	**1,357,309**	531,434
Cash flows from Investing Activities			
Proceeds from Sale of Property, Plant and Equipment		**400,100**	332,168
Purchase of Property, Plant, Equipment and Intangibles		**(1,767,516)**	(1,531,919)
Net Cash flows from Investing Activities		**(1,367,416)**	(1,199,751)
Cash flows from Financing Activities			
Revolving Credit Facilities		**1,000,000**	500,000
Repayments of Borrowings		**(500,000)**	(375,000)
Repayments of Lease Liabilities		**(86,127)**	(86,126)
Net Cash flows from Financing Activities		**413,873**	38,874
Change in cash and cash equivalents		**403,766**	(629,443)
Cash and cash equivalents at beginning of the year		**142,951**	772,394
Cash and cash equivalents at end of year		**546,717**	142,951

This is represented by:		
Overdraft	-	(2,742)
Cash and cash Equivalents	**546,717**	145,693
Balance at Bank	**546,717**	142,951

The notes to the Financial Statements (pages 10-30) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

Notes to the financial statements

1. Statement of Accounting Policies

1.1 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 2022. The financial statements were authorised for issue by the Board of Directors on 21 October 2022.

1.2 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.

1.3 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.

1.4 New or amended Accounting Standards and Interpretations adopted.

No new standards or amendments to existing standards came into effect for the first time for the annual reporting period commencing 1 July 2021.

1.5 Financial Assets

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.

Notes to the financial statements continued

1. Statement of Accounting Policies continued

1.6 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.

1.7 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.

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.

Notes to the financial statements continued

1. Statement of Accounting Policies continued

1.8 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.

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.

1.9 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.

1.10 Leases

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.

Notes to the financial statements continued

1. Statement of Accounting Policies continued

1.10 Leases continued

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.

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.

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.

1.11 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.

1.12 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.

1.13 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.

A Bunding asset is depreciated or amortised over the life of the lease.

1.14 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.

Notes to the financial statements continued

1. Statement of Accounting Policies continued

1.15 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.

Work in Progress

Capital works under progress are valued at cost. The total cost of the project is transferred to the relevant asset on its completion and then depreciated.

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:

Asset classes	Years	Depreciation rate
Freehold buildings	50 years	2.0%
Vehicles, plant and equipment	4 to 15 years	7.0% - 25.0%
Motor Vehicles	3 to 5 years	20.0% - 33.3%
Office Furniture	2 to 5 years	20.0% - 50.0%
Quarry production equipment	4 to 15 years	7.0% to 25.0%
Software	2 to 5 years	20.0% to 50.0%
Right-of-use asset	2 to 5 years	20.0% to 50.0%

Notes to the financial statements continued

1. Statement of Accounting Policies continued

1.15 Property, Plant and Equipment 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 Share Capital

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

Notes to the financial statements continued

1. Statement of Accounting Policies continued

1.21 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.

1.22 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

1.23 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.

1.24 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.

Notes to the financial statements continued

2. Revenue from Operations

	Year ended 30 June 2022	Year ended 30 June 2021
Revenue from Contracts with Customers - recognised over time		
Construction and maintenance services	**33,117,126**	30,914,586
Revenue from Contracts with Customers - recognised at a point in time		
Sale of Product	**1,377,810**	1,354,632
Total Operating Revenue from Contracts with Customers	**34,494,936**	32,269,218
Interest Revenue		
Bank and other Interest	**212**	1
Total Interest Revenue	**212**	1
Other Income		
Building Rental	**21,609**	24,878
Grant Revenue	**326,727**	661,696
Other Income	-	(203)
Total Other Income	**348,336**	686,371
Total Revenue	**34,843,484**	32,955,590

The Grant Revenue in both years 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.

3. Audit Services

	Year ended 30 June 2022	Year ended 30 June 2021
Audit Services - Deloitte Limited has provided audit services to the Company		
Fees in relation to 2021 audit		84,175
Fees in Relation to 2022 audit	86,113	
Total Audit Service Fees	**86,113**	84,175

Notes to the financial statements continued

4. Directors' Fees

	Year ended 30 June 2022	Year ended 30 June 2021
Director Fees paid and accrued during the year were		
C E Rowlandson	**45,000**	60,000
E S Rattray	**37,500**	30,000
A D Johnson	**10,000**	30,000
J Elrick	**7,500**	
H Goddard	**7,500**	
C Ryan	**7,500**	
Total Audit Service Fees	**115,000**	120,000

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 $9,120 in 2022 (2021: Limit $5,000,000 plus an additional $2,500,000 for defence costs premium $8,470).

Director Interests

Directors were reimbursed travel costs at or below the IRD rate. Costs were paid to directors for Health and Safety Governance Course during the year $1,600 (2021:Nil). No directors hold any interests in the equity of the Company as at 30 June 2022 (2021: Nil)

5. Employee Benefit Expense

	Year ended 30 June 2022	Year ended 30 June 2021
Salary and Wage Expense	**10,631,499**	9,373,040
Fringe Benefits Tax	**134,296**	157,871
Accident Compensation Levies	**150,801**	119,961
Superannuation Contributions	**195,649**	228,534
Other Employee Benefits	**492,876**	513,233
Total Employee Benefits Expense	**11,605,121**	10,392,639

Notes to the financial statements continued

6. Taxation

	Year ended 30 June 2022	Year ended 30 June 2021
Profit before Income Tax	(1,138,076)	660,404
Tax Calculated at 28%	(318,661)	184,913
Tax Effect of non-deductible expenses in profit before tax	617	184,662
Non Taxable Income	-	(183,963)
Re-recognition of temporary differences	-	-
Under / (Over) Provided in Prior Periods	(563)	1,291
Income Tax Expense per Profit or Loss	(318,607)	186,903

Income tax is calculated at an average effective rate of 28% of the estimated assessable profit for the year.

7. Deferred Tax (Liability) / Asset

	Year ended 30 June 2022	Year ended 30 June 2021
Deferred Tax (Liability) / Asset		
Opening Balance as at 1 July	722,981	1,051,869
(changed)/credited to income statement	318,607	(186,903)
(Charged)/Credited to equity	(124,296)	(141,985)
Closing balance as at 30 June	917,292	722,981
Depreciation / Amortisation		
Opening Balance as at 1 July	(981,459)	(623,972)
(changed)/credited to income statement	(76,518)	(207,634)
(Charged)/Credited to equity	(124,296)	(141,985)
Under / (Over) Provided in prior periods		(7,868)
Closing balance as at 30 June	(1,182,273)	(981,459)
Right of Use Asset / Liability		
Opening Balance as at 1 July	1,790	1,316
(changed)/credited to income statement	(196)	474
(Charged)/Credited to equity	-	-
Closing balance as at 30 June	1,594	1,790
Employee entitlements		
Opening Balance as at 1 July	132,521	137,692
(changed)/credited to income statement	49,042	23,976
(Charged)/Credited to equity		-
Under / (Over) Provided in prior periods	(7,352)	(29,147)
Closing balance as at 30 June	174,211	132,521
Other provisions		
Opening Balance as at 1 July	(54,140)	(81,377)
(changed)/credited to income statement	(6,566)	27,237
(Charged)/Credited to equity		-
Closing balance as at 30 June	(60,706)	(54,140)
Tax Losses		
Opening Balance as at 1 July	1,624,269	1,618,210
(changed)/credited to income statement	352,845	(29,663)
(Charged)/Credited to equity	-	-
Under / (Over) Provided in prior periods	7,352	35,722
Closing balance as at 30 June	1,984,466	1,624,269

Notes to the financial statements continued

7. Deferred Tax (Liability) / Asset (Continued)

2022: With a profit achieved in recent years and expectations of future profitability, the Directors have elected to recognise all remaining unused tax losses as a deferred tax asset. The company has unused tax losses of $7,087,376.

2021: With a profit achieved in 2021 and a budgeted profit in 2022 and an expectation of continued profitability, the Directors have elected to recognise all remaining unused tax losses as a deferred tax asset. The company has unused tax losses of $5,800,959.

	Year ended 30 June 2022	Year ended 30 June 2021
Imputation Credits		
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 2022 (30 June 2021: 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 (2021: $6,378,540) and the number of shares 6,378,540 (2021: 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

	Year ended 30 June 2022	Year ended 30 June 2021
Progress Payments Due	**2,456,011**	2,769,178
Retentions Receivable	**960,743**	872,842
Expected Credit Loss Provision	-	(3,732)
Trade Receivables	**511,436**	440,680
Total Trade and Other Receivables	**3,928,190**	4,078,968
Current	3,662,403	3,829,695
Non-Current	265,787	249,273
Total Trade and Other Receivables	**3,928,190**	4,078,968
Movement in Expected Credit Loss Provision		
Opening balance	3,732	0
Increase / (Decrease) in Expected Credit Loss Provision	(3,732)	3,732
Closing Balance	-	3,732

Bad debts of $3,732 were written off during 2022 (2021: $nil)

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:

	Year ended 30 June 2022	Year ended 30 June 2021
30 days to 60 days overdue	34,808	29,914
61 days to 90 days overdue	68,875	13,188
Over 90 days overdue	14,529	36,771

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Notes to the financial statements continued

10. Inventories

	Year ended 30 June 2022	Year ended 30 June 2021
Aggregates	**1,164,348**	1,612,569
Finished Goods	**239,523**	181,628
Closing Balance	**1,403,871**	1,794,197
The cost of Inventories recognised in expenses during the year	**3,299,803**	3,119,599

Bunding has been reclassified to Capitalised Quarry Development Costs $103,016

11. Capitalised Quarry Development Costs

	Year ended 30 June 2022	Year ended 30 June 2021
Movement in capitalised quarry development costs		
Opening balance	**832,133**	757,810
Stripping costs capitalised in current year	**154,535**	308,404
Bunding	**103,016**	-
Stripping costs amortised (within the raw materials cost)	**(217,225)**	(234,081)
Closing Balance	**872,459**	832,133

12. Trade and Other Payables

	Year ended 30 June 2022	Year ended 30 June 2021
Trade Creditors and Accruals	**2,656,037**	2,526,233
Accrued Staff Entitlements	**1,179,148**	798,932
Goods and Services Tax	**156,250**	509,056
Director's Fees Payable	**3,200**	11,500
Closing Balance	**3,994,635**	3,845,721

13. Income in Advance

Construction Contracts Income in Advance

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. As at 30 June 2022 Income in Advance was $nil (2021: $nil).

Notes to the financial statements continued

14. Borrowings

	Year ended 30 June 2022	Year ended 30 June 2021
Current		
Bank Overdrafts	-	2,742
Credit Facility	1,500,000	500,000
Interest Bearing Borrowings	500,000	500,000
Total Current Borrowings	2,000,000	1,002,742
Non Current		
Interest Bearing Borrowings	2,125,000	2,625,000
Total Non Current Borrowings	2,125,000	2,625,000

At 30 June 2022 pursuant to the facility agreements ASB Bank Limited had provided:

- Bank Overdraft Facility of $1,000,000 (2021: $1,000,000) of which $1,000,000 (2021: $997,259) was undrawn;
- Revolving Credit Facility of $2,800,000 (2021: $2,800,000) of which $1,500,000 (2021: $2,300,000) was undrawn;
- Performance Bond Guarantees of $627,798 (2021: $627,798)
- Term Loan of $4,000,000 (2021: $4,000,000) of which $1,375,000 (2021: $875,000) was undrawn.
- Standby Letter of Credit in the sum of $500,000 (2021: $500,000).

The Company has undertaken to achieve specified gearing, debt servicing and equity ratios each quarter. In June 2022 the debt servicing was not met. ASB Bank has provided waivers for this period.

At balance date the loan which has a maturity date of 28 February 2024 had a fixed rate of 5.02% (2021: 2.87%) repricing 31 August 2022. Interest is payable between one and three months after the 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 Deed dated 27 February 2022.
- Senior Facility Agreement dated 27 February 2019.

Notes to the financial statements continued

15. Property, Plant, Equipment and Software

	Freehold Land	Freehold Buildings	Vehicles Plant & Equipment	Quarry Production Equipment	Office Furniture	Software	ROU Assets / Leased Assets	Capital Works in Progress	Total
Cost / Valuation 30 June 2022	**995,000**	**3,522,216**	**17,165,205**	**864,878**	**692,512**	**687,363**	**381,830**	**34,512**	**24,343,516**
Accumulated depreciation	**-**	**(656,338)**	**(9,351,877)**	**(497,386)**	**(593,410)**	**(494,983)**	**(262,834)**	**-**	**(11,856,828)**
Balance as at 30 June 2022	**995,000**	**2,865,878**	**7,813,328**	**367,492**	**99,102**	**192,380**	**118,996**	**34,512**	**12,486,688**
Carrying amount 1 July 2021	**864,105**	**2,516,859**	**7,321,645**	**398,559**	**164,228**	**307,580**	**204,423**	**487,041**	**12,264,440**
Additions and Transfers	**-**	**-**	**1,746,451**	**163,023**	**11,721**	**27,978**	**-**	**(452,529)**	**1,496,644**
Revaluation increase / (decrease)	**130,895**	**429,460**	**-**	**14,456**	**-**	**-**	**-**	**-**	**574,811**
Disposals at cost	**-**	**-**	**(1,214,339)**	**(152,211)**	**-**	**-**	**-**	**-**	**(1,366,550)**
Accumulated depreciation recovered on disposal	**-**	**-**	**1,020,064**	**13,099**	**-**	**-**	**-**	**-**	**1,033,163**
Impairment	**-**	**-**	**(202,605)**	**-**	**-**	**(1,735)**	**-**	**-**	**(204,340)**
Depreciation	**-**	**(80,441)**	**(857,888)**	**(69,434)**	**(76,847)**	**(141,443)**	**(85,427)**	**-**	**(1,311,480)**
Balance as at 30 June 2022	**995,000**	**2,865,878**	**7,813,328**	**367,492**	**99,102**	**192,380**	**118,996**	**34,512**	**12,486,688**
Cost / Valuation 30 June 2021	864,105	3,092,756	16,835,698	839,610	680,791	661,120	381,830	487,041	23,842,951
Accumulated depreciation	-	(575,897)	(9,514,053)	(441,051)	(516,563)	(353,540)	(177,407)		(11,578,511)
Balance as at 30 June 2021	864,105	2,516,859	7,321,645	398,559	164,228	307,580	204,423	487,041	12,264,440
Carrying amount 1 July 2020	790,000	2,058,266	7,824,635	271,831	212,402	438,557	293,126	-	11,888,817
Additions	-	23,195	440,834	206,285	44,055	56,369	-	487,041	1,257,779
Revaluation increase / (decrease)	74,105	507,091	-	-	-	-	-	-	581,196
Disposals at cost	-	-	(1,180,000)	(116,183)	(20,080)	(58,338)	-	-	(1,374,601)
Accumulated depreciation recovered on disposal	-	-	1,041,501	107,479	16,718	17,281	-	-	1,182,979
Depreciation	-	(71,693)	(805,325)	(70,853)	(88,867)	(146,289)	(88,703)	-	(1,271,730)
Balance as at 30 June 2021	864,105	2,516,859	7,321,645	398,559	164,228	307,580	204,423	487,041	12,264,440

Notes to the financial statements continued

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 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 or similar assets. An assessment test is performed in each non-valuation year to ensure that the valuation 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 26 July 2022.

All land and buildings are used or held for operational requirements and are revalued every three years under NZ IAS 16 to assess Market Value the following methods are considered, Summation, Investment and Direct-Sales Comparison. Inputs used in the valuation are comparable sales evidence for similar land and buildings, the present-day costs associated with the construction of equivalent structures and the rental earning capacity for land and buildings, which are observable inputs. 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 2022.

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

	Year ended 30 June 2022	Year ended 30 June 2021
Carrying Amount as at 30 June 2022		
Quarry Production Equipment	**63,862**	182,274
Land	**236,972**	236,972
Buildings	**1,905,840**	1,944,735
Carrying Amount as at 30 June 2022	**2,206,674**	2,363,981

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 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.

Notes to the financial statements continued

15. Property, Plant, Equipment and Software (continued)

Leases

	Year ended 30 June 2022	Year ended 30 June 2021
Leases		
Balance as at 1 July 2021	**204,423**	293,126
Depreciation charge for the year	(85,427)	(88,703)
Additions to right of use assets		0
Balance at 30 June 2022	118,996	204,423
Right-of-use assets		
Buildings	**90,782**	123,890
Equipment	**28,214**	80,533
	118,996	204,423
Lease Liabilities		
Current	**(50,880)**	(86,127)
Non-current	**(73,811)**	(124,691)
	(124,691)	(210,818)

Amounts recognised in the Statement of Profit or Loss

The Statement of profit or loss shows the following amounts relating to leases:

	Year ended 30 June 2022	Year ended 30 June 2021
Depreciation charge of right-of-use assets		
Buildings	**71,320**	74,596
Equipment	**14,107**	14,107
	85,427	88,703
Interest expense (included in finance cost)	**4,768**	7,242

The total cash outflow for leases 2022 was $90,895 (2021: $86,126).

16. Reconciliation of Net Surplus after Taxation with Cash Inflow from Operating Activities

	Year ended 30 June 2022	Year ended 30 June 2021
Profit for the Year attributable to owners of the Parent	**(819,469)**	473,501
Add Back Non Cash Items:		
Amortisation	**141,443**	146,289
Depreciation	**1,170,037**	1,125,441
Impairment	**204,340**	
Decrease in Deferred Tax Balance	**(318,607)**	186,903
Net (Gain) on Disposal	**(14,526)**	(97,219)
Movement in Working Capital:		
Trade and other Receivables	**150,778**	(1,181,871)
Prepayments	**72,408**	(60,423)
Provisions	**53,307**	393,489
Inventories	**390,326**	(36,113)
Trade and other Payables	**148,914**	(14,642)
GST effect on operating cash flows	**178,358**	(403,921)
Net Cash Inflow from Operating Activities	**1,357,309**	531,434

Notes to the financial statements continued

17. Contingent Liabilities, Contingent Assets and Provisions

2022: The company has arranged with ASB Limited for the issue of performance related bonds in favour of:
Local authorities $627,798 (2021:$627,798). The Directors know of no reason why these performance related bonds would be called upon by the external parties and therefore they have not been recognised in the balance sheet

The Company has a contingent liability in relation to land rehabilitation and maintenance obligations at the expiry of a Grant of Quarry Rights Agreement. The details of the obligation are to be agreed and are not anticipated to arise before the expiry of the grant in 2032. Accordingly, quantification of the liability is not possible. Post Balance date, the company has arranged with ASB limited to issue a bank guarantee of $172,670 in favour of Wallace Johnstone Limited related to this agreement.

The Company has a potential contingent liability of $50,000 in relation to and Employment Relations Authority matter.

The Company has a contingent asset at the time of balance day, the insurance claim for the quarry flood on 12 February 2022 is yet to be settled for the damage to assets including assets to be repaired and total asset loss.

As at 13 October 2021 Worksafe executed an Enforceable Undertaking for $1,108,031. At 30 June 2022 there is a provision remaining of $446,796 (2021: $393,489):

	Year ended 30 June 2022	Year ended 30 June 2021
Provision for Enforceable Undertaking		
Opening Balances as at 1 July	**393,489**	-
Amounts provided in the period	**-**	1,105,031
Recoverable from third party	**336,963**	(335,271)
Amounts incurred /charged during the period	**(283,656)**	(376,271)
Closing balance as at 30 June 2022	**446,796**	393,489

2021: As at 30 June 2021 an Enforceable Undertaking was negotiated with Worksafe in relation to a workplace accident that occurred in October 2019. The settlement had not been finalised at the date of reporting. A provision has been made based on details included in the most recent proposed undertaking which includes total expenditure of $1.1m including benefits to the Family, Workers, Industry and Community.

18. Commitments

As at 30 June 2022 capital expenditure contracted for, but not yet incurred, was $333,014 (30 June 2021: $540,798)

Notes to the financial statements continued

19. Transactions with Related Parties

The Company has a related party relationship with its parent, directors and executive officers.
The Company is wholly-owned subsidiary of Waitomo District Council. The following related party transactions are included.

	Year ended 30 June 2022	Year ended 30 June 2021
Comprehensive Income Statement		
Road Construction and Maintenance Income	**8,527,627**	8,854,460
Other Income	-	-
Royalty Payments and Other Expenses	**120,048**	148,357
Balance Sheet		
Receivables, Claim Accrual and Work in Progress	**736,878**	906,314
Retentions Due	**258,521**	214,159
Payables and Accruals	**980**	17,835

2021: The Company had an employee who runs his own registered business that provided services to Inframax Construction Limited and Inframax Construction Limited had provided services to another employee. Both these employee are no longer employed by Inframax Construction and no work was provided in 2022.

	Year ended 30 June 2022	Year ended 30 June 2021
Comprehensive Income Statement		
Hired Plant - Provided by R&M Simpson Contracting (Ross Simpson)	-	12,675
Work Provided to CJ & HJ Hayward	-	61,233
Balance Sheet		
Payables - Provided by R&M Simpson Contracting (Ross Simpson)	-	-
Work in Progress - Provided to CJ & HJ Hayward	-	-

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.

	Year ended 30 June 2022	Year ended 30 June 2021
Short term employee and Director benefits	**519,376**	392,988
Total short term employee and Director benefits	**519,376**	392,988

21. Subsequent Events

2022: Nil

2021: On the 18 August 2021 all of New Zealand entered COVID-19 alert level 4 and the associated lock down. The areas south of Auckland reduced to alert level 3 on 1 September 2021, with all of New Zealand except for Auckland reducing to alert level 2 on 8 September 2021. The Auckland region reduced to alert level 3 on 21 September 2021. The company ceased operations across alert level 4 but subsequently commenced business upon moving to alert level 3.

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Identification

Notes to the financial statements continued

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

	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total and Fair Value
Assets			
Cash and cash equivalents	**546,718**	-	**546,718**
Trade and other receivables	**3,928,190**	-	**3,928,190**
Balance as at 30 June 2022	**4,474,908**	-	**4,474,908**
Financial Liabilities			
Credit Facility (Secured)	-	**1,500,000**	**1,500,000**
Trade and other payables	-	**3,838,385**	**3,838,385**
Lease Liabilities	-	**124,691**	**124,691**
Borrowings	-	**2,625,000**	**2,625,000**
Balance as at 30 June 2022	-	**8,088,076**	**8,088,076**
Assets			
Cash and cash equivalents	145,693	-	145,693
Trade and other receivables	4,078,968	-	4,078,968
Balance as at 30 June 2021	4,224,661	-	4,224,661
Financial Liabilities			
Credit Facility (Secured)	-	500,000	500,000
Trade and other payables	-	3,336,665	3,336,665
Lease Liabilities	-	210,818	210,818
Borrowings	-	3,125,000	3,125,000
Balance as at 30 June 2021	-	7,172,483	7,172,483

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.

Notes to the financial statements continued

22. Financial Instruments and Risk Management continued

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:

	Year ended 30 June 2022	Year ended 30 June 2021
Waitomo District Council	**23%**	26%

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.

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.

	Weighted average effective interest rate	Less than 12 months	12-24 months	Between 3 to 5 years	Over 5 years	Total and Fair Value
Financial Liabilities						
Credit Facility (Secured)	**4.10%**	**1,561,750**	-	-	-	**1,561,750**
Trade and other payables	**0.00%**	**3,994,635**	-	-	-	**3,994,635**
Lease Liabilities	**2.81%**	**51,103**	**30,477**	**43,111**	-	**124,691**
Borrowings	**5.02%**	**620,271**	**2,191,410**	-	-	**2,811,681**
Balance as at 30 June 2022		**6,227,759**	**2,221,887**	**43,111**	-	**8,492,757**
Financial Liabilities						-
Credit Facility (Secured)	*2.22%*	509,567	-	-	-	509,567
Trade and other payables	*0.00%*	3,845,721	-	-	-	3,845,721
Lease Liabilities	*2.81%*	86,126	51,104	58,812	14,775	210,817
Borrowings	*2.87%*	583,110	568,760	2,162,968	-	3,314,838
Balance as at 30 June 2021		5,024,524	619,864	2,221,780	14,775	7,880,943

Notes to the financial statements continued

22. Financial Instruments and Risk Management continued

Liquidity Risk Management

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.

	Year ended 30 June 2022	Year ended 30 June 2021
50 points change	**20,640**	9,313
100 points change	**35,577**	26,941
150 points change	**50,515**	44,569

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

23. Going Concern

In determining whether there are indicators, events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, the directors have, at the time of approving the financial statements, considered the following factors:

1) Twelve months ending 30 June 2022;
   a) The one-off non-recurring expenditure relating to the February 2022 flood at the Company operated Piopio Quarry (repairs to damaged equipment and hired replacement equipment for total loss assets);
   b) Negative impact of the abovementioned flood event on inventory production at all of the Company operated quarries; and
   c) Construction revenue derived from contracts priced and awarded in the 2020 and 2021 calendar years, subsequently delivered in the twelve months ending 30 June 2022 under an inflationary economic climate.
2) Forecasted cash flows;
   a) The percentage of the Company's budgeted revenue, for the twelve months ending 30 June 2023, that is annuity revenue secured by long-term maintenance contracts with low debtor risk customers (local authorities). This will ensure consistent cash flows.
3) Order Book
   a) The health of the Company's annuity revenue order book, secured by long-term maintenance contracts, including the recently won Ruapehu District Council road maintenance contract (contract period October 2022 to Jun 2030).

As a result of the matters identified above the directors have a reasonable expectation that the company has adequate resources to continue in operations for the foreseeable future, and that going concern basis of preparation is appropriate

Statement of Performance Measures

For the year ended 30 June 2022

The Statement of Corporate Intent states the Company will endeavor to exceed the targets of the Projected Business Plan. The results achieved compare with performance criteria in the Statement of Corporate Intent as follows:

	Statement of Intent 2022		Statement of Intent 2021	
	Achieved	**Target**	**Achieved**	**Target**
Performance Measures				
Equity Ratio	**57%**	**62%**	60%	55%
Current Ratio	**Positive**	**Positive**	Positive	Positive
Revenue (millions)	**$34**	**$35**	$32	$29
Bank Covenants	**Satisfied**	**Unconditionally met**	Satisfied	Unconditionally met
EBITDA (millions)	**$0.3**	**$2.5**	**$2.0**	**$1.6**

The Equity Ratio is the average Shareholders Funds expressed as a percentage of average Total Asset. Average Total Assets and Average Shareholders Funds are based on 30 June 2021 and 30 June 2022 figures.

Bank covenants were satisfied Jun-22 due to waiver letters issued.

	Statement of Intent 2022		Statement of Intent 2021	
	Achieved	**Target**	**Achieved**	**Target**
Non-Financial Performance Measures				
Lost Time Injury Frequency Rate	**n/a**	**n/a**	30	Zero
Notifiable Injuries	**Zero**	**Zero**	n/a	n/a
Accident Compensation Days	**50**	985	25	200
ISO 9001 Accreditation	**Standard Achieved**	**Standard Achieved**	Standard Achieved	Standard Achieved
ISO 45001 Accreditation	**Standard Achieved**	**Standard Achieved**	n/a	n/a
Environmental Consent Compliance				
Non-compliant	**0**		0	
Partially compliant	**3**		2	
Highly compliant	**5**	**All**	5	All
Fully compliant	**0**		0	
Not Assessed	**1**		2	
Support of local events in operating area				
Number of local events where the company provided complimentary goods, service or financial support	**17**	**15**	9	12

Note

1. Lost Time Injury Frequency Rate – This is not a measure in the current year as agreed with the Shareholder.
2. Accident compensation days – are measured on a 1 April to 31 March year. 2021 value was previously disclosed as 25 and has been updated to reflect the most recent info available from ACC.

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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 2022

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 6 to 30, that comprise the balance sheet as at 30 June 2022, 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 31.

In our opinion:

- the financial statements of the company on pages 6 to 30:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and

- the performance information of the company on page 31 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2022.

Our audit was completed on 21 October 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board 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.

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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 4 to 5, 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