Inframax Construction Limited

Financial Statements

For the year ended 30 June 2021

Inframax Construction Limited

("Inframax" or "the Company")

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INFRAMAX CONSTRUCTION LIMITED
CHAIRMAN'S ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

This year has been one of the most challenging in the history of the company with the effects of Covid-19 putting a strain on human resources, new equipment and parts availability, and continuity of forward work. All of these have made it difficult to complete work in a timely manner and have certainty around budgeting for tendered and contracted work.

With a relatively stable workforce Inframax managed to increase revenue by 5.8% to $32.27m compared to 2019/20, and also increased Operating Profit by $408,000 over the same period. More importantly for the Shareholder, equity increased 8.2% to $11,944,210.

While some projects that Inframax had successfully tendered for were delayed due to Covid-19, the hard work of all Inframax staff in generating alternative revenue meant the company ended the financial year in a very strong position.

In partnership with Fulton Hogan, it was very satisfying for Inframax to be part of the successful bid for the newly created West Waikato NOC. The high standard of work done by Inframax on the State Highway network for Waka Kotahi in the previous three years has enabled the company to be competitive in both pricing and attribute scoring for new projects.

Inframax is in a very strong position to start the new financial year with 75% of 2021/22 budgeted construction revenue already confirmed. In a tight labour market the company has also managed to employ new staff for key positions.

All the Inframax staff have contributed to the 2020/21 result, but I would especially like to thank our CEO Chris Hayward for his continued enthusiasm during a difficult year. Regretfully Chris has informed the Inframax Board of his intention to leave the company by the end of 2021 to pursue new business ventures.

I am also grateful for the support of fellow directors Earl Rattray and Andrew Johnson.

Craig Rowlandson
Chairman

INFRAMAX CONSTRUCTION LIMITED
REPORT FROM THE CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED 30 JUNE 2021

The 2021 year focused on adapting to a post COVID 19 lockdown operating environment and enhancing health and safety in the workplace. The Board and Management remain determined to provide a safe and healthy work place for all people associated with the organisation. This commitment to improving safety is supported by the Company's recent Enforceable Undertaking application to WorkSafe following the tragic workplace fatality in October 2019.

The COVID 19 marketplace generated uncertainty and very competitive pricing in the first half of the financial year, this alleviated in the second half of the year as the sector grappled with people capability and capacity shortages in both procurement and delivery of work.

The market reality of workflow pressures compounded by uncertainty of the forward pipeline of work resulted in the Company pausing its growth strategy. The business is well positioned to revert to a growth plan when the market has some clarity.

Financial Results

Profit before income tax expense of $0.7m was achieved with revenue from operations of $32.3m. A provision of $0.4m in relation to the anticipated Enforceable Undertaking with WorkSafe was included in the Profit before Income tax expense result.

Total gross profit was ahead of budget on $1.7m less turnover than planned, achieved in difficult operating conditions and is a further testament to the Inframax staff, skill, capability and resilience.

Despite difficult trading conditions the Company's equity ratio position continued to improve to 60% from 57% in 2020.

Resources in the business were strengthened with $1.3m of capital expenditure. The capital program was underspent due to delays of sourcing plant and equipment associated with COVID 19. Capital expenditure of $0.5m will be carried forward to 2022.

Staff numbers decreased from 150 to 132 at 30th June 2021. However, with strong forward work into next year employee numbers are likely to increase.

Market and Outlook

Looking into the future New Zealand will need to make significant investment in infrastructure to meet the forward needs of the country. However, Central and Local Government are trimming traditional road maintenance and renewal budgets. New infrastructure investment plans are not clear and the operating environment for the roading market remains unclear and uncertain. By contrast, there remains strong activity in the subdivision market, traffic services, water infrastructure and water maintenance markets.

The Company has therefore established a specialised traffic management division and successfully commenced delivery of water infrastructure upgrade contracts. There is significant opportunity in 2021/22 to develop and further enhance these opportunities.

To counter the forward roading market uncertainty the Company has successfully secured strong forward construction work and long-term maintenance contracts at acceptable margins. It is well positioned to adapt to an operating environment of slow decision making, slow procurement of contracts by Central Government, reduced people capacity and capability in the sector.

Construction contracts that were successfully tendered in 2020/21 and will be delivered in 2021/22 include SH3 Rapanui passing lane $3.7m, SH43 Forgotten Highway Upgrade $4.1m and $3.1m of subcontract works to Downer on SH30 Kopaki Bridge.

In addition to this strong committed construction work the Company has successfully established long-term State Highway maintenance partnerships with Fulton Hogan on the West Waikato contract and Downer on the Taranaki contract. This has further enhanced and strengthened the Company's maintenance capability.

The Company has a strong base from which to develop forward momentum in this ever-changing market environment. 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.

I want to express my personal thanks to the people of Inframax who have demonstrated incredible dedication, commitment and skill in what has been a trying eighteen months.

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

Chris Hayward

Chief Executive Officer

INFRAMAX CONSTRUCTION LIMITED
COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021	2020
REVENUE FROM OPERATIONS	2	32,269,218	30,498,898
OPERATING EXPENDITURE			
Audit Services	3	84,175	82,268
Bad and Doubtful Debts (Recovered)		3,732	-
Depreciation and Amortisation	15	1,271,730	1,289,376
Direct Contract Expenses		13,848,357	13,295,358
Directors' Fees	4	120,000	100,000
Employee Benefits Expense	5	10,392,639	10,609,283
Raw Materials		2,405,920	1,702,079
Operating Lease Expense		70,434	95,374
Loss/(Gain) on Disposal of Assets		(97,219)	48,406
Repairs & Maintenance		2,074,276	2,073,863
Other Operating Expenses		2,007,208	1,523,271
		32,181,252	30,819,278
Operating (Loss)/Profit before Financing Costs		**87,966**	**(320,380)**
Plus: Interest Revenue	2	1	373
Less: Financing Costs		(113,934)	(221,339)
Other Income	2	686,371	1,073,882
Profit before Income Tax Expense		**660,404**	**532,536**
Income Tax Expense	6	186,903	(232,607)
Profit for the Year attributable to owners of the Parent		**473,501**	**765,143**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit and loss			
Revaluation of Property, Plant and Equipment and Quarry Assets	15	581,196	-
Income tax expense relating to other comprehensive income		(141,985)	-
Other Comprehensive Income for the Year Net of Tax		**439,211**	-
Total Comprehensive Income for the Year Net of Tax attributable to owners of the Parent		**912,712**	**765,143**

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.

INFRAMAX CONSTRUCTION LIMITED
BALANCE SHEET
AS AT 30 JUNE 2021

	NOTE	2021	2020
EQUITY:			
Ordinary Share Capital	8	6,378,540	6,378,540
Retained Earnings		3,582,592	3,109,091
Revaluation Reserve		1,983,078	1,543,867
TOTAL EQUITY		**11,944,210**	**11,031,498**
Current Assets			
Trade and Other Receivables	9	3,829,695	2,846,496
Prepayments		183,569	123,146
Inventories	10	1,794,197	1,758,084
Tax Receivable		-	-
Cash and Cash Equivalents		145,693	772,394
Total Current Assets		**5,953,154**	**5,500,120**
Non Current Assets			
Trade and Other Receivables	9	249,273	50,601
Property, Plant and Equipment	15	11,956,860	11,450,260
Intangible Assets	15	307,580	438,557
Capitalised Quarry Development Costs	11	832,133	757,810
Deferred Tax Asset	7	722,980	1,051,869
Total Non Current Assets		**14,068,826**	**13,749,097**
Total Assets		**20,021,980**	**19,249,217**
Current Liabilities			
Overdraft	14	2,742	-
Credit Facility	14	500,000	-
Interest Bearing Borrowings	14	500,000	375,000
Trade and other Payables	12	3,845,721	4,419,889
Provision for Enforceable Undertaking	17	393,489	-
Lease Liabilitles	15	86,127	87,013
Total Current Liabilities		**5,328,079**	**4,881,902**
Non Current Liabilities			
Interest Bearing Borrowings	14	2,625,000	3,125,000
Lease Liabilities	15	124,691	210,817
Total Non Current Liabilities		**2,749,691**	**3,335,817**
Total Liabilities		**8,077,770**	**8,217,719**
NET ASSETS		**11,944,210**	**11,031,498**

For and on Behalf of the Board

DIRECTOR DIRECTOR Date: 29 · 9 · 2021

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INFRAMAX CONSTRUCTION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021	2020
Cash flows from Operating Activities			
Cash was provided from:			
Receipts from Customers		36,291,016	37,923,923
Interest Received		1	373
		36,291,017	37,924,296
Cash was disbursed to:			
Payments to Employees		10,383,099	10,593,615
Payments to Suppliers		23,409,391	22,432,469
Interest Paid		113,934	221,339
GST Paid		1,853,159	1,139,561
		35,759,583	34,386,984
Net Cash Inflow from Operating Activities	16	**531,434**	**3,537,312**
Cash flows from Investing Activities			
Cash was provided from:			
Proceeds from Sale of Property, Plant and Equipment		332,168	172,958
		332,168	172,958
Cash was applied to:			
Purchase of Property, Plant and Equipment & Intangibles		1,531,919	1,513,504
		1,531,919	1,513,504
Net Cash (Outflow) from Investing Activities		**(1,199,751)**	**(1,340,546)**
Cash flows from Financing Activities			
Cash was provided from:			
Revolving Credit Facilities		500,000	-
		500,000	-
Cash was applied to:			
Repayments of Borrowings		375,000	1,675,000
Repayments of Lease Liabilities		86,126	84,000
		461,126	1,759,000
Net Cash (Outflow)/ Inflow from Financing Activities		**38,874**	**(1,759,000)**
Net Increase / (Decrease) in Cash Held		(629,443)	437,766
Add Opening Bank Balance		772,394	334,628
Closing Bank Balance		**142,951**	**772,394**
This is represented by:			
Overdraft		(2,742)	-
Cash and Cash Equivalents		145,693	772,394
Balance at Bank		**142,951**	**772,394**

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.

INFRAMAX CONSTRUCTION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	Fully paid ordinary shares	Revaluation reserve	Retained earnings	Total
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
Balance as at 30 June 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**

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.

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 2021. The financial statements were authorised for issue by the Board of Directors on 29 September 2021.

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
No new standards or amendments to existing standards came into effect for the first time for the annual reporting period commencing 1 July 2020.

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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 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.

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.

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.

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.

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:

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%

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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.

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2 REVENUE FROM OPERATIONS

	2021	2020
Revenue from contracts with customers - recognised over time		
Construction and maintenance services	30,914,586	29,646,813
Revenue from contracts with customers - recognised at a point in time		
Sale of product	1,354,632	852,085
Total Revenue from Contracts with Customers	32,269,218	30,498,898
Interest Revenue		
Bank and other Interest	1	373
Other Income		
Building rental	24,878	32,259
Grant Revenue	661,696	1,040,381
Other Income	(203)	1,242
Total Other Income	686,371	1,073,882
Total Revenue	32,955,590	31,573,153

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

	2021	2020
Deloitte Limited has provided audit services to the Company.		
Fees in relation to 2020 audit	-	82,268
Fees in relation to 2021 audit	84,175	-
	84,175	82,268

4 DIRECTORS' FEES

	2021	2020
Directors' Fees paid and accrued during the year were:		
C E Rowlandson	60,000	50,000
E S Rattray	30,000	25,000
A D Johnson	30,000	25,000
	120,000	100,000

In the year to 30 June 2020 the Directors agreed to waive their fees for two months During COVID-19 lockdown.

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 $8,470 in 2021 (2020: Limit $5,000,000 plus an additional $2,500,000 for defence costs premium $8,300).

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 2021 (2020: 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.

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

5 EMPLOYEE BENEFITS EXPENSE

	2021	2020
Salary and Wage Expense	9,373,040	9,699,935
Fringe Benefits Tax	157,871	157,543
Accident Compensation Levies	119,961	80,114
Superannuation Contributions	228,534	227,699
Other Employee Benefits	513,233	443,992
	10,392,639	10,609,283

6 INCOME TAX EXPENSE

(a) Income Tax recognised in Profit or Loss

	2021	2020
Deferred Tax on temporary differences	186,903	(232,607)
Income Tax Expense per Profit or Loss	186,903	(232,607)

Income Tax is calculated at an average effective rate of 28% (2020: 28%) of the estimated assessable profit for the year.

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

	2021	2020
Profit / (Loss) before Taxation	660,404	532,536
Income Tax expense calculated at 28 percent	184,913	149,110
Tax Effect of non deductible expenses in profit before tax	184,662	292,198
Non Taxable Income	(183,963)	(291,307)
Re-recognition of temporary differences	-	(380,349)
Under / (Over) Provided in Prior Periods	1,291	(2,259)
Income Tax Expense per Profit or Loss	186,903	(232,607)

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

7 DEFERRED TAX (LIABILITY) / ASSET

DEFERRED TAX (LIABILITY) / ASSET

	2021	2020
Opening Balance as at 1 July	1,051,869	819,262
(Charged)/Credited to profit or loss	(186,903)	232,607
(Charged)/Credited to equity	(141,985)	-
Closing Balance as at 30 June	722,981	1,051,869
Depreciation/ Amortisation		
Opening balance as at 1 July	(623,972)	(837,143)
(Charged)/ credited to the income statement	(207,634)	213,171
(Charged)/ credited to equity	(141,985)	-
Under / (Over) Provided in prior periods	(7,868)	
Closing balance as at 30 June	(981,459)	(623,972)
Right of Use Asset / Liability		
Opening balance as at 1 July	1,316	-
(Charged)/ credited to the income statement	474	1,316
(Charged)/ credited to equity	-	-
Closing balance as at 30 June	1,790	1,316
Employee entitlements		
Opening balance as at 1 July	137,692	144,489
(Charged)/ credited to the income statement	23,976	(6,797)
(Charged)/ credited to equity	-	-
Under / (Over) Provided in prior periods	(29,147)	-
Closing balance as at 30 June	132,521	137,692
Other provisions		
Opening balance as at 1 July	(81,377)	(170,541)
(Charged)/ credited to the income statement	27,237	89,164
(Charged)/ credited to equity	-	-
Closing balance as at 30 June	(54,140)	(81,377)
Tax losses		
Opening balance as at 1 July	1,618,210	1,682,457
(Charged)/ credited to the income statement	(29,663)	(51,508)
(Charged)/ credited to equity	-	-
Under / (Over) Provided in prior periods	35,722	(12,739)
Closing balance as at 30 June	1,624,269	1,618,210

2021: With a profit achieved in 2021 and a budgeted profit for 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.

2020: With a profit achieved in 2020 and a budgeted profit for 2021 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 $5,760,857.

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

7 DEFERRED TAX (LIABILITY) / ASSET (CONTINUED)

Imputation Credit Account

	2021	2020
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 2021 (30 June 2020: 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 (2020: $6,378,540) and the number of shares 6,378,540 (2020: 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

	2021	2020
Progress Payments Due	2,769,178	779,270
Retentions Receivable	872,842	625,017
Expected Credit Loss Provision	(3,732)	-
Trade Receivables	440,680	1,492,810
	4,078,968	2,897,097

	2021	2020
Current	3,829,695	2,846,496
Non-current	249,273	50,601
	4,078,968	2,897,097

Movement in Expected Credit Loss Provision:	2021	2020
Opening balance	-	-
Increase (Decrease) in Expected Credit Loss Provision	3,732	-
Closing balance	3,732	-

No bad debts were written off during the year (2020: $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:

	2021	2020
30 days to 60 days overdue	29,914	34,159
61 days to 90 days overdue	13,188	310
Over 90 days overdue	36,771	-

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

10 INVENTORIES

	2021	2020
Aggregates	1,612,569	1,564,873
Finished Goods	181,628	193,211
	1,794,197	1,758,084
The cost of inventories recognised in expenses during the year	3,119,599	2,418,565

11 CAPITALISED QUARRY DEVELOPMENT COSTS

	2021	2020
Movement in capitalised quarry development costs:		
Opening balance	757,810	771,355
Stripping costs capitalised in current year	308,404	291,378
Stripping costs amortised (within the raw materials cost)	(234,081)	(304,923)
Closing balance	832,133	757,810

12 TRADE AND OTHER PAYABLES

	2021	2020
Trade Creditors and Accruals	2,526,233	1,890,708
Accrued Staff Entitlements	798,932	789,392
Goods and Services Tax	509,056	1,069,468
Other Payables	-	661,696
Directors' Fees Payable	11,500	8,625
	3,845,721	4,419,889

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 2021 Income in Advance was $nil (2020: nil).

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

14 BORROWINGS

Summary of Borrowings

	2021	2020
Current		
Bank Overdrafts	2,742	-
Credit Facility	500,000	-
Interest Bearing Borrowings	500,000	375,000
Total Current Borrowings	1,002,742	375,000
Non Current		
Interest Bearing Borrowings	2,625,000	3,125,000
Total Non Current borrowings	2,625,000	3,125,000

At 30 June 2021 pursuant to the facility agreements ASB Bank Limited had provided:

- a Bank Overdraft Facility of $1,000,000 (2020:$500,000) of which $997,259 (2020: $500,000) was undrawn;
- a Revolving Credit Facility of $2,800,000 (2020:$3,300,000) of which $2,300,000 (2020: $3,300,000) was undrawn;
- Performance Bond Guarantees of $627,798 (2020: $531,945)
- a Term Loan of $4,000,000 (2020: $3,500,000) of which $875,000 (2020:$500,000) was undrawn included a temporary limit of $875,000 expiring at 31 August 2021;
- a Standby Letter of Credit in the sum of $500,000 (2020: $500,000)

The Company has undertaken to achieve specified gearing, debt servicing and equity ratios each quarter. In June 2021 the debt servicing covenants 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 2.87% (2020: 2.805%) repricing 31st August 2021. 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

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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
Balance at June 2021									
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)
Net book value 30 June 2021	864,105	2,516,859	7,321,645	398,559	164,228	307,580	204,423	487,041	12,264,440
Year ended 30 June 2021									
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)
Carrying amount 30 June 2021	864,105	2,516,859	7,321,645	398,559	164,228	307,580	204,423	487,041	12,264,440
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

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 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 2021.

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

	2021	2020
Carrying Amount of Quarry Production Equipment as at 30 June	182,274	46,842
Carrying Amount of Land as at 30 June	236,972	236,972
Carrying Amount of Buildings as at 30 June	1,944,735	1,993,233
Carrying Amount as at 30 June	2,363,981	2,277,047

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.

15 PROPERTY, PLANT, EQUIPMENT AND SOFTWARE (CONTINUED)

Leases

	2021	2020
Balance at 1 July	293,127	311,294
Depreciation charge for the year	(88,703)	(88,703)
Additions to right of use assets	-	70,536
Balance at 30 June	204,424	293,127

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

	2021	2020
Right-of-use assets		
Buildings	123,890	236,698
Equipment	80,534	56,429
	204,424	293,127
Lease liabilities		
Current	(86,127)	(87,013)
Non-current	(124,691)	(210,817)
	(210,818)	(297,830)

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

	2021	2020
Depreciation charge of right-of-use assets		
Buildings	74,596	74,596
Equipment	14,107	14,107
	88,703	88,703
Interest expense (included in finance cost)	7,242	9,636

The total cash outflow for leases in 2021 was $86,126 (2020: $84,000).

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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

	2021	2020
Profit for the Year attributable to owners of the Parent	473,501	765,143
Add Back Non Cash Items:		
Amortisation	146,289	121,117
Depreciation	1,125,441	1,168,259
Decrease in Deferred Tax Balance	186,903	(232,607)
Net (Gain) on Disposal	(97,219)	48,406
Movement in Working Capital:		
Trade and other Receivables	(1,181,871)	1,541,358
Prepayments	(60,423)	(30,734)
Provisions	393,489	-
Inventories	(36,113)	(311,898)
Trade and other Payables	(14,642)	(250,303)
GST effect on operating cash flows	(403,921)	718,571
Net Cash Inflow from Operating Activities	531,434	3,537,312

17 CONTINGENT LIABILITIES AND PROVISIONS

2021: As at 30 June 2021 an Enforceable Undertaking was being 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 the details included in the most recent proposed undertaking which includes total expenditure of $1.1m including benefits to the family, Workers, Industry and Community.

Provision for Enforceable Undertaking	2021	2020
Opening Balance as at 1 July	-	-
Amounts provided in the period	1,105,031	-
Recoverable from third party	(335,271)	-
Amounts incurred/charged during the period	(376,271)	-
Closing Balance as at 30 June	393,489	-

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

As at 30 June 2021 capital expenditure contracted for, but not yet incurred, was $540,798 (30 June 2020: Nil)

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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.

	2021	2020
a) Comprehensive Income Statement		
Road Construction and Maintenance Income	8,854,460	8,150,002
Other Income	-	-
Royalty Payments and Other Expenses	148,357	96,977
b) Balance Sheet		
Receivables, Claim Accrual and Work in Progress	906,314	859,008
Retentions Due	214,159	143,461
Payables and Accruals	17,835	11,270

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.

	2021	2020
a) Comprehensive Income Statement		
Hired Plant - Provided by R & M Simpson Contracting (Ross Simpson)	12,675	19,950
Work Provided to CJ & HJ Hayward	61,233	
b) Balance Sheet		
Payables - Provided by R & M Simpson Contracting (Ross Simpson)	-	-
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.

	2021	2020
Short term employee and Director benefits	392,988	360,879

21 SUBSEQUENT EVENTS

On 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.

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 2021	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total and fair value
Assets			
Cash and cash equivalents	145,693	-	145,693
Trade and other receivables	4,078,968	-	4,078,968
	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
	-	7,172,483	7,172,483

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

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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:

	2021	2020
Waitomo District Council	26%	35%

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.

INFRAMAX CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 2021	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)	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
		5,024,524	619,864	2,221,780	14,775	7,880,943

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

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.

	2021	2020
50 points change	9,313	20,966
100 points change	26,941	41,724
150 points change	44,569	62,482

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

INFRAMAX CONSTRUCTION LIMITED
STATEMENT OF PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2021

	Statement of Intent 2021		Statement of Intent 2020	
	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	60%	55%	57%	54%
Current Ratio	Positive	Positive	Positive	Positive
Revenue	$32m	$29m	$30m	$43m
Closing Bank and Shareholder Loans	n/a	n/a	$3.5m	$4.8m
Bank Covenants	Satisfied	Unconditionally met	Satisfied	Unconditionally met
Earnings before Interest, Taxation, Depreciation & Amortisation	$2.0m	$1.6m	$2.0m	$3.6m
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 2020 and 30 June 2021 figures. Bank covenants were satisfied Aug-20 and Jun-21 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.	30	Zero	13	Zero
Accident Compensation Days	25	200	274	195
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	2		-	
Highly compliant	5	All	3	All
Fully compliant	-		-	
Not assessed	2		6	
Support of local events in operating area Number of local events within operational areas where the Company provided complimentary goods, services or financial support.	9	12	12	12

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF INFRAMAX CONSTRUCTION LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2021

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 2021, 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 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 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and

- the performance information of the company on page 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 2021.

Our audit was completed on 29 September 2021. 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.

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- 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