Inframax Construction Limited

Financial Statements

For the year ended 30 June 2023

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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
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 2023

The 2022-23 reporting year shows the reset period is now well behind us. Inframax is now a revitalised company today, with growing confidence and strength in all aspects of its business.

Inframax is a larger business in 2023, reflected in a 16% increase in revenue, taking total turnover past $40M in the reporting year. Certainly, the commencement of operations of the Ruapehu District Council road maintenance contract has been a major contributor to lifting revenue, which has helped offset reduced construction revenue. Inframax has carefully chosen its work and where to deploy its resources though 2022-23. Consequently, margins have improved. The outcome has seen the revenue generated during the year delivering an audited tax paid profit of $984.4K, representing a $1.8M turnaround in profitability, (excluding revaluations) compared to the prior year.

While securing and executing well on key roading maintenance contracts available across the King Country is core business to Inframax, carefully selecting and securing well measured construction contracts offers significant upside opportunity for the business.

Inframax continues to work its way through and perform on several legacy construction contracts, absorbing inflationary pressures, while meeting our commitments. As these contracts complete, Inframax is now well positioned to compete for new opportunities.

Our capability is being enhanced. Securing the $11M Forgotten Highway (SH43) sealing extension contract in the current year, the largest construction contract in the company's history, speaks to the growing capability in the company to commercially compete and complete major projects.

Inframax utilizes over $24 million in total assets, boosted during the year in review, by the addition of plant and equipment needed to service the Ruapehu District Council maintenance contract. The company enjoys a strong working relationship with its banker, ASB, and is compliant with all its banking covenants. Equity lifted over the year in line with the increase in retained earnings to reach $12.5m. The Company is comfortably solvent and maintains adequate levels of liquidity, generated from strong operating cash flow during the financial year.

Significantly, Inframax has prioritised investment in its most valued asset, our people. The roading maintenance and constructure sector in New Zealand is fiercely competitive. Our ability to attract, retain and develop our loyal and committed staff is, and will continue to be a defining feature of success for Inframax.

The Board is highly supportive of our Management focus of nurturing a culture of pride among our staff, who are proud of the company's, and their, King Country heritage, and the role it plays in our community. Blending that local knowledge and community care with operational excellence creates a very strong competitive edge, which the Board is confident will be leveraged to support Inframax in delivering very solid performance this year and beyond.

I want to conclude by thanking my fellow directors for their contribution and their diligence in governing Inframax over the past year, and thank our shareholder, and the wider King Country community for your ongoing support, and for making it a pleasure to present this Annual report.

Earl Rattray
Chairman

Report from the Chief Executive Officer

For the year ended 30 June 2023

Manaaki whenua *Care for the land*

Manaaki tangata *Care for the people*

Haere whakamua *Go forward!*

In reflecting on the 12 months ending 30 June 2023 (FY2023), I draw on this whakataukī which captures the essence of our focus over the past year.

Manaaki whenua *Care for the land*

Our people are inseparable from the whenua of their hometowns, and this shines through in their intimate knowledge of, and the deeply entrenched manaaki they demonstrate, to both the land and their communities in undertaking their mahi. All the regions in which we work, once again came under immense pressure due to extreme weather and storm events during the year. The networks we care for were again subjected to inundation, flooding, slips and impacted by debris. These events have seen us work closer than ever with our customers to leverage our local knowledge of the whenua as they respond, plan and work hard to provide infrastructure resilience and reliability for their customers.

The abovementioned extreme weather and storm events occurred during the traditional construction period (October – April) seeing an increased focus by our teams on ensuring any potential negative environmental impact, in undertaking works, particularly with regards to natural waterways, were mitigated.

Whilst early in our journey to measuring and putting in place strategies to reduce our carbon footprint, it was pleasing to see our capex programme for the year realise low-emission light vehicles incorporated into our fleet.

Manaaki tangata *Care for the people*

Our kaimahi are the heart of our business – they are loyal, committed to the success of Inframax, reflect the communities we work within and are our ambassadors to the King Country region. In FY2023 we placed high priority on:

- Health, safety and wellbeing: through training and development and a focus on learning and continuous improvement. We undertook a SafePlus review of our health and safety practices and performance, providing a solid information base for our health and safety planning in the coming year.
- Expansion: October 2022 seen us breathe new life back into our Mananui, Taumaranui branch, welcoming another twenty-five kaimahi and extensive subcontractor partnerships to the Inframax whānau, as we successfully transitioned and commenced the road maintenance contract for the Ruapehu region;
- Training and development: we continued to invest in training and development to nurture the skills and competencies within our existing workforce. In FY2023, this investment equated to 0.6% of turnover;
- Fair remuneration: we implemented a remuneration framework that is fair, equitable and market tested, with a focus on career pathways for our people.
- Future workforce: we launched cadetships in the Waitomo and Ruapehu regions and invested in and kicked off a graduate programme;
- Diversifying our skills base: we welcomed new engineering qualified contract management and leadership across many of our regions, to complement the existing knowledge and strengths of the business;
- Recognition: we recognised high performance and achievement (in our work, community contribution and environmental contribution) and long service through our inaugural Matariki Awards event.
- Promoting our industry: Welcoming local rangatahi to get to know our industry and the Inframax business has been a highlight for many of our staff during the year. It was a pleasure to come together with other local businesses and the school network of the Waitomo region to contribute to the formation of the Rangatahi Pathways Programme. Working with rangatahi to inspire their future career choices is a privilege and we continue our partnership with the Mayor's Taskforce for Jobs to prioritise local employment. In addition, our team also visited all high schools in the Waitomo and Ōtorohanga regions to present on the health and safety standards they should expect when entering the workforce.

Haere whakamua *Go forward!*

The last quarter of FY2023 seen the board of directors and management bring the future into sharper focus through the:

- Formulation of a clear strategic direction (including strategic priorities and outcomes) for the business; and
- Identification of the strategic risks (and mitigation actions) of the business.

Realising this strategy and the mitigation actions are critical to the ongoing success of the business, both providing me high levels of optimism for the future of the business. This is management's focus going forward.

A year of solid performance

In summary, FY2023 was a year of growth, business improvement and solid performance. Our business has expanded significantly during the year as we welcomed Ruapehu District Council into our customer partnerships. It was also a year where priority was placed on business improvement projects. The successful execution of these, particularly around increasing financial and commercial acumen and risk management on contracts, are reflected in the improved financial performance of the business.

The year, has though, also been a challenging one, with Inframax feeling the effects of the national skills-shortage. Despite the resource constraints and challenging weather conditions during the construction season, our team pulled together and worked hard to still deliver quality services to our customers.

To our customers, thank you for your ongoing support and confidence in Inframax – we value your partnerships and the customers at the centre of your services. To our supply chain and subcontractors, thank you for all your efforts and contribution you make to our projects and business – the majority of you are local to the King Country region and feel the same level of passion and manaaki for our regions and the communities we serve as we do. To our Inframax whānau, thank you for your dedication, passion and drive to make Inframax a success - thank you for all your hard work over the past year, you can look back with pride on what you have achieved.

Vesta Gribben
Chief Executive Officer

GLOSSARY

kaimahi *worker, employee*	**mahi** *to work, do, perform, make, accomplish*	**manaaki** *to support, take care of, give hospitality to, protect, look out for – show respect, generosity and care for others*
matariki *Māori name for cluster of stars known as the Pleiades*	**rangatahi** *younger generation, youth*	
whakataukī *proverb, significant saying, formulaic saying, cryptic saying, aphorism*	**whānau** *extended family, family group, a familiar term to address a number of people*	**whenua** *land, ground, territory, domain*

Comprehensive Income statement

For the year ended 30 June 2023

	NOTE	Year ended 30-Jun-23	Year ended 30-Jun-22
Total Operating Revenue	2	**40,142,207**	**34,494,936**
Operating Expenditure			
Audit Services	3	**122,012**	86,113
Depreciation and Amortisation	15	**1,818,110**	1,311,480
Impairment of Assets	15	**99,822**	204,340
Direct Contract Expenses		**15,671,019**	15,303,221
Directors' Fees	4	**150,000**	115,000
Employee Benefits Expense	5	**12,620,403**	11,605,121
Raw Materials		**3,752,169**	3,726,263
Operating Lease Expense		**1,038,010**	535,353
Loss/(Gain) on Disposal of Assets		**2,874**	(14,526)
Repairs & Maintenance		**2,144,552**	2,573,342
Other Operating Expenses		**1,115,829**	405,527
Total Operating Expenses		**38,534,800**	**35,851,234**
Operating (Loss)/Profit before Financing Costs		**1,607,407**	**(1,356,298)**
Plus: Interest Revenue	2	**1,369**	212
Less: Financing Costs		**(358,603)**	(130,326)
Other Income	2	**121,446**	348,336
Profit before Income Tax Expense		**1,371,619**	**(1,138,076)**
Income Tax Expense	6	**387,142**	**(318,607)**
Profit for the Year attributable to owners of the Parent		**984,477**	**(819,469)**
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
Income tax expense relating to other comprehensive income	7	-	(124,296)
Other Comprehensive Income for the Year Net of Tax		**0**	**450,515**
Total Comprehensive Income for the Year Net of Tax attributable to owners of the Parent		**984,477**	**(368,954)**

The notes to the Financial Statements (pages 11-31) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

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Statement of changes in equity

For the year ended 30 June 2023

	NOTE	Fully Paid ordinary shares	Revaluation Reserve	Retained Earnings	Total
Balance as at 1 July 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
Profit for the Year				984,477	984,477
Other Comprehensive Income					
Revaluations	15		-		-
Income tax expense relating to other comprehensive income			-		-
Balance as at 30 June 2023		**6,378,540**	**2,433,593**	**3,747,600**	**12,559,733**

The notes to the Financial Statements (pages 11-31) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

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Balance sheet

As at 30 June 2023

	NOTE	As at 30-Jun-23	As at 30-Jun-22
Equity			
Ordinary Share Capital	8	**6,378,540**	6,378,540
Retained Earnings		**3,747,600**	2,763,123
Revaluation Reserve		**2,433,593**	2,433,593
Total Equity		**12,559,733**	11,575,256
ASSETS			
Current Assets			
Trade and Other Receivables	9	**5,162,009**	3,662,403
Prepayments		**129,452**	111,161
Inventories	10	**1,436,957**	1,403,871
Tax Receivable		-	-
Cash and Cash Equivalents		**1,825,382**	546,717
Total Current Assets		**8,553,800**	5,724,152
Non Current Assets			
Trade and Other Receivables	9	**361,752**	265,787
Property, Plant and Equipment	15	**14,004,857**	12,294,308
Intangible Assets	15	**71,525**	192,380
Capitalised Quarry Development	11	**830,063**	872,459
Deferred Tax Asset	7	**530,150**	917,292
Total Non-Current Assets		**15,798,347**	14,542,226
Total Assets		**24,352,147**	20,266,378
LIABILITIES			
Current Liabilities			
Overdraft	14	**-**	-
Credit Facility	14	-	1,500,000
Interest Bearing Borrowings	14	**1,283,116**	500,000
Trade and other Payables	12	**5,480,621**	3,994,635
Income in Advance	13	**312,037**	
Provision for Enforceable Undertaking	17	**245,413**	446,796
Lease Liabilities	15	**53,512**	50,880
Total Current Liabilities		**7,374,699**	6,492,311
Non Current Liabilities			
Interest Bearing Borrowings	14	**4,348,256**	2,125,000
Lease Liabilities	15	**69,459**	73,811
Total Non-Current Liabilities		**4,417,715**	2,198,811
Total Liabilities		**11,792,414**	8,691,122
Net Assets		**12,559,733**	11,575,256

For and on behalf of the Board on 28 September 2023

Director

Director

The notes to the Financial Statements (pages 11-31) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

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Statement of cash flows

for the year ended 30 June 2023

	NOTE	Year ended 30-Jun-23	Year ended 30-Jun-22
Cash flows from Operating Activities			
Receipts from Customers		**44,849,505**	40,225,680
Interest Received		**1,369**	212
Payments to Employees		**(12,355,909)**	(11,224,905)
Payments to Suppliers		**(25,753,258)**	(26,312,834)
Interest Paid		**(358,603)**	(130,326)
GST Paid		**(2,620,783)**	(1,200,518)
Net Cash flows from Operating Activities	16	**3,762,321**	1,357,309
Cash flows from Investing Activities			
Proceeds from Sale of Property, Plant and Equipment		**119,216**	400,100
Purchase of Property, Plant, Equipment and Intangibles		**(4,107,531)**	(1,767,516)
Net Cash flows from Investing Activities		**(3,988,315)**	(1,367,416)
Cash flows from Financing Activities			
Draw down of Borrowings		**6,148,417**	1,000,000
Repayments of Borrowings		**(4,642,046)**	(500,000)
Repayments of Lease Liabilities		**(1,720)**	(86,127)
Net Cash flows from Financing Activities		**1,504,651**	413,873
Change in cash and cash equivalents		**1,278,657**	403,766
Cash and cash equivalents at beginning of the year		**546,717**	142,951
Cash and cash equivalents at end of year		**1,825,374**	546,717
This is represented by:			
Cash and cash Equivalents		**1,825,382**	546,717
Balance at Bank		**1,825,382**	546,717

The notes to the Financial Statements (pages 11-31) including the Statement of Significant Accounting Policies (Note 1) form an integral part of these financial statements.

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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 2023. The financial statements were authorised for issue by the Board of Directors on 28 September 2023.

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.

There are no new or amended standards and interpretations that became effective for the year ended 30 June 2023 that have a material impact to the Company.

No new or amended standards that are issued but not yet effective have been early adopted and these standards, amendments or interpretations are not expected to have a material impact in the current or future reporting periods.

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.

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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.

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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%

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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 than 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.

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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 following the current year review increased the depreciation rate on vehicles to 20% and water carts to 25% increasing depreciation on those classes of asset from $176,060 to $394,239 in the current year. The carrying amounts of property, plant and equipment are disclosed in Note 15.

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Notes to the financial statements continued

2. Revenue from Operations

	Year ended 30 June 2023	Year ended 30 June 2022
Revenue from Contracts with Customers - recognised over time		
Construction and maintenance services	**39,696,291**	33,117,126
Revenue from Contracts with Customers - recognised at a point in time		
Sale of Product	**445,916**	1,377,810
Total Operating Revenue from Contracts with Customers	**40,142,207**	34,494,936
Interest Revenue		
Bank and other Interest	**1,369**	212
Total Interest Revenue	**1,369**	212
Other Income		
Building Rental	**21,957**	21,609
Grant Revenue	**73,054**	326,727
Other Revenue	**26,435**	-
Total Other Income	**121,446**	348,336
Total Revenue	**40,265,022**	34,843,484

3. Audit Services

	Year ended 30 June 2023	Year ended 30 June 2022
Audit Services - Deloitte Limited has provided audit services to the Company		
Fees in relation to 2023 audit	**122,012**	-
Fees in Relation to 2022 audit	**-**	86,113
Total Audit Service Fees	**122,012**	86,113

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Notes to the financial statements continued

4. Directors' Fees

	Year ended 30 June 2023	Year ended 30 June 2022
Director Fees paid and accrued during the year were		
E S Rattray	**60,000**	37,500
J Elrick	**30,000**	7,500
H Goddard	**30,000**	7,500
C Ryan	**30,000**	7,500
C E Rowlandson	-	45,000
A D Johnson	-	10,000
Total Director Fees	**150,000**	**115,000**

The Company pays directors and officers indemnity insurance premiums. The limit of insurance is $5,000,000 plus an additional $2,5000,000 for defence costs with the annual premium being $9,580 in 2023 (2022: Limit $5,000,000 plus an additional $2,500,000 for defence costs premium $9,120).

Director Interests

Directors were reimbursed travel costs at or below the IRD rate. Costs were paid to directors for governance related courses during the year $nil (2022:1,600). No directors hold any interests in the equity of the Company as at 30 June 2023 (2022: Nil).

5. Employee Benefit Expense

	Year ended 30 June 2023	Year ended 30 June 2022
Salary and Wage Expense	**11,592,897**	10,631,499
Fringe Benefits Tax	**136,023**	134,296
Accident Compensation Levies	**152,732**	150,801
Superannuation Contributions	**147,972**	195,649
Other Employee Benefits	**590,779**	492,876
Total Employee Benefits Expense	**12,620,403**	11,605,121

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Notes to the financial statements continued

6. Taxation

	Year ended 30 June 2023	Year ended 30 June 2022
Profit before Income Tax	**1,371,619**	**(1,138,076)**
Tax Calculated at 28%	**384,053**	(318,661)
Tax Effect of non-deductible expenses in profit before tax	**10,063**	617
Non Taxable Income	**-**	-
Re-recognition of temporary differences	**-**	-
Under / (Over) Provided in Prior Periods	**(6,975)**	(563)
Income Tax Expense per Profit or Loss	**387,142**	(318,607)

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 2023	Year ended 30 June 2022
Deferred Tax (Liability) / Asset		
Opening Balance as at 1 July	**917,292**	722,981
(changed)/credited to income statement	**(387,142)**	318,607
(Charged)/Credited to equity	-	(124,296)
Closing balance as at 30 June	**530,150**	917,292
Depreciation / Amortisation		
Opening Balance as at 1 July	**(1,182,273)**	(981,459)
(changed)/credited to income statement	**(17,453)**	(76,518)
(Charged)/Credited to equity	-	(124,296)
Under / (Over) Provided in prior periods	**6,975**	
Closing balance as at 30 June	**(1,192,751)**	(1,182,273)
Right of Use Asset / Liability		
Opening Balance as at 1 July	**1,594**	1,790
(changed)/credited to income statement	**188**	(196)
(Charged)/Credited to equity	-	-
Closing balance as at 30 June	**1,782**	1,594
Employee entitlements		
Opening Balance as at 1 July	**174,211**	132,521
(changed)/credited to income statement	**(3,634)**	49,042
(Charged)/Credited to equity		
Under / (Over) Provided in prior periods	**-**	(7,352)
Closing balance as at 30 June	**170,577**	174,211
Other provisions		
Opening Balance as at 1 July	**(60,706)**	(54,140)
(changed)/credited to income statement	**(58,380)**	(6,566)
(Charged)/Credited to equity		
Closing balance as at 30 June	**(119,086)**	(60,706)
Tax Losses		
Opening Balance as at 1 July	**1,984,466**	1,624,269
(changed)/credited to income statement	**(314,838)**	352,845
(Charged)/Credited to equity	-	-
Under / (Over) Provided in prior periods	-	7,352
Closing balance as at 30 June	**1,669,628**	1,984,466

2023: With a profit achieved in the current year 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 $5,962,959.
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.

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Notes to the financial statements continued

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

	Year ended 30 June 2023	Year ended 30 June 2022
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 2023 (30 June 2022: 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 (2022: $6,378,540) and the number of shares 6,378,540 (2022: 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 2023	Year ended 30 June 2022
Progress Payments Due	**3,800,294**	2,456,011
Retentions Receivable	**1,068,868**	960,743
Expected Credit Loss Provision	-	-
Trade Receivables	**654,599**	511,436
Total Trade and Other Receivables	**5,523,761**	3,928,190
Current	5,162,009	3,662,403
Non-Current	361,752	265,787
Total Trade and Other Receivables	**5,523,761**	3,928,190
Movement in Expected Credit Loss Provision		
Opening balance	-	3,732
Increase / (Decrease) in Expected Credit Loss Provision	-	(3,732)
Closing Balance	-	-

Bad debts of $Nil were written off during 2023 (2022: $3,732)

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 2023	Year ended 30 June 2022
30 days to 60 days overdue	6,548	34,808
61 days to 90 days overdue	5,921	68,875
Over 90 days overdue	38,800	14,529

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Notes to the financial statements continued

10. Inventories

	Year ended 30 June 2023	Year ended 30 June 2022
Aggregates	**1,218,858**	1,164,348
Finished Goods	**218,099**	239,523
Closing Balance	**1,436,957**	1,403,871
The cost of Inventories recognised in expenses during the year	**2,478,386**	3,299,803

11. Capitalised Quarry Development Costs

	Year ended 30 June 2023	Year ended 30 June 2022
Movement in capitalised quarry development costs		
Opening balance	**872,459**	832,133
Stripping costs capitalised in current year	**166,759**	154,535
Bunding reclassified	**-**	103,016
Stripping & bunding costs amortised (within the raw materials cost)	**(209,155)**	(217,225)
Closing Balance	**830,063**	872,459

12. Trade and Other Payables

	Year ended 30 June 2023	Year ended 30 June 2022
Trade Creditors and Accruals	**2,927,250**	2,656,037
Accrued Staff Entitlements	**1,443,642**	1,179,148
Goods and Services Tax	**1,109,729**	156,250
Director's Fees Payable	**-**	3,200
Closing Balance	**5,480,621**	3,994,635

13. Income in Advance

	Year ended 30 June 2023	Year ended 30 June 2022
Construction Contracts Income in Advance	**312,037**	-
Closing Balance	**312,037**	-

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 2023 Income in Advance was $307,204 (2022: $nil).

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Notes to the financial statements continued

14. Borrowings

	Year ended 30 June 2023	Year ended 30 June 2022
Current		
Bank Overdrafts	-	-
Credit Facility	-	1,500,000
Asset Finance	**783,116**	-
Interest Bearing Borrowings	**500,000**	500,000
Total Current Borrowings	**1,283,116**	2,000,000
Non Current		
Asset Finance	**2,723,256**	-
Interest Bearing Borrowings	**1,625,000**	2,125,000
Total Non Current Borrowings	**4,348,256**	2,125,000

At 30 June 2023 pursuant to the facility agreements ASB Bank Limited had provided:

- Bank Overdraft Facility of $1,000,000 (2022: $1,000,000) of which $1,000,000 (2022: $1,000,000) was undrawn;
- Asset Finance Facility of $6,600,000 (2022: $0) of which $3,093,628 (2022: $0) was undrawn;
- Revolving Credit Facility of $0 (2022: $2,800,000) of which $0 (2022: $1,500,000) was undrawn;
- Performance Bond Guarantees of $2,094,077 (2022: $627,798)
- Term Loan of $2,125,000 (2022: $4,000,000) of which $0 (2022: $1,375,000) was undrawn.
- Standby Letter of Credit in the sum of $500,000 (2022: $500,000).

The Company has undertaken to achieve specified gearing, debt servicing and equity ratios each quarter. In June 2022 and September 2022 the debt servicing was not met. ASB Bank has provided a waiver for these periods.

At balance date the loan which has a maturity date of 28 February 2025 had a fixed rate of 8.24% (2022: 5.02%) repricing 31 August 2023. 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 Amended and Restated dated 2 March 2023.

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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 2023	**995,000**	**3,619,604**	**18,101,423**	**877,080**	**323,323**	**589,170**	**453,413**	**67,766**	**25,026,779**
Accumulated depreciation	-	**(736,181)**	**(8,582,723)**	**(567,341)**	**(209,700)**	**(517,645)**	**(336,807)**	-	**(10,950,397)**
Balance as at 30 June 2023	**995,000**	**2,883,423**	**9,518,700**	**309,739**	**113,623**	**71,525**	**116,606**	**67,766**	**14,076,382**
Carrying amount 1 July 2022	**995,000**	**2,865,878**	**7,813,328**	**367,492**	**99,102**	**192,380**	**118,996**	**34,512**	**12,486,688**
Additions and Transfers	-	**120,032**	**3,284,304**	**12,202**	**92,787**	-	**71,583**	**33,254**	**3,614,162**
Revaluation increase / (decrease)	-	-	-	-	-	-	-	-	-
Disposals at cost	-	**(22,644)**	**(2,248,264)**	-	**(461,976)**	**(98,193)**	-	-	**(2,831,077)**
Accumulated depreciation recovered on disposal	-	**11,433**	**2,170,599**	-	**444,316**	**98,193**	-	-	**2,724,541**
Impairment	-	-	**(99,822)**	-	-	-	-	-	**(99,822)**
Depreciation	-	**(91,276)**	**(1,401,445)**	**(69,955)**	**(60,606)**	**(120,855)**	**(73,973)**	-	**(1,818,110)**
Balance as at 30 June 2023	**995,000**	**2,883,423**	**9,518,700**	**309,739**	**113,623**	**71,525**	**116,606**	**67,766**	**14,076,382**
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	-	-	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

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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 2023	Year ended 30 June 2022
Carrying Amount as at 30 June 2023		
Quarry Production Equipment	**72,220**	63,862
Land	**236,972**	236,972
Buildings	**1,987,755**	1,905,840
Carrying Amount as at 30 June 2023	**2,296,947**	2,206,674

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

- **Level 1** fair value is calculated using quoted prices in active markets for identical assets or liabilities;
- **Level 2** fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- **Level 3** fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

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Notes to the financial statements continued

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

Leases

	Year ended 30 June 2023	Year ended 30 June 2022
Leases		
Balance as at 1 July	**118,996**	204,423
Depreciation charge for the year	(73,973)	(85,427)
Additions to right of use assets	**71,583**	-
Balance at 30 June	**116,606**	118,996
Right-of-use assets		
Buildings	**102,499**	90,782
Equipment	**14,107**	28,214
	116,606	118,996
Lease Liabilities		
Current	**(53,512)**	(50,880)
Non-current	**(69,459)**	(73,811)
	(122,971)	(124,691)

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 2023	Year ended 30 June 2022
Depreciation charge of right-of-use assets		
Buildings	**59,866**	71,320
Equipment	**14,107**	14,107
	73,973	85,427
Interest expense (included in finance cost)	**3,553**	4,768

The total cash outflow for leases 2023 was $76,219 (2022: $90,895).

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

	Year ended 30 June 2023	Year ended 30 June 2022
Profit for the Year attributable to owners of the Parent	**984,477**	(819,469)
Add Back Non Cash Items:		
Amortisation	**120,855**	141,443
Depreciation	**1,697,255**	1,170,037
Impairment	**99,822**	204,340
Decrease in Deferred Tax Balance	**387,142**	(318,607)
Net (Gain) on Disposal	**2,874**	(14,526)
Movement in Working Capital:		
Trade and other Receivables	**(1,283,534)**	150,778
Prepayments	**(18,301)**	72,408
Provisions	**(201,383)**	53,307
Inventories	**(33,086)**	390,326
Trade and other Payables	**1,485,986**	148,914
GST effect on operating cash flows	**520,214**	178,358
Net Cash Inflow from Operating Activities	**3,762,321**	1,357,309

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Notes to the financial statements continued

17. Contingent Liabilities, Contingent Assets and Provisions

2023: The company has arranged with ASB Limited for the issue of performance related bonds in favour of:
Local authorities, New Zealand government agencies and those items marked (*) below $2,094,077 (2022:$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 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 2023 there is a provision remaining of $245,413 (2022: $446,796).

* The Company has a contingent liability in relation to land rehabilitation obligations at the expiry of resource consents for a quarry operated by the Company. The obligation is not anticipated to arise before the expiry of the resource consents in 2038. Accordingly, quantification of the liability is not possible. Post Balance date, the company has arranged with ASB limited to issue a bank guarantee of $100,000 in favour of Waikato Regional Council related to these resource consents.

	Year ended 30 June 2023	Year ended 30 June 2022
Provision for Enforceable Undertaking		
Opening Balances as at 1 July	**446,796**	393,489
Amounts provided in the period	**-**	-
Recoverable from third party	**-**	336,963
Amounts incurred /charged during the period	**(201,383)**	(283,656)
Closing balance as at 30 June 2022	**245,413**	446,796

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 2023 there is a provision remaining of $446,796 (2021: $393,498):

18. Commitments

As at 30 June 2023 capital expenditure contracted for, but not yet incurred, was $4,214 (30 June 2022: $333,014).

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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 2023	Year ended 30 June 2022
Comprehensive Income Statement		
Road Construction and Maintenance Income	**11,288,979**	8,527,627
Other Income	-	-
Royalty Payments and Other Expenses	**90,019**	120,048
Balance Sheet		
Receivables, Claim Accrual and Work in Progress	**1,263,997**	736,878
Retentions Due	**396,930**	258,521
Payables and Accruals	**4,634**	980

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 2023	Year ended 30 June 2022
Short term employee and Director benefits	**550,265**	519,376
Total short term employee and Director benefits	**550,265**	519,376

21. Subsequent Events

2023: Nil (2022:Nil)

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.

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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	**1,825,382**	**-**	**1,825,382**
Trade and other receivables	**5,523,761**	-	**5,523,761**
Balance as at 30 June 2023	**7,349,143**	**-**	**7,349,143**
Financial Liabilities			
Trade and other payables	**-**	**4,370,892**	**4,370,892**
Lease Liabilities	**-**	**122,971**	**122,971**
Asset Finance	**-**	**3,506,372**	**3,506,372**
Borrowings	**-**	**2,125,000**	**2,125,000**
Balance as at 30 June 2023	**-**	**10,125,235**	**10,125,235**
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

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.

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Notes to the financial statements continued

22. Financial Instruments and Risk Management continued

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 2023	Year ended 30 June 2022
Waitomo District Council	27%	23%
Ruapehu District Council	22%	0%

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)	**0.00%**	-	-	-	-	-
Trade and other payables	**0.00%**	**4,370,892**	-	-	-	**4,370,892**
Asset Finance	**8.23%**	**1,033,567**	**694,119**	**1,841,011**	**823,396**	**4,392,093**
Lease Liabilities	**3.74%**	**53,512**	**38,243**	**31,216**	-	**122,971**
Borrowings	**8.24%**	**2,235,725**	-	-	-	**2,235,725**
Balance as at 30 June 2023		**7,693,696**	**732,362**	**1,872,227**	**823,396**	**11,121,681**
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

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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 2023	Year ended 30 June 2022
50 points change	**32,916**	20,640
100 points change	**66,055**	35,577
150 points change	**99,194**	50,515

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

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Statement of Performance Measures

For the year ended 30 June 2023

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 2023		Statement of Intent 2022	
	Achieved	**Target**	**Achieved**	**Target**
Performance Measures				
Equity Ratio	**52%**	49%	57%	62%
Current Ratio	**Positive**	Positive	Positive	Positive
Revenue (millions)	**$40**	$43	$34	$35
Bank Covenants	**Satisfied with waiver**	Met	Satisfied with waiver	Unconditionally met
EBITDA (millions)	**$3.5**	$3.0	**$0.3**	$2.5

The Equity Ratio is the average Shareholders Funds expressed as a percentage of Total Asset. Total Assets and Shareholders Funds are based on 30 June 2022 and 30 June 2023 figures.

Bank covenants were satisfied Sep-22 and Dec-22 due to waiver letters issued.

	Statement of Intent 2023		Statement of Intent 2022	
	Achieved	**Target**	**Achieved**	**Target**
Non-Financial Performance Measures				
LTI Frequency Rate	**20**	Zero	Not applicable	Not applicable
Notifiable Injuries	**Not applicable**	Not applicable	Zero	Zero
Accident Weekly Compensation Days	**91**	100	50	985
ISO 9001 Accreditation	**Standard Achieved**	Standard Achieved	Standard Achieved	Standard Achieved
ISO 45001 Accreditation	**Standard Achieved**	Standard Achieved	Standard Achieved	Standard Achieved
Environmental Consent Compliance				
Non-compliant	**0**		0	
Partially compliant	**3**		3	
Highly compliant	**0**	All	5	All
Fully compliant	**5**		0	
Not Assessed	**1**		1	
Support of local events in operating area				
Number of local events where the company provided complimentary goods, service or financial support	**19**	15	17	15

Note

1. Notifiable injuries – 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.

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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 2023

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 7 to 31, that comprise the balance sheet as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the company on page 32.

In our opinion:

- the financial statements of the company on pages 7 to 31:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; and
        - its financial performance and cash flows for the year then ended; 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 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 28 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Independence

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

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

B Dente

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