Inframax Construction Limited

Financial Statements

For the year ended 30 June 2024

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Auditor	The auditor whose report is referred to in this Annual Report is Matt Laing 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 2024

The 2023-24 reporting year reflect the steady year on year improvements occurring in the underlying operating performance of Inframax. It is pleasing to report that the company's order book was strengthened through resecuring the Waitomo District Council road maintenance and resealing contract. This is a pivotal tender for Inframax and its local staff. I want to take this opportunity to thank the Waitomo District Council for your rigour in your independent assessment of the Inframax tender, and for your ongoing confidence in the company. I would also like to acknowledge the effort of our management and senior staff for their professionalism in completing the highly specialised tendering component of our work, delivering a favourable outcome for the benefit of the communities of Waitomo and the wider king country .

Inframax is again a larger business in 2024, reflected in a 22% increase in revenue, taking total turnover to $49M for the year in review. Our maintenance business records a 17% growth in revenue on prior year. The construction business has seen a 38% in growth on prior year, attributable to a solid 12 months performance to our King Country local authority customers, NZTA Waka Kotahi and KiwiRail. Again, Inframax has carefully chosen its work and where it deploys its resources to ensure we play to our strengths. Consequently, margins have been maintained even as the market conditions became more competitive, especially towards the end of the reporting year. The outcome has seen the revenue generated during the year delivering a pre tax profit $1.585M, representing 15.6% lift NPBT over the prior year.

Net Profit after Tax has been impacted by the legislative change to tax depreciation on commercial buildings in this financial year. As a result tax expense has increased by $452k to a total of .$0.9m.

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, in line with the company's strengths and resources continues to offer upside opportunity for the business. Inframax has worked its way through several legacy contracts, which had to absorb significant inflationary pressures, while meeting our commitments. Inframax is now well positioned to compete for new opportunities.

The business continues to perform well in delivering its obligations on stage 2 of the SH43 (Forgotten Highway) seal extension contract, the largest construction contract in the company's history. This year's construction order book has also seen the business deliver projects for government agencies KiwiRail and Department of Conservation, complementing the company's core construction customer base of King Country local authorities and NZTA Waka Kotahi. This speaks to the company's considered growth and contract book diversification.

Inframax utilises over $24 million in total assets. The company enjoys a strong working relationship with its banker, ASB, and is compliant with all its banking covenants. Equity lifted over the year to reach $13.2m. The Company is comfortably solvent with adequate liquidity generated from strong operating cash flow during the financial year.

Meanwhile, the Board is highly supportive of our management focus on continuous improvement, digitisation, the wellbeing of our people, who are beyond question our most valued asset. Inframax will continue to prioritise investment in its people. The roading maintenance and construction sector in New Zealand is fiercely competitive and the current economic climate and lack of work has taken the intensity of competition to a new level again. Our ability to attract, retain and develop our loyal and committed staff is, and will remain a defining feature of success for Inframax. The board is very pleased that we can now further enhance that investment in wellbeing of our people by the company rolling out health insurance benefits for all employees in the 2024/2025 reporting year.

I believe we are very fortunate to have a core pool of loyal highly competent local staff, committed to the success of the company and its positive contribution to local communities. The strong competitive edge this creates is demonstrated at our successful award of two large maintenance contracts over the past two years.

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 2024

Tēnā koutou katoa,

Haere mai, welcome to the Inframax's annual report for the period ending 30 June 2024.

Our kaimahi have continued to demonstrate high levels of commitment to customer service, quality and responsiveness in the delivery of services to our customers. As a result of that commitment, we were successful, after a robust procurement process, in resecuring the road maintenance and sealing contract with Waitomo District Council. This contract is an important one to the business and resecuring it for another five years (with an additional two years right of renewal) reinforces our position as a leading supplier of road maintenance and construction services in the King Country. Importantly, securing this contract provides both the business and our kaimahi with an important level of stability for us to navigate the future, particularly as we continue our journey of business improvement projects across all aspects of our business to ensure we are well positioned to take advantage of future opportunities.

We continue to perform well in delivering the seal extension of State Highway 43 (the "Forgotten Highway") for NZTA Waka Kotahi. This project is rural, remote and requires careful planning to meet the logistical challenges of the location. Rural infrastructure is our specialism, and this project firmly demonstrates our expertise, knowledge and capability delivering projects in these environments. This project is the largest ever delivered by the business and it is important to acknowledge our success on this contract is attributable to a dedicated team of our Inframax whānau that stay away on the project each week. Working away from home and loved ones, over an extended period of time, is challenging and I want to extend a ngā mihi nui ki a koutou to this team and their whānau for their ongoing commitment and support on this project.

Financial results

The twelve months ending 30 June 2024 has been a successful year for Inframax. The Inframax team can be very proud of achieving a financial result which has delivered an excellent level of growth on prior year. Our construction and maintenance businesses performed equally well, with both exceeding revenue and gross margin financial targets for the year. The growth on prior year can be attributed to a full twelve months of our road maintenance and sealing contract with Ruapehu District Council being realised and the construction division exceeding revenue target by 34%. Whilst local authorities in the King Country and NZTA Waka Kotahi continue to dominate our order books, it was good to see the construction division's order book diversify to other government agencies such as KiwiRail and Department of Conservation during the year.

Our kaimahi

Our business could not operate without our kaimahi – our King Country ambassadors. Their loyalty, passion and commitment to the success of Inframax, shines through every day. Our workforce is diverse with an outstanding compliment of skill, knowledge and expertise, be it on the front-line building or maintaining pavement, through to our office based team who ensure the smooth running of everything back of house. It is a priority for me that our kaimahi operate in a safe work environment and in one that respects diversity and these continue to be areas of focus for us. In FY2024 we placed high priority on:

- Fair remuneration: we continued the roll out of our remuneration framework that is fair, equitable and market tested, with a focus on career pathways for our people.
- Recognition: we recognised high performance and achievement (in safety, our mahi, community contribution and environmental contribution) and long service through our Matariki Awards event.
- Right tools for the job: our teams know best what tools, plant and equipment they need to do their job and increasing the level of consultation with our kaimahi in the procurement process has been a positive shift in procurement approach.
- Health, safety and wellbeing: our health and safety committee was refreshed during the year and it was good to see the committee's influence shining through on our personal protective equipment and clothing review project.
- Training and development: we continued to invest in training and development to nurture the skills and competencies within our existing workforce. Our level of training activity in FY2024 was down on FY2023 but is forecasted to return to prior year level in FY2025.
- Future workforce: we launched cadetships, internships and work experience programmes in the Waitomo, Ōtorohanga and Ruapehu regions.

Investing for the future

This year, we invested cash of $2.5 million into the plant and equipment our kaimahi need to safely, efficiently and reliably deliver our services. The board and management take the responsibility of ensuring all of our team are empowered with the right tools to safely deliver their mahi seriously and this level of investment, following a $4.1 million investment in FY2023, demonstrates this. This commitment to investing will continue in the coming years as our asset replacement strategy looks to replace aged assets that are no longer fiscally viable to be retained.

Our focus on transforming our business through digitisation continued during the year with new fixed asset and human resources software deployed in the past twelve months. Technology transformations are critical to sustaining and growing our commercial position, increasing levels of engagement by our kaimahi and deploying efficiencies across our business processes. Digital transformation priorities for FY2025 will be in the areas of health and safety, sharepoint and our workshop operations.

Looking ahead

After two years of solid growth and stabilising the business financially, FY2025 will be a year of consolidation and continued delivery on priority business improvement projects.

A key focus for us in FY2025 is ensuring our commitment to wellbeing, safety, risk and compliance is firmly at the heart of the business. The coming year will see us refresh our values to ensure they reflect what makes us unique and underpins the culture of our business as a modern workplace. These values will be embedded in our strategy as we develop and deliver on our business plans to future proof our business, thus supporting our kaimahi on the journey ahead.

The steep reduction in construction pipeline and rising project shortages for the industry nationally has been well publicised. Inframax is not immune to these challenges, and we are seeing a higher level of competition in the regions we operate than we ever have had before with competitors motivated to look further afield, from their normal operating regions, for projects. Navigating these market conditions prudently, by maintaining a commercially astute approach to pricing and risk management and ensuring no compromise on safety and quality, whilst still remaining competitive, will be a key challenge for us in the year to come.

Ngā mate

It is with sadness we acknowledge the passing of Corina Kennard and Lenard Iti during the year. Both Corina and Lenard were current employees and valued members of the Inframax whānau when they passed. Both have deep connections within our team and the wider King Country community. On behalf of Inframax we extend our deepest condolences to the whānau pani. Haere, haere, moe mai rā.

I close by expressing my gratitude to our kaimahi, our customers and our supply chain and subcontractors. Together we deliver outstanding service and navigate challenges every day for our regions and the communities within them. I want to thank you all for your ongoing support. To our Inframax whānau – we can look back on FY2024 with pride and look forward to FY2025 with optimism and excitement on the journey ahead. Ngā mihi nui ki a koutou.

Vesta Gribben
Chief Executive Officer

Comprehensive Income statement

For the year ended 30 June 2024

	NOTE	Year ended 30-Jun-24	Year ended 30-Jun-23
Total Operating Revenue	2	**49,000,148**	**40,142,207**
Operating Expenditure			
Audit Services	3	**135,976**	124,452
Bad and Doubtful Debts (Recovered)		**7,462**	-
Depreciation and Amortisation	15	**1,814,318**	1,818,110
Impairment of Assets	15	**457,685**	99,822
Direct Contract Expenses		**22,282,019**	15,671,019
Directors' Fees	4	**150,000**	150,000
Employee Benefits Expense	5	**14,326,067**	12,620,403
Raw Materials		**2,803,062**	3,752,169
Operating Lease Expense		**1,243,715**	1,038,010
Loss/(Gain) on Disposal of Assets		**29,293**	2,874
Repairs & Maintenance		**2,348,667**	2,144,552
Other Operating Expenses		**1,570,715**	1,113,389
Total Operating Expenses		**47,168,979**	**38,534,800**
Operating (Loss)/Profit before Financing Costs		1,831,169	1,607,407
Plus: Interest Revenue	2	**4,085**	1,369
Less: Financing Costs		**(331,500)**	(358,603)
Other Income	2	**81,618**	121,446
Profit before Income Tax Expense		1,585,372	1,371,619
Income Tax Expense	6	**902,130**	**387,142**
Profit for the Year attributable to owners of the Parent		683,242	984,477
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit and loss			
Revaluation of Property, Plant and Equipment and Quarry Assets	15	-	-
Income tax expense relating to other comprehensive income	7	-	-
Other Comprehensive Income for the Year Net of Tax		-	-
Total Comprehensive Income for the Year Net of Tax attributable to owners of the Parent		683,242	984,477

The notes to the Financial Statements (pages 11-31) including the Statement of Material Accounting Policy Information (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 2024

	NOTE	Fully Paid ordinary shares	Revaluation Reserve	Retained Earnings	Total
Balance as at 1 July 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
Profit for the Year				683,242	683,242
Other Comprehensive Income					
Revaluations	15		-		-
Income tax expense relating to other comprehensive income			-		-
Balance as at 30 June 2024		6,378,540	2,433,593	4,430,842	13,242,975

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

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Balance sheet

As at 30 June 2024

	NOTE	As at 30-Jun-24	As at 30-Jun-23
Equity			
Ordinary Share Capital	8	**6,378,540**	6,378,540
Retained Earnings		**4,430,842**	3,747,600
Revaluation Reserve		**2,433,593**	2,433,593
Total Equity		**13,242,975**	12,559,733
ASSETS			
Current Assets			
Trade and Other Receivables	9	**3,852,127**	5,162,009
Prepayments		**216,595**	129,452
Inventories	10	**2,102,784**	1,436,957
Capitalised Quarry Development	11	**280,000**	
Tax Receivable		-	-
Cash and Cash Equivalents		**4,035,966**	1,825,382
Total Current Assets		**10,487,472**	8,553,800
Non Current Assets			
Trade and Other Receivables	9	**331,209**	361,752
Property, Plant and Equipment	15	**13,333,419**	14,004,857
Intangible Assets	15	-	71,525
Capitalised Quarry Development	11	**1,022,738**	830,063
Deferred Tax Asset	7	**(371,980)**	530,150
Total Non-Current Assets		**14,315,386**	15,798,347
Total Assets		**24,802,858**	24,352,147
LIABILITIES			
Current Liabilities			
Overdraft	14	-	-
Interest Bearing Borrowings	14	**2,274,590**	1,283,116
Trade and other Payables	12	**5,592,453**	5,480,621
Income in Advance	13	**250,000**	312,037
Provisions	17	**501,210**	245,413
Lease Liabilities	15	**40,210**	53,512
Total Current Liabilities		**8,658,463**	7,374,699
Non Current Liabilities			
Interest Bearing Borrowings	14	**2,872,279**	4,348,256
Lease Liabilities	15	**29,141**	69,459
Total Non-Current Liabilities		**2,901,420**	4,417,715
Total Liabilities		**11,559,883**	11,792,414
Net Assets		**13,242,975**	12,559,733

For and on behalf of the Board on 30 September 2024.

Director

Director

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

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Statement of cash flows

for the year ended 30 June 2024

	NOTE	Year ended 30-Jun-24	Year ended 30-Jun-23
Cash flows from Operating Activities			
Receipts from Customers		**57,871,707**	44,849,505
Interest Received		**4,085**	1,369
Payments to Employees		**(14,425,388)**	(12,355,909)
Payments to Suppliers		**(35,332,790)**	(25,753,258)
Interest Paid		**(331,500)**	(358,603)
GST Paid		**(2,743,742)**	(2,620,783)
Net Cash flows from Operating Activities	16	**5,042,372**	3,762,321
Cash flows from Investing Activities			
Proceeds from Sale of Property, Plant and Equipment		**204,095**	119,216
Purchase of Property, Plant, Equipment and Intangibles		**(2,497,752)**	(4,107,531)
Net Cash flows from Investing Activities		**(2,293,657)**	(3,988,315)
Cash flows from Financing Activities			
Draw down of Borrowings		**5,112,344**	6,148,417
Repayments of Borrowings		**(5,596,847)**	(4,642,046)
Repayments of Lease Liabilities		**(53,620)**	(1,720)
Net Cash flows from Financing Activities		**(538,123)**	1,504,651
Change in cash and cash equivalents		**2,210,592**	1,278,657
Cash and cash equivalents at beginning of the year		**1,825,374**	546,717
Cash and cash equivalents at end of year		**4,035,966**	1,825,374
This is represented by:			
Cash and cash Equivalents		**4,035,966**	1,825,374
Balance at Bank		**4,035,966**	1,825,374

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

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Notes to the financial statements

1. Statement of Material Accounting Policy Information

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 2024. The financial statements were authorised for issue by the Board of Directors on 30 September 2024.

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 IFRS Accounting 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 2024 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.

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Notes to the financial statements continued

1. Statement of Material Accounting Policy Information 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 material 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 Material Accounting Policy Information 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 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.

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Notes to the financial statements continued

1. Statement of Material Accounting Policy Information 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

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 Material Accounting Policy Information 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 Material Accounting Policy Information 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 Material Accounting Policy Information 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
- 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 material estimates and judgements are as follows:

- 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.

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Notes to the financial statements continued

2. Revenue from Operations

	Year ended 30 June 2024	Year ended 30 June 2023
Revenue from Contracts with Customers - recognised over time		
Construction and maintenance services	**48,752,050**	39,696,291
Revenue from Contracts with Customers - recognised at a point in time		
Sale of Product	**248,098**	445,916
Total Operating Revenue from Contracts with Customers	49,000,148	40,142,207
Interest Revenue		
Bank and other Interest	**4,085**	1,369
Total Interest Revenue	4,085	1,369
Other Income		
Building Rental	**21,522**	21,957
Grant Revenue	**40,394**	73,054
Other Revenue	**19,702**	26,435
Total Other Income	81,618	121,446
Total Revenue	49,085,851	40,265,022

3. Audit Services

	Year ended 30 June 2024	Year ended 30 June 2023
Audit Services		
Fees and charges in relation to audit services	**135,976**	**124,452**
Total Audit Service Fees	135,976	124,452

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Notes to the financial statements continued

4. Directors' Fees

	Year ended 30 June 2024	Year ended 30 June 2023
Director Fees paid and accrued during the year were		
E S Rattray	**60,000**	60,000
J Elrick	**30,000**	30,000
H Goddard	**30,000**	30,000
C Ryan	**30,000**	30,000
Total Director Fees	150,000	150,000

The Company pays directors and officers indemnity insurance premiums. The limit of insurance is $5,000,000 plus an additional $2,500,000 for defence costs with the annual premium being $10,240 in 2024 (2023: Limit $5,000,000 plus an additional $2,500,000 for defence costs premium $9,580).

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 (2023:nil). No directors hold any interests in the equity of the Company as at 30 June 2024 (2023: Nil).

5. Employee Benefit Expense

	Year ended 30 June 2024	Year ended 30 June 2023
Salary and Wage Expense	**13,090,125**	11,468,474
Fringe Benefits Tax	**170,268**	136,023
Accident Compensation Levies	**104,974**	152,732
Superannuation Contributions	**324,449**	272,395
Other Employee Benefits	**636,251**	590,779
Total Employee Benefits Expense	14,326,067	12,620,403

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Notes to the financial statements continued

6. Taxation

	Year ended 30 June 2024	Year ended 30 June 2023
Profit before Income Tax	**1,585,372**	**1,371,619**
Tax Calculated at 28%	443,904	384,053
Tax Effect of non-deductible expenses in profit before tax	7,518	10,063
Non Taxable Income	-	-
Re-recognition of removal of tax depreciation on buildings	452,717	-
Under / (Over) Provided in Prior Periods	(2,009)	(6,975)
Income Tax Expense per Profit or Loss	902,130	387,142

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 2024	Year ended 30 June 2023
Deferred Tax (Liability) / Asset		
Opening Balance as at 1 July	**530,150**	917,292
(changed)/credited to income statement	**(902,130)**	(387,142)
(Charged)/Credited to equity	-	0
Closing balance as at 30 June	**(371,980)**	530,150
Depreciation / Amortisation		
Opening Balance as at 1 July	**(1,192,751)**	(1,182,273)
(changed)/credited to income statement	**(221,881)**	(17,453)
(Charged)/Credited to equity	-	0
Under / (Over) Provided in prior periods	**1,502**	6,975
Closing balance as at 30 June	**(1,413,130)**	(1,192,751)
Right of Use Asset / Liability		
Opening Balance as at 1 July	**1,782**	1,594
(changed)/credited to income statement	**(607)**	188
(Charged)/Credited to equity	-	-
Closing balance as at 30 June	**1,175**	1,782
Employee entitlements		
Opening Balance as at 1 July	**170,577**	174,211
(changed)/credited to income statement	**24,349**	(3,634)
(Charged)/Credited to equity	-	
Under / (Over) Provided in prior periods	-	0
Closing balance as at 30 June	**194,926**	170,577
Other provisions		
Opening Balance as at 1 July	**(119,086)**	(60,706)
(changed)/credited to income statement	**116,194**	(58,380)
(Charged)/Credited to equity		
Closing balance as at 30 June	**(2,892)**	(119,086)
Tax Losses		
Opening Balance as at 1 July	**1,669,628**	1,984,466
(changed)/credited to income statement	**(822,194)**	(314,838)
(Charged)/Credited to equity	-	-
Under / (Over) Provided in prior periods	**507**	0
Closing balance as at 30 June	**847,941**	1,669,628

2024: 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 $3,028,358.
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 $5,964,765.

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Notes to the financial statements continued

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

	Year ended 30 June 2024	Year ended 30 June 2023
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 2024 (30 June 2023: 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 (2023: $6,378,540) and the number of shares 6,378,540 (2023: 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 2024	Year ended 30 June 2023
Progress Payments Due	**2,911,739**	3,800,294
Retentions Receivable	**937,999**	1,068,868
Expected Credit Loss Provision	-	-
Trade Receivables	333,598	654,599
Total Trade and Other Receivables	4,183,336	5,523,761
Current	3,852,127	5,162,009
Non-Current	331,209	361,752
Total Trade and Other Receivables	4,183,336	5,523,761
Movement in Expected Credit Loss Provision		
Opening balance	-	-
Increase / (Decrease) in Expected Credit Loss Provision	-	-
Closing Balance	-	-

Bad debts of $7,462 were written off during 2024 (2023: $Nil)

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

	Year ended 30 June 2024	Year ended 30 June 2023
30 days to 60 days overdue	3,425	6,548
61 days to 90 days overdue	400	5,921
Over 90 days overdue	38,983	38,800

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Notes to the financial statements continued

10. Inventories

	Year ended 30 June 2024	Year ended 30 June 2023
Aggregates	**1,841,426**	1,218,858
Finished Goods	**261,358**	218,099
Closing Balance	2,102,784	1,436,957
The cost of inventories recognised in expenses during the year	**1,843,570**	2,478,386

11. Capitalised Quarry Development Costs

	Year ended 30 June 2024	Year ended 30 June 2023
Movement in capitalised quarry development costs		
Opening balance	**830,063**	872,459
Stripping costs capitalised in current year	**621,729**	166,759
Bunding reclassified	-	-
Stripping & bunding costs amortised (within the raw materials cost)	**(149,054)**	(209,155)
Closing Balance	1,302,738	830,063
Current	280,000	-
Non-Current	1,022,738	830,063
Total Capitalised Quarry Development Costs	1,302,738	830,063

12. Trade and Other Payables

	Year ended 30 June 2024	Year ended 30 June 2023
Trade Creditors and Accruals	**3,837,349**	3,841,887
Accrued Staff Entitlements	**1,344,321**	1,443,642
Goods and Services Tax	**410,783**	195,092
Director's Fees Payable	-	0
Closing Balance	5,592,453	5,480,621

13. Income in Advance

	Year ended 30 June 2024	Year ended 30 June 2023
Construction Contracts Income in Advance	**250,000**	312,037
Closing Balance	250,000	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 2024 Income in Advance was $250,000 (2023: $312,037).

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Notes to the financial statements continued

14. Borrowings

	Year ended 30 June 2024	Year ended 30 June 2023
Current		
Bank Overdrafts	-	-
Asset Finance	**649,590**	783,116
Interest Bearing Borrowings	**1,625,000**	500,000
Total Current Borrowings	2,274,590	1,283,116
Non Current		
Asset Finance	**2,872,279**	2,723,256
Interest Bearing Borrowings	-	1,625,000
Total Non Current Borrowings	2,872,279	4,348,256

At 30 June 2024 pursuant to the facility agreements ASB Bank Limited had provided:

- Bank Overdraft Facility of $1,000,000 (2023: $1,000,000) of which $1,000,000 (2023: $1,000,000) was undrawn;
- Asset Finance Facility of $6,600,000 (2023: $6,600,000) of which $3,078,131 (2023: $3,093,628) was undrawn;
- Performance Bond Guarantees of $1,741,847 (2023: $2,094,077)
- Term Loan of $1,625,000 (2023: $2,125,000) of which $0 (2023: $0) was undrawn.

The Company has undertaken to achieve specified gearing, debt servicing and equity ratios each quarter. Gearing, debt servicing and equity ratios were met.

At balance date the loan which has a maturity date of 28 February 2025 had a fixed rate of 8.18% (2023: 8.24%) repricing 31 August 2023. Since balance date the loan maturity date has been extended to 28 February 2027. 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.

Cash held against ASB Asset Finance Facility $3,141,869 (2023:$0) as part of the cash management function of our business to minimise interest costs.

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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 2024	995,000	3,627,088	18,220,916	877,080	456,828	589,170	475,575	143,085	25,384,742
Accumulated depreciation	-	(827,235)	(9,340,827)	(614,336)	(269,331)	(589,170)	(410,423)	-	(12,051,322)
Balance as at 30 June 2024	995,000	2,799,853	8,880,089	262,744	187,497	-	65,152	143,085	13,333,420
Carrying amount 1 July 2023	995,000	2,883,423	9,518,700	309,739	113,623	71,525	116,606	67,766	14,076,382
Additions and Transfers	-	7,484	1,489,420	-	141,420	-	22,162	75,319	1,735,805
Revaluation increase / (decrease)	-	-	-	-	-	-	-	-	-
Disposals at cost	-	-	(912,242)	-	(7,915)	-	-	-	(920,157)
Accumulated depreciation recovered on disposal	-	-	705,478	-	7,915	-	-	-	713,393
Impairment	-	-	(457,685)	-	-	-	-	-	(457,685)
Depreciation	-	(91,054)	(1,463,582)	(46,995)	(67,546)	(71,525)	(73,616)	-	(1,814,318)
Balance as at 30 June 2024	995,000	2,799,853	8,880,089	262,744	187,497	-	65,152	143,085	13,333,420
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	-	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	309,740	113,623	71,525	116,606	67,766	14,076,383

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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 14 August 2024.

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 2024	Year ended 30 June 2023
Carrying Amount as at 30 June 2024		
Quarry Production Equipment	**68,596**	72,220
Land	**236,972**	236,972
Buildings	**1,948,000**	1,987,755
Carrying Amount as at 30 June 2024	2,253,568	2,296,947

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)

	Year ended 30 June 2024	Year ended 30 June 2023
Leases		
Balance as at 1 July	**116,606**	118,996
Depreciation charge for the year	**(73,616)**	(73,973)
Additions to right of use assets	**22,162**	71,583
Balance at 30 June	65,152	116,606
Right-of-use assets		
Buildings	**65,152**	102,499
Equipment	**0**	14,107
	65,152	116,606
Lease Liabilities		
Current	**(40,210)**	(53,512)
Non-current	**(29,141)**	(69,459)
	(69,351)	(122,971)

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 2024	Year ended 30 June 2023
Depreciation charge of right-of-use assets		
Buildings	**59,509**	59,866
Equipment	**14,107**	14,107
	73,616	73,973
Interest expense (included in finance cost)	3,734	3,553

The total cash outflow for lease liabilities in 2024 $77,636 (2023: $76,219).

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

	Year ended 30 June 2024	Year ended 30 June 2023
Profit for the Year attributable to owners of the Parent	**683,242**	984,477
Add Back Non Cash Items:		
Amortisation	**71,525**	120,855
Depreciation	**1,742,793**	1,697,255
Impairment	**457,685**	99,822
Decrease in Deferred Tax Balance	**902,130**	387,142
Net (Gain) on Disposal	**29,293**	2,874
Movement in Working Capital:		
Trade and other Receivables	**1,278,388**	(1,283,534)
Prepayments	**(87,143)**	(18,301)
Provisions	**255,797**	(201,383)
Inventories	**(665,827)**	(33,086)
Trade and other Payables	**111,832**	1,485,986
GST effect on operating cash flows	**262,657**	520,214
Net Cash Inflow from Operating Activities	5,042,372	3,762,321

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Notes to the financial statements continued

17. Contingent Liabilities, Contingent Assets and Provisions

2024: 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 $1,569,177 (2023:$2,094,077). 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 $172,670 in relation to land rehabilitation obligations at the expiry of resource consents for a quarry operated by the Company.

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. Post Balance date, the company has arranged with ASB limited to issue a bank guarantee of $28,919 in favour of Waikato Regional Council related to these resource consents.

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 2024 there is a provision remaining of $251,210 (2023: $245,413).

	Year ended 30 June 2024	Year ended 30 June 2023
Provision		
Opening Balances as at 1 July	**245,413**	446,796
Amounts provided in the period	**300,000**	-
Recoverable from third party	-	-
Amounts incurred /charged during the period	**(44,203)**	(201,383)
Closing balance as at 30 June 2024	501,210	245,413

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.

18. Commitments

As at 30 June 2024 capital expenditure contracted for, but not yet incurred, was $Nil (30 June 2023: $4,214).

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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 2024	Year ended 30 June 2023
Comprehensive Income Statement		
Road Construction and Maintenance Income	**10,615,086**	11,288,979
Royalty Payments and Other Expenses	**33,760**	90,019
Balance Sheet		
Receivables, Claim Accrual and Work in Progress	**721,313**	1,263,997
Retentions Due	**346,555**	396,930
Payables and Accruals	**863**	4,634

The company has provided services to key management personnel and a director of the board.

	Year ended 30 June 2024	Year ended 30 June 2023
Comprehensive Income Statement		
Work Provided to V Gribben	**241**	-
Work Provided to E Rattray	**21,335**	-

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 2024	Year ended 30 June 2023
Short term employee and Director benefits	**527,878**	550,265
Total short term employee and Director benefits	527,878	550,265

21. Subsequent Events

2024: $Nil (2023: $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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Notes to the financial statements continued

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	**4,035,966**	-	**4,035,966**
Trade and other receivables	**4,183,336**	-	**4,183,336**
Balance as at 30 June 2024	8,219,302	-	8,219,302
Financial Liabilities			
Trade and other payables	-	**5,181,670**	**5,181,670**
Lease Liabilities	-	**69,351**	**69,351**
Asset Finance	-	**3,521,869**	**3,521,869**
Borrowings	-	**1,625,000**	**1,625,000**
Balance as at 30 June 2024	-	10,397,890	10,397,890
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

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 material 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 2024	Year ended 30 June 2023
Waitomo District Council	23%	27%
Ruapehu District Council	-	22%
NZ Transport Agency Waka Kotahi	26%	-

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

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

Interest Rate Risk and Currency Risk

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

As the Company has no material 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 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						
Trade and other payables	**0.00%**	**5,181,670**	-	-	-	**5,181,670**
Asset Finance	**8.38%**	**908,896**	**855,760**	**2,031,507**	**471,901**	**4,268,064**
Lease Liabilities	**3.74%**	**40,210**	**29,141**	-	-	**69,351**
Borrowings	**8.18%**	**1,739,179**	-	-	-	**1,739,179**
Balance as at 30 June 2024		7,869,955	884,901	2,031,507	471,901	11,258,264
Financial Liabilities						
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

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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 2024	Year ended 30 June 2023
50 points change	**29,910**	32,916
100 points change	**59,946**	66,055
150 points change	**89,982**	99,194

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 2024

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 2024		Statement of Intent 2023	
	Achieved	**Target**	**Achieved**	**Target**
Performance Measures				
Equity Ratio	**53%**	50%	52%	49%
Current Ratio	**Positive**	Positive	Positive	Positive
Revenue (millions)	**$49**	$44	$40	$43
Bank Covenants	**Met**	Met	Satisfied with waiver	Met
EBITDA (millions)	**$3.7**	$3.1	$3.5	$3.0

	Statement of Intent 2024		Statement of Intent 2023	
	Achieved	**Target**	**Achieved**	**Target**
Non-Financial Performance Measures				
LTI Frequency Rate	**25**	Zero	20	Zero
Accident Weekly Compensation Days	**298**	100	91	100
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	**-**		-	
Partially compliant	**2**		3	
Highly compliant	**-**	All	-	All
Fully compliant	**6**		5	
Not Assessed	**1**		1	
Number of Local Events Supported	**n/a**	n/a	19	15
Number of Broader Outcome Initiatives	**20**	15	-	-

Note

1. 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 2024

The Auditor-General is the auditor of Inframax Construction Limited (the company). The Auditor-General has appointed me, Matt Laing, 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 2024, 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:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2024; 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 IFRS Accounting Standards (NZ IFRS); 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 2024.

Our audit was completed on 30 September 2024. 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 Auditing Standards issued by the Auditor-General, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

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

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

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

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

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

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 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.

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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.

M. Laing

Matt Laing
Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand