ECO CENTRAL

# 2020 annual report

for the year ended 30 June 2020


SORT
SHOP
DROP
ECO SORT
Where the Yellow Bin recycling from Canterbury region is sorted, baled and sold as a reclaimed material.
ECO SHOP
EcoShop is the retail outlet for the recycled goods rescued from our three EcoDrops.
ECO DROP
Transfer stations around Christchurch accepting recycling and waste for both domestic and commercial customers.

**7,822 tonnes**

recovered for resale by EcoCentral.

**1,320 tonnes**

diverted from waste to the EcoShop.

**18,084 tonnes**

of paper products recycled by EcoCentral.

**241 tonnes**

of milk bottles recycled.

**69,495 tonnes**

Everything we diverted from landfill.

**Health & Safety**

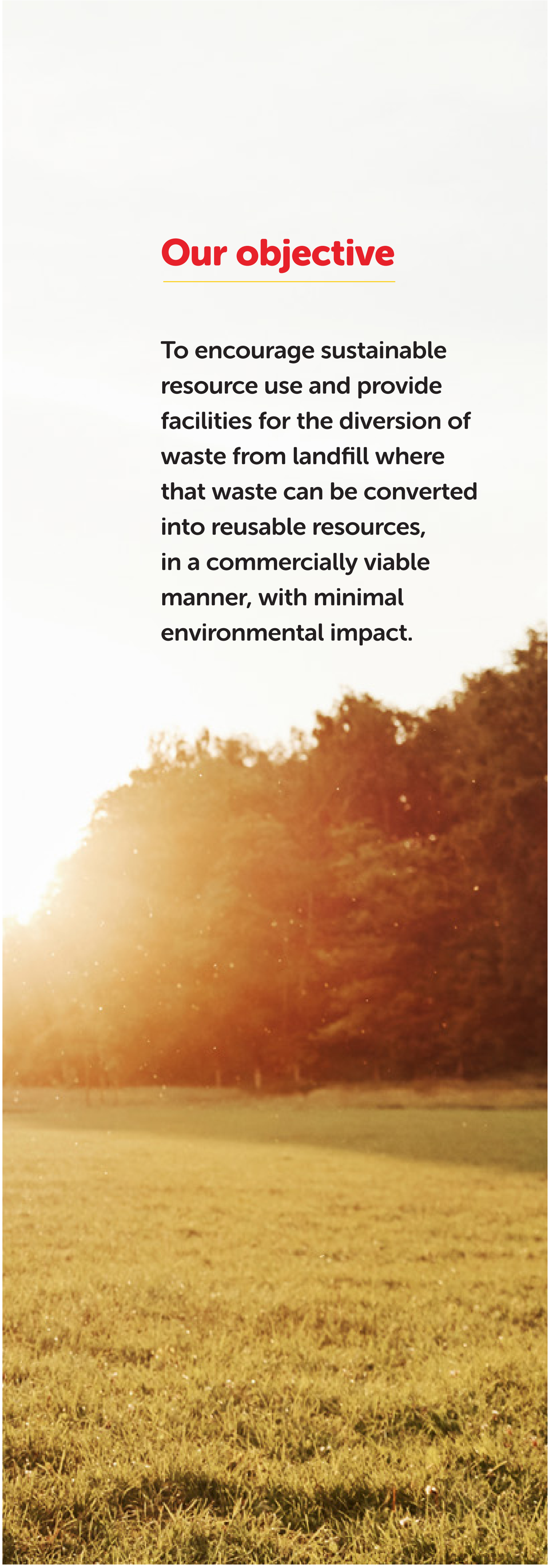
3.95: LTIFR (LTI per 200,000 hours worked).

# Contents


| | |
|---|---|
| Chairman's report | 5 |
| Chief Executive Officer's report | 7 |
| Corporate governance statement | 9 |
| Statement of comprehensive income | 11 |
| Statement of financial position | 12 |
| Statement of changes in equity | 13 |
| Cash flow statement | 14 |
| Notes to the financial statement | 15 |
| Statement of service performance | 41 |
| Statutory disclosures | 42 |
| Report of the Auditor-General | 45 |
| Directory | 48 |

## Our objective

To encourage sustainable resource use and provide facilities for the diversion of waste from landfill where that waste can be converted into reusable resources, in a commercially viable manner, with minimal environmental impact.





# Financial statements

The directors are pleased to present the audited financial statements of EcoCentral Limited.

**For the year ended 30 June 2020.**

**David William Kerr**
Chairman
28 August 2020

**Sinead Mary Horgan**
Director
28 August 2020

# SORT

# Chairman's report

It is my privilege to present this Annual report on EcoCentral Ltd for the year until 30 June 2020.

I advised last year that we had endured a challenging year, but I confess I had no idea of what different challenges we would have to face in the current year.

The challenge of Covid19 on us as citizens as well as on the economy of this country and the rest of the world was never foreseen, and cannot be understated.

The Board, staff and management have continued to have a strong focus on Health and Safety, as one would hope, and the company has continued to make progress in this area both in terms of lag indicators and lead indicators.

The Directors have been active with participation in this evolution and have attended a number of the Health and Safety committee meetings.

Initiatives such as "bowtie" analyses of high risk situations have been undertaken and are currently underway, and we have observed very good engagement of our staff and management in the Health and Safety area.

Contamination of the contents of the recycling materials transported to the EcoSort has been a long standing issue, and has been an area of focus throughout the year.

This focus has been particularly intense following the permission granted the citizens to use the yellow bin for overflow refuse during the time of the lockdown.

The result has been extensive contamination of the product in the yellow bins, to the point that it has been necessary for significant numbers of loads to be rejected and transported to landfill.

This has both costs to Christchurch City Council as well as revenue implications to EcoCentral.

This is a "work in progress" at this time and it is hoped that the citizens of Christchurch will get onboard with the need to address this without delay.

As is well known, contamination results in either an inability to process through the MRF if sufficiently high, or an inability to sell the commodity if processing is undertaken of loads with marginally higher contamination.

EcoCentral and Christchurch City Council staff are currently working together to try and address this challenge, but progress has been slow.

The EcoSort activity is now funded by the Christchurch City Council consequent on an agreed variation to the contractual arrangements with EcoCentral, whereby the Processing Fee is reviewed on a quarterly basis with the determinants including actual commodity prices achieved. It is possible that some further capital expenditure will be required to ensure the commodities that are produced remain in demand.

An area of attention for EcoCentral in the last half year has been our wish to look for opportunities for innovation and to that end an external consultant has been engaged to look at new initiatives that might be considered to reduce further the volumes that are disposed of in landfill. The results of this review will support a plan being developed for the business for the next 5 years.

The Ecodrop volumes are relatively static currently but it is understandable that volumes will decrease when the economy is slower, and this is certainly a possibility in the next 6 to 12 months.

EcoCentral are focused on keeping the gate fees payable by all customers as realistic as possible given there is competition for the commercial tonnage.

The increased waste management levy announced by Central Government will impact the gate prices significantly.

The EcoShop and Recycling Centres have continued to operate (except during the lockdown) as usual and fulfil the important purpose of enabling reuse, and recycling of items, as well as providing a great training ground for staff.

The number of visitors to the EcoShop was 2,500 weekly and some greater clarity of the target market for such sales is being developed currently. The profile of the EcoShop and its role and functionality are areas that are currently being reviewed.

Craig and his team continue to be hard working and performing at a high level. They deserve congratulations on managing the business as well as they have, engaging with our critical stakeholders effectively, and ensuring that all our staff go home safe each day.

As has been the case each year, I wish to thank my fellow Directors for their unwavering commitment and support. It has been much appreciated and they have contributed very effectively.

Following the Annual General Meeting the Chair role will be undertaken by Mark Jordan, and I will resign my directorship.

It has been a great pleasure to be involved in the business of EcoCentral for 9 years, and I thank the CCHL Board for their support during that time. This is a fascinating business!

**David Kerr** *Chairman*

*Left:* Yellow bin recyclables delivered to the EcoSort.


SORT
SHOP
DROP
ENERGY RATING
WATER RATING
TOYOTA
SIMPSON

# Chief Executive Officer's report

The 2019/20 year has proven challenging across the board, as we experienced strong competition for refuse volume while working hard to develop innovative recycling solutions. In the first nine months of the year it was business as usual, however like every business in New Zealand, the COVID-19 effect and subsequent lockdowns over the last quarter has proven a major disruptor, with our focus on ensuring our staff were looked after and providing a solid support platform for our essential service customers.

The team maintained a strong Health and Safety focus throughout the year protecting our staff and customers. It was pleasing to complete the transitioning of our Health and Safety management system from AS/NZS4801 to the new ISO45001 standard with final auditing scheduled in late 2020.

The business completed several new improvement initiatives throughout the year, a complete upgrade of the EcoSort emergency stop & interlock system, additional communication equipment for improved emergency response, enhanced site camera system to support accident investigations, improvements to our site signage and upgrading our staff equipment identified through the continuous ergonomic assessment program.

## EcoDrop

Waste volumes trended down during the year, primarily due to the continued impact of competing commercial transfer stations and the COVID-19 lockdown restricting both commercial and public activity for an extended period. The costs were maintained well with an increased focus on training and customer service and communication.

## EcoSort

The EcoSort performed efficiently throughout the year, producing high quality commodities to meet increasingly demanding global standards. I appreciate the considerable time and energy from the team that goes into ensuring our recycled product is best-in-class. Recycling volumes were adversely affected in the last quarter due to high contamination levels and the COVID-19 lockdown, the effects of which have continued into FY21. The team completed a major upgrade of the MRF processing line which will reduce downtime, improve capacity and product quality.

## EcoShop

The EcoShop has continued its important role supporting the local community and environment. Maintaining a close affiliation with local support networks and community organisations means the recycled goods we receive can be repurposed and get a second or third life. The EcoShop continued to expand its TradeMe sales program and build on its existing networks to increase the range offered.

## The Team

The EcoCentral team have performed at a terrific level throughout the year. The steady guidance of the management team and the fantastic efforts of the customer serving staff provide an important service to the community and are a credit to the company. The staff's strong commitment to Health & Safety for themselves and our customers is greatly appreciated. I am especially proud of how well the EcoCentral team navigated and helped manage our way through the pandemic crisis. What we achieve each year can only be done together, so a big thank you to the entire crew.

## Outlook

The first part of the year reflected a new normal as waste volumes steadied and recycling markets appeared to bottom out. COVID-19 created a major disruption to the company and its customers and is expected to have an ongoing impact into the new year. Our focus now and as we progress into the new financial year is the continued development of innovative processes that bring recycling activities on shore, increasing the scope of use for materials we would otherwise send to landfill and 'closing the loop'. The company is working on a number of significant innovative projects that will set us well on the path to reducing our collective impact, and with the support of our customers and key stakeholders we will continue to lead the way on waste minimisation.

The enthusiastic support and guidance of our experienced Board is greatly appreciated. I especially acknowledge the expertise, support and guidance of Dr David Kerr, our outgoing Chairman, who has been instrumental in molding EcoCentral into the successful enterprise it is today and who's contribution will be missed.

**Craig Downie** *Chief Executive Officer*

*Left:* Great bargains available at the EcoShop.


# SORT SHOP DROP

# Corporate Governance statement

This statement provides readers with an overview of EcoCentral's main corporate governance practices.

### Role of the Board

The directors are appointed by the shareholder Christchurch City Holdings Ltd. The primary role of the board of directors is the corporate governance of the Company. The Board is responsible for the proper direction and control of the Company's activities and all decision making within the Company.

The Board directs and overviews the business and affairs of the Company, including in particular:

- Ensuring that the Company goals are clearly established and that strategies are in place to achieve them.
- Establishing policies for strengthening the overall performance of the operation to ensure enhancement of the shareholder value.
- Oversight of the role the Company can play in the recycling & waste industry in the Canterbury region.
- Monitor the performance of the different operations within the Company.
- Take the necessary steps to protect the financial position of the Company.
- Reviewing and approving the Company's annual plan and statement of intent.
- Ensuring the Company's financial statements are true and fair and otherwise conform with the law, and
- Ensuring that the Company adheres to high standards of ethics and corporate behaviour.
- Oversight of Health and Safety strategy, activities, and reporting.

The Board monitors economic, political, social and legal issues and other relevant external matters that may influence or affect the development of the business or the interests of the shareholder and, if thought appropriate, will take outside expert advice on these matters.

### Conduct of Directors

The conduct of directors is required to be consistent with their duties and responsibilities to the Company and indirectly to the shareholder.

*Left:* Red bin waste being delivered to the EcoDrops

Directors are expected to keep themselves abreast of changes and trends in the business and in the Company's environment and markets.

### Board composition and mix

The composition of the Board reflects the duties and responsibilities it has to discharge and perform in the interests of the shareholder, and in setting the Company's strategy and seeing that it is implemented.

The Board of EcoCentral Limited comprises four directors.

The Board meets at least eleven times a year. In the 2020 Financial Year the Board met twelve times.

The Board receives monthly board papers, which cover health & safety, financial & operational performance and updates on progress of strategic initiatives against plan & statement of intent.

### Subcommittees of the Board

There are two subcommittees of the Board.

- Audit & Risk committee – this committee is responsible for the assurance and assistance to the Board on EcoCentral Limited's risk, control and compliance framework, and its external accountability responsibilities.
- Remuneration committee – this committee assists the board to establish remuneration policies and practices and to set and review the remuneration of the chief executive officer and other senior executives.

### Directors' remuneration

The Shareholder recommends and approves the level of remuneration paid to directors.

### Conflicts of interest

The Board charter outlines the board's policy on conflicts of interest. A full and updated interest register is available at all Board meetings.

### Indemnities and Insurance

The Company provides directors with directors and officers liability insurance cover while acting in their capacity as directors, to the fullest extent permitted by the Companies Act 1993.

### Chief Executive Officer performance review

The Board reviews the performance of the Chief Executive Officer against key performance objectives on an annual basis.

# SORT

Aluminum cans sorted and baled at the EcoSort.

# Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Operating and other revenue | *2* | 34,639 | 35,306 |
| Financial income | *3* | 31 | 61 |
| Other gains | *4* | 51 | 15 |
| **Total revenue** | | 34,721 | 35,383 |
| **Expenditure** | | | |
| Depreciation, amortisation and impairment | *5* | 4,167 | 1,958 |
| Finance costs | *6* | 335 | 29 |
| Personnel costs | *7* | 7,329 | 6,779 |
| Other expenses | *8* | 23,171 | 25,046 |
| **Total expenditure** | | 35,002 | 33,812 |
| **Surplus/(deficit) before tax** | | (281) | 1,571 |
| Income Tax Expense | *10a* | (206) | 440 |
| **Surplus/(deficit) after tax** | | (75) | 1,130 |
| **Other comprehensive income** | | | |
| Cash flow hedges | *22* | 1 | 24 |
| **Total comprehensive income** | | (74) | 1,154 |

*The accompanying notes form part of these financial statements*

# Statement of financial position

AS AT 30 JUNE 2020

| | Note | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | *11* | 2,815 | 3,099 |
| Trade and other receivables | *12a* | 2,712 | 2,048 |
| Prepayments | | 84 | 55 |
| Inventories | *14* | 356 | 475 |
| **Total current assets** | | 5,967 | 5,677 |
| **Non-current assets** | | | |
| Property, plant and equipment | *15* | 7,551 | 8,296 |
| Right of use assets | *16* | 7,445 | - |
| Deferred tax asset | *10d* | 328 | - |
| **Total non-current assets** | | 15,324 | 8,296 |
| **Total assets** | | **21,291** | **13,973** |
| **Current liabilities** | | | |
| Trade and other payables | *17* | 2,939 | 2,638 |
| Provisions | *18* | 269 | 218 |
| Employee entitlements | *20* | 1,066 | 1,077 |
| Current tax liabilities | *10b* | 156 | 660 |
| Derivative financial instruments | *13* | - | 1 |
| Lease liabilities | *19* | 2,025 | - |
| **Total current liabilities** | | 6,454 | 4,593 |
| **Non-current liabilities** | | | |
| Lease liabilities | *19* | 5,549 | - |
| Deferred tax liabilities | *10d* | - | 18 |
| **Total non-current liabilities** | | 5,549 | 18 |
| **Total liabilities** | | **12,003** | **4,611** |
| **Net assets** | | 9,288 | 9,362 |
| **Equity** | | | |
| Capital and other equity instruments | *21* | 6,100 | 6,100 |
| Reserves | *22* | - | (1) |
| Retained earnings | *23* | 3,188 | 3,263 |
| **Total equity** | | 9,288 | 9,362 |

**Chairman** **Director**

**For and on behalf of the Board**

*The accompanying notes form part of these financial statements*

# Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2020

| | Note | Share capital $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| | *Note* | *21* | *22* | *23* | |
| **30 June 2020** | | | | | |
| Balance at beginning of financial year | | 6,100 | (1) | 3,263 | 9,362 |
| Net profit | | - | - | (75) | (75) |
| Other comprehensive income | | - | 1 | - | 1 |
| Total comprehensive income | | - | 1 | (75) | (74) |
| **Balance at end of financial year** | | 6,100 | - | 3,188 | 9,288 |
| **30 June 2019** | | | | | |
| Balance at beginning of financial year | | 6,100 | (24) | 2,382 | 8,458 |
| Net profit | | - | - | 1,130 | 1,130 |
| Other comprehensive income | | - | 24 | - | 24 |
| Total comprehensive income | | - | 24 | 1,130 | 1,154 |
| Dividends paid | | - | - | (250) | (250) |
| **Balance at end of financial year** | | 6,100 | (1) | 3,263 | 9,362 |

*The accompanying notes form part of these financial statements*

# Cash flow statement

FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers and other sources | | 34,008 | 35,108 |
| Interest received | | 31 | 61 |
| Payments to suppliers and employees | | (30,103) | (31,564) |
| Subvention payment made | | (644) | (261) |
| Interest and other finance costs paid | | (335) | (38) |
| **Net cash flow from operating activities** | 24 | 2,957 | 3,306 |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | (1,341) | (743) |
| Proceeds from sale of property, plant and equipment | | 74 | 15 |
| **Net cash flow from investing activities** | | (1,267) | (728) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | - | (1,250) |
| Repayment of lease liabilities | | (1,974) | - |
| Dividends paid | | - | (250) |
| **Net cash flow from financing activities** | | (1,974) | (1,500) |
| Net increase in cash and cash equivalents | | (284) | 1,078 |
| Cash and cash equivalents at beginning of year | | 3,099 | 2,021 |
| **Cash and cash equivalents at end of year** | 11 | 2,815 | 3,099 |

*The accompanying notes form part of these financial statements*

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2020

## 1. Statement of accounting policies

### Reporting Entity

EcoCentral Limited is a Tier 1 for-profit entity, incorporated in New Zealand under the Companies Act 1993.

EcoCentral Limited is a wholly-owned subsidiary of Christchurch City Holdings Limited.

### Basis of preparation

#### Statement of compliance

The financial statements of the Company have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with IFRS and NZ IFRS, and other applicable financial reporting standards, as appropriate for Council Controlled Trading Organisations (CCTOs).

#### Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain financial instruments (including derivative instruments). The accounting policies have been consistently applied in determining the earnings and cash flows for the year ended 30 June 2020, and the financial position as at that date.

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of the Company is New Zealand dollars.

### Significant Accounting Policies

#### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### Foreign currency transactions

Foreign currency transactions are translated at the foreign exchange rate that exists on the day of the transaction.

Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate that exists at that date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

#### Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently less an allowance for impairment.

Collectability of trade receivables is reviewed on an on-going basis at an operating level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable.

#### Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

***Raw materials*** – purchase cost on a first-in, first-out basis.

***Finished goods and work-in-progress*** – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

# Notes to the financial statements CONT.

### Derivative financial instruments and hedging

The Company uses derivative financial instruments (including forward currency contracts) to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative assets and liabilities held for with the intention to reduce the foreign exchange risk of expected sales and purchases are classified as current in the statement of financial position. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

Property, plant and equipment

Property, plant and equipment are recognised at its historical cost or valuation less accumulated depreciation and any accumulated impairment losses.

Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

| | |
|---|---|
| Buildings | 8 – 20 years |
| Plant and equipment | 2 – 15 years |
| Motor vehicles | 3 – 10 years |
| IT Systems & Equipment | 2 – 10 years |
| Furniture & Fittings | 3 – 15 years |

#### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset if, and only 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.

Property, plant and equipment are recognised at its cost. Where an asset is acquired at nil cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

The assets' residual values, useful lives and depreciation methods are reviewed annually, and adjusted if appropriate, at each financial year end.

#### *Disposals*

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amounts of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### Leases

The Entity has applied NZ IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both NZ IAS 17 and NZ IFRS 16 are presented separately below.

Policies applicable from 1 July 2019:

#### *EcoCentral Limited as a lessee*

The Entity assesses whether a contract is or contains a lease, at inception of the contract. The Entity recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, which are determined to be when purchased new for the price of NZD $7,000 (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Entity recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Entity did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Entity applies NZ IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss. There were no such expenses in the current year.

# Notes to the financial statements CONT.

As a practical expedient, NZ IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Entity has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Entity allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Provisions and employee benefits

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the entity expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

***Employee leave benefits***

*(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long service leave*

EcoCentral's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount rate is the market yield on relevant New Zealand Government Stock at the balance sheet date.

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Three key assumptions used in calculating this liability include the discount rate, staff turnover and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability. Expected future payments are discounted using forward discount rates derived from the New Zealand government 10 year bonds. The salary inflation factor has been determined after considering historical salary and wage inflation patterns.

### Revenue recognition

Revenue is recognized when control of a good or service transfers to the customer and is based on the fulfilment of performance obligations.

*(i) Processing of waste and recyclables*

The company operates three refuse stations and a materials recovery facility for the processing of recyclable products. Revenue for the processing of waste and recyclables is recognised when the product or waste is received by the company. The company's performance obligations for each customer are satisfied at the time of delivery as no further work or processing is required, the quantity and quality of the goods has been determined and the price is fixed.

*(ii) Sale of goods*

The company receives revenue from the sale of its sorted recyclable products. Revenue is recognised for exported product when it is delivered to the port. Title for the goods pass to the customer at this point as all goods are shipped under 'free alongside ship (FAS) terms. Revenue for product metals sold within New Zealand is recognised once the product is delivered to the customer. Revenue for all other recyclable product sold within New Zealand is recognised once the goods are picked up by the customer. The company's performance obligations for each customer are satisfied at the time delivery or pick up has been made as no further work or processing is required.

The company runs a retail store that sells recycled goods that have been delivered by the public. Revenue is recognised when the company sells goods to the customer. Payment for each transaction is due immediately. The company offers a 60 day warranty for whiteware products over the value of $300. Based on accumulated experience, it is highly probably that a significant reversal in cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

*(iii) Hazardous waste cost recoveries*

The company has a contract with the Christchurch City Council to invoice for the cost of disposal of hazardous waste received at its refuse stations. Revenue is recognised when the costs of disposal have been determined and a customer invoice has been generated. The company's performance obligations for each transaction are satisfied when the hazardous waste is removed from EcoCentral's property by the respective contractor.

### Income tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

### Goods and services tax

Revenues, expenses, cash flows and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised

# Notes to the financial statements CONT.

inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense. Cash flows in respect of payments to and receipts from the Inland Revenue Department are shown net in the statement of cash flows.

### Government grants

Revenue received from Government grants and assistance is disclosed as miscellaneous income, under operating and other revenue (see note 2). During the current year the Company received $650,834 in COVID-19 wage subsidies (2019: $Nil). There are no unfulfilled conditions or other contingencies attached to the subsidies that have been received.

### Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

There are no estimates and assumptions that have a significant risk of causing a material misstatement within the next financial year.

Management has exercised the following critical judgement in applying accounting policies:

*(i) Classification of leases*

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the group. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised. Management has exercised its judgement on the appropriate classification of leases and has determined that all significant lease arrangements are operating leases.

### COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

During Alert Levels 4 and 3, a number of staff worked remotely, while other staff continued to attend our refuse stations and recycling plant operation. Our services were limited to essential services, particularly the managing of household and essential commercial refuse. After 13 May 2020, we resumed all our operations.

Impacts on the business were the closure of our retail store for the duration of Alert Levels 4 and 3, the closure of our recycling plant from 3 April 2020, until 4 May 2020. The company also closed one of its three refuse stations during Alert Level 4.

The Directors have considered the effects on the financial statements caused either directly or indirectly by COVID-19:

- The effect on the revenue and expenses in FY20 was the most significant during the month of April 2020, where the company's revenue was down by more than 30% from the previous year.
- The Company also considered the possible impact on trade receivables and determined that no material adjustment was required regarding the allowance for impairment of trade receivables.

The Directors also considered the impact of the COVID-19 pandemic going forward. Specifically:

- Allowance have been made for a loss in revenue of between 8 and 11% for FY21.
- The impact of continued high contamination in kerbside recycling may result in higher landfill costs, which can only be partly offset by increased revenue for contaminated product.

The Directors are continuing to closely monitor the COVID-19 situation and the Company is working closely with customers and contractors to ensure the appropriate actions are taken, with people's safety and wellbeing as the priority.

As part of the impact assessment of Covid-19, Management and the Directors considered whether there has been any impact on going concern or impairment of assets. Based on the analysis of discounted cashflows and associated costs, including consideration of necessary and unnecessary capital expenditure associated with the cash generating unit identified by the management, no impairment was recognised. The company has a strong balance sheet, both at 30 June 2020 and for the forecast 2021 year ahead and forecast cash requirements can be met by cash on hand.

### Adoption of new and revised standards

*Impact of initial application of NZ IFRS 16 Leases*

In the current year, the Entity has applied NZ IFRS 16 Leases that is effective for annual periods that begin on or after 1 July 2019.

NZ IFRS 16 Leases ("NZ IFRS 16") introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of NZ IFRS 16 on the Entity's financial statements is described below.

The date of initial application of NZ IFRS 16 for the Entity is 1 July 2019.

The Entity has applied NZ IFRS 16 using the cumulative catch-up approach which:

- Requires the Entity to recognise the cumulative effect of initially applying NZ IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under NZ IAS 17 Leases ("NZ IAS 17") and IFRIC 4 Determining whether an Arrangement contains a Lease ("NZ IFRIC 4").

*(i) Impact of the new definition of a lease*

The Entity has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 and NZ IFRIC 4 will continue to be applied to those leases entered or changed before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. NZ IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in NZ IAS 17 and IFRIC 4.

The Entity applies the definition of a lease and related guidance set out in NZ IFRS 16 to all lease contracts entered into or changed on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of NZ IFRS 16, the Entity has carried out an implementation project. The project has shown that the new definition in NZ IFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Entity.

*(ii) Impact on Lessee Accounting*

*a. Former operating leases*

NZ IFRS 16 changes how the Entity accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying NZ IFRS 16, for all leases (except as noted below), the Entity:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8 (b) (ii)
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operational activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive, amortised as a

## Notes to the financial statements CONT.

reduction of rental expenses on a straight line basis.

Under NZ IFRS 16, right-of-use assets are tested for impairment in accordance with NZ IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, which are determined to be when purchased new for the price of NZD $7,000 (such as printers, tablets and personal computers, small items of office furniture and telephones), the Entity has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Entity has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying NZ IAS 17.

- The Entity has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Entity has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under NZ IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Entity has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Entity has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Entity has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

*(iii) Financial impact of initial application of NZ IFRS 16*

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 4.27%.

The following table shows the operating lease commitments disclosed applying NZ IAS 17 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

| *Impact on retained earnings as at 1 July 2019* | **$'000** |
|---|---|
| Operating lease commitments at 30 June 2019 | 11,047 |
| Short-term leases and leases of low-value assets | - |
| Effect of discounting the above amounts | (1,499) |
| Finance lease liabilities recognised under NZ IAS 17 at 30 June 2019 | - |
| Present value of the variable lease payments that depend on a rate or index | - |
| Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments | - |
| Lease liabilities recognised at 1 July 2019 | 9,548 |

The Entity has recognised $9,548,169 of right-of-use assets and $9,548,169 of lease liabilities upon transition to NZ IFRS 16. There was no impact on retained earnings at the time of transition.

### Changes in accounting policy and disclosures

The accounting policies detailed above have been applied in the preparation of these financial statements and have been consistently applied throughout the year.

The accounting policies adopted are consistent with those of the previous financial year, except for the changes relating to the adoption of NZ IFRS 16 in the current year.

### Subsequent event

On 26th August 2020, the New Zealand Government announced it will be investing $36.7 million in high-tech recycling plants nationwide. As part of this agreement, EcoCentral has reached an agreement in principle to receive up to $1.8 million grant funding for a plastics optical sorter and up to $15 million grant funding for a fibre optical and mechanical sorter. As of the date of signing of the financial statements, these agreements are yet to be formalised.

## 2. Operating and other revenue

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **Revenues from contracts with customers** | | |
| Processing of waste and recyclables | 29,630 | 29,278 |
| Sale of goods | 3,704 | 5,409 |
| Hazardous waste cost recoveries | 379 | 414 |
| | 33,714 | 35,101 |
| **Other revenue** | | |
| Miscellanous income | 925 | 179 |
| Net foreign exchange gains | - | 26 |
| | 925 | 205 |
| Total operating and other revenue | 34,639 | 35,306 |

## 3. Finance income

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Interest income - bank deposits | 31 | 61 |
| | 31 | 61 |

## 4. Other gains and losses

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **Other gains** | | |
| Gains on disposal of property, plant and equipment | 51 | 15 |
| | 51 | 15 |

## 5. Depreciation, amortisation and impairment

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Depreciation of property, plant and equipment | 2,063 | 1,958 |
| Depreciation of right of use assets | 2,103 | - |
| | 4,167 | 1,958 |

## 6. Finance costs

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Interest on term debt | - | 29 |
| Interest on leases | 335 | - |
| | 335 | 29 |

# Notes to the financial statements CONT.

## 7. Personnel costs

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Salaries and wages | 7,046 | 6,431 |
| KiwiSaver contributions | 158 | 139 |
| Other defined benefit plan contributions | 2 | 13 |
| Increase / (decrease) in employee entitlements | (11) | 100 |
| Other | 134 | 97 |
| | 7,329 | 6,779 |

## 8. Other expenses

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Donations | 1 | 1 |
| Rental expenses | 30 | 2,278 |
| Net foreign exchange losses | 15 | - |
| Other operating expenses | 23,126 | 22,768 |
| | 23,171 | 25,046 |

## 9. Remuneration of auditors

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **Audit New Zealand** | | |
| Audit of the financial statements | 51 | 49 |
| | 51 | 49 |

## 10. Income taxes

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **(a) Components of tax expense** | | |
| Taxation payable for current year | 156 | 660 |
| Adjustments to deferred tax in prior year | (16) | - |
| Deferred tax expense/(income) | (346) | (220) |
| Total tax expense/(income) | (206) | 440 |
| ***Reconciliation of prima facie income tax:*** | | |
| Net profit before tax | (281) | 1,571 |
| Income tax expense calculated at 28% | (79) | 440 |
| Expenses not deducted for income tax | 1 | - |
| Impact of change in building depreciation | (129) | - |
| Total tax expense/(income) | (206) | 440 |
| **(b) Current tax payables** | | |
| Taxation payable | 156 | 660 |
| | 156 | 660 |
| **(c) Imputation credit account** | | |
| Imputation credits available for use in subsequent periods | - | - |
| | - | - |

# Notes to the financial statements CONT.

## 10. Income taxes CONT.

### (d) Deferred tax balance

| | Opening balance $'000 | Income $'000 | Closing balance $'000 |
|---|---|---|---|
| **30 June 2019** | | | |
| ***Deferred tax liabilities:*** | | | |
| Property, plant and equipment | 540 | (210) | 329 |
| | 540 | (210) | 329 |
| ***Deferred tax assets:*** | | | |
| Provisions and employee entitlements | 301 | 10 | 310 |
| Doubtful debts and impairment losses | - | 1 | 1 |
| | 301 | 11 | 311 |
| **Net deferred tax liability / (asset)** | **239** | **(220)** | **18** |
| **30 June 2020** | | | |
| ***Deferred tax liabilities:*** | | | |
| Property, plant and equipment | 329 | (329) | - |
| | 329 | (329) | - |
| ***Deferred tax assets:*** | | | |
| Property, plant and equipment | - | 23 | 23 |
| Provisions and employee entitlements | 310 | (6) | 304 |
| Doubtful debts and impairment losses | 1 | (1) | 1 |
| | 311 | 17 | 328 |
| **Net deferred tax liability / (asset)** | **18** | **(346)** | **(328)** |

## 11. Cash and cash equivalents

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| NZD Balances | 2,803 | 3,093 |
| USD Balances | 12 | 6 |
| | 2,815 | 3,099 |

## 12. Trade and other receivables

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **(a) Current trade and other receivables** | | |
| Trade receivables (before impairment) | 708 | 967 |
| Other related parties | 2,007 | 1,085 |
| | 2,714 | 2,052 |
| Provision for impairment - trade receivables | (2) | (4) |
| | 2,712 | 2,048 |

### (b) Credit risk aging of receivables

Individual impaired receivables have been determined to be impaired because of significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| ***Gross receivables*** | | |
| Not past due | 2,220 | 1,867 |
| Past due 0-30 days | 512 | 189 |
| Past due 31-60 days | (1) | (1) |
| Past due more than 60 days | (16) | (3) |
| | 2,714 | 2,052 |
| ***Impairment*** | | |
| Past due more than 60 days | (2) | (4) |
| | (2) | (4) |
| ***Movement in provisions for impairment of receivables*** | | |
| Balance at start of the year | (4) | - |
| Provisions made during the year | 2 | (4) |
| Receivables written off during the year | - | - |
| | (2) | (4) |

## 13. Derivatives

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Forward exchange instruments | - | 1 |
| | - | 1 |

# Notes to the financial statements CONT.

## 14. Inventories

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Inventory - raw materials and maintenance items | 347 | 394 |
| Inventory - finished goods | 9 | 81 |
| | 356 | 475 |

## 15. Property, plant and equipment

**Reconciliation of movement in property, plant and equipment**

| **Operational assets** | **Land & Buildings $'000** | **Plant & equipment $'000** | **Total $'000** |
|---|---|---|---|
| ***Cost*** | | | |
| Cost/valuation at 1 July 2018 | 3,838 | 18,001 | 21,839 |
| Additions | 22 | 836 | 858 |
| Disposals | - | (119) | (119) |
| Net movements in work in progress | - | (115) | (115) |
| Cost/valuation at 30 June 2019 | 3,860 | 18,602 | 22,462 |
| Cost/valuation at 1 July 2019 | 3,860 | 18,602 | 22,462 |
| Additions | 42 | 1,402 | 1,444 |
| Disposals | - | (453) | (453) |
| Net movements in work in progress | - | (104) | (104) |
| Cost/valuation at 30 June 2020 | 3,903 | 19,446 | 23,349 |
| **Accumulated depreciation** | | | |
| Balance at 1 July 2018 | (2,332) | (9,996) | (12,327) |
| Disposals | - | 119 | 119 |
| Depreciation expense | (275) | (1,683) | (1,958) |
| Balance at 30 June 2019 | (2,606) | (11,559) | (14,166) |
| Balance at 1 July 2019 | (2,606) | (11,559) | (14,166) |
| Disposals | - | 431 | 431 |
| Depreciation expense | (282) | (1,781) | (2,063) |
| Balance at 30 June 2020 | (2,888) | (12,909) | (15,798) |
| Carrying amount at 30 June 2019 | 1,254 | 7,042 | 8,296 |
| **Carrying amount at 30 June 2020** | **1,014** | **6,537** | **7,551** |

## 16. Right of use assets

| | Land & Buildings $'000 | Total $'000 |
|---|---|---|
| **Cost** | | |
| Cost/valuation at 1 July 2019 | - | - |
| Adoption of NZ IFRS-16 | 9,548 | 9,548 |
| Cost/valuation at 30 June 2020 | 9,548 | 9,548 |
| **Accumulated depreciation** | | |
| Balance at 1 July 2019 | - | - |
| Disposals | - | - |
| Depreciation expense | (2,103) | (2,103) |
| Balance at 30 June 2020 | (2,103) | (2,103) |
| Carrying amount at 30 June 2019 | - | - |
| **Carrying amount at 30 June 2020** | **7,445** | **7,445** |

## 17. Trade and other payables

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Trade payables and accrued expenses | 1,028 | 1,052 |
| Amounts due to related parties | 1,843 | 1,551 |
| GST payable | 68 | 35 |
| | 2,939 | 2,638 |

## 18. Provisions

| | Other provisions $'000 | Repairs & maintenance provisions $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2018 | 32 | 222 | 254 |
| Additional provisions made | - | 479 | 479 |
| Amounts Used | - | (515) | (515) |
| Balance at 30 June 2019 | 32 | 186 | 218 |
| Balance at 1 July 2019 | 32 | 186 | 218 |
| Additional provisions made | - | 661 | 661 |
| Amounts Used | (20) | (590) | (610) |
| Balance at 30 June 2020 | 12 | 257 | 269 |

Under the terms of its contract with the Christchurch City Council, the Company is required to follow an agreed maintenance plan for its plant and equipment. At balance date, the Company has provided for the unspent portion of its obligations under the contract.

# Notes to the financial statements CONT.

## 19. Lease liabilities

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **Current** | | |
| Non related parties | 346 | - |
| Related Parties | 1,679 | - |
| | 2,025 | - |
| **Non-current** | | |
| Non related parties | 859 | - |
| Related Parties | 4,690 | - |
| | 5,549 | - |
| | 7,574 | - |
| *Maturity Analysis* | | |
| Year 1 | 2,025 | - |
| Year 2 | 2,113 | - |
| Year 3 | 2,146 | - |
| Year 4 | 1,290 | - |
| Year 5 | - | - |
| Onwards | - | - |
| | 7,574 | - |

The Company has lease liability agreements with the Christchurch City Council, and other non-related parties, that relate to the rental of land and buildings across all of Its business units.

The agreements have remaining terms of between two and four years. The Company does not own the assets at the end of the lease term and there is no residual value.

Total expenses of $3,450 relating to low value leases have been included in Other Expenses in the Statement of Comprehensive Income.

## 20. Employee entitlements

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **Current portion** | | |
| Accrued pay | 183 | 153 |
| Annual leave | 775 | 835 |
| Long service leave | 17 | 16 |
| Bonuses and redundancy provision | 90 | 73 |
| **Total employee entitlements** | **1,066** | **1,077** |

The provision for long service leave is an actuarial assessment of entitlements that may become due to employees in the future. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken.

## 21. Capital and other equity instruments

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **Fully paid redeemable preference shares** | | |
| Balance at 1 July | 6,100 | 6,100 |
| Balance at 30 June | 6,100 | 6,100 |

In August 2012 5,000,000 redeemable preference shares were issued for $1.00 per share, taking the share capital to 6,100,000 fully paid redeemable preference shares and 100 ordinary $1.00 shares held by CCHL. These are the same as the authorised share capital. There were no changes to the number of issued shares during the current year or the previous year.

## 22. Reserves

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Hedging reserve | - | (1) |
| | - | (1) |
| **Hedging reserve** | | |
| Balance at 1 July | (1) | (24) |
| Forward foreign exchange contracts | 1 | 24 |
| Balance at 30 June | - | (1) |

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

# Notes to the financial statements CONT.

## 23. Retained earnings

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Balance at 1 July | 3,263 | 2,382 |
| Net profit for the period | (75) | 1,130 |
| Dividend paid | - | (250) |
| Balance at 30 June | 3,188 | 3,263 |

### Dividends

During the year ended 30 June 2020, there was no dividend (2019: $250,000), paid to the shareholder, Christchurch City Holdings Limited.

## 24. Reconciliation of surplus to net cash flows from operating activities

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Surplus / (deficit) for the period | (75) | 1,130 |
| **Add/(less) non-cash items** | | |
| Depreciation, amortisation and impairment expense | 4,167 | 1,958 |
| Deferred tax credited to income | (346) | (220) |
| | 3,821 | 1,737 |
| **Add/(less) items classified as investing or financing activites** | | |
| Gain on disposal of property, plant & equipment | (51) | (15) |
| | (51) | (15) |
| **Add/(less) movement in working capital items** | | |
| Trade and other receivables | (664) | (234) |
| Inventories | 119 | (88) |
| Prepayments | (29) | 2 |
| Trade and other payables | 301 | 307 |
| Provisions | 51 | (36) |
| Employee entitlements | (11) | 100 |
| Income tax payable | (504) | 400 |
| New changes in net assets and liabilities | (738) | 453 |
| **Net cash from operating activities** | 2,957 | 3,306 |

## 25. Capital commitments and operating leases

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **(a) Capital commitments** | | |
| Property, plant and equipment | - | 548 |
| | - | 548 |
| **(b) Non-cancellable operating lease liabilities** | | |
| No later than one year | - | 2,564 |
| Later than one year and not later than five years | - | 8,483 |
| | - | 11,047 |

## 26. Contingent liabilities and contingent assets

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Contingent liabilities and contingent assets | - | - |
| | - | - |

# Notes to the financial statements CONT.

## 27. Financial instrument risks

### Interest rate risk management

The Company's principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, cash and short-term deposits and derivatives.

### Risk exposures and responses

The main risks arising from the financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Financial Controller under the authority of the board. The board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

### Interest rate risk

The Company's exposure to market interest rates relates primarily to the long-term debt obligations. At balance date, the Company had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk that are not designated in cash flow hedges. The following table summarises the Company's exposure to interest rate risk:

| | 30 June 2020 | | | 30 June 2019 | | |
|---|---|---|---|---|---|---|
| | Fixed $'000 | Variable $'000 | Non-interest $'000 | Fixed $'000 | Variable $'000 | Non-interest $'000 |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | | 2,815 | | | 3,099 | |
| Trade and other receivables | | | 706 | | | 971 |
| Related party receivables | | | 2,007 | | | 1,085 |
| | | 2,815 | 2,712 | | 3,099 | 2,056 |
| **Financial liabilities** | | | | | | |
| Lease liabilities | | | 1,205 | | | |
| Lease liabilities – related parties | | | 6,369 | | | |
| | | | 7,574 | | | |

### Foreign currency risk management

Foreign currency risk is the risk that the value of the assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk as a result of transactions that are denominated in a currency other than New Zealand dollars. As a result of significant commodity sales denominated in United States Dollars, the balance sheet can be affected significantly by movements in the US$/NZ$ exchange rates.

The Company seeks to mitigate the effect of its foreign currency exposure through the use of cash flow hedges or options, and forward currency purchases where there is a firm commitment for a sale or purchase. Approximately 1% of sales are denominated in currencies other than the functional currency of the entity (2019: 4%), whilst almost 100% of costs are denominated in New Zealand dollars. As at 30 June 2020, no forecast transactions were hedged (2019: 75%).

### Capital management

The Company's capital includes share capital, reserves and retained earnings. The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The board of directors regularly reviews the company's policies in respect of the management and allocation of capital. There has been no material change to the company's management and allocation of capital during the year. The Company is not subject to externally imposed capital requirements. The company provides certain general undertakings to its key lender, under the subordinated loan agreement that it will not enter into any further indebtedness, other than in the ordinary course of business of the Borrower or with the Lender's prior written consent. The agreement has other clauses that restrict certain asset disposals, the lending of money to other parties, and ensure compliance with the law and to pay taxes as they fall due. The company has complied with the agreement during the year.

### Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the entity. Credit risk arises from the Company's financial assets, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets, and derivative instruments. The exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets as outlined in each applicable note. The Company does not hold any credit derivatives to offset its credit exposure.

The Company only trades with recognised, creditworthy third parties, and as such collateral is not requested nor is it policy to scrutinise its trade and other receivables. It is policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer. These risk limits are regularly monitored. In addition, receivable balances are monitored on an on-going basis with the result that the level of bad debts has not been significant.

The Company's investment policy includes parameters for investing in financial institutions and other organisations including where applicable entities that have required Standard and Poor's credit ratings. EcoCentral manages its exposure to credit risk arising from trade receivables by performing credit evaluations on all significant customers requiring credit, wherever practicable, and continuously monitors the outstanding credit exposure to individual customers. The carrying value is the maximum exposure to credit risk for bank balances, accounts receivable and interest rate swaps. No collateral is held in respect of these financial assets.

# Notes to the financial statements CONT.

## 27. Financial instrument risks CONT.

The Company has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status other than trade receivables.

The following table summarises the maximum exposure to credit risk as at balance date:

| | | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|---|
| **Maximum exposure to credit risk** | | | |
| Cash at bank, term deposits and foreign currency | | 2,815 | 3,099 |
| Trade and other receivables | | 2,712 | 2,048 |
| | | 5,527 | 5,147 |
| **Counterparties** | | | |
| Cash at bank, term deposits and foreign currency | AA- | 2,815 | 3,099 |
| | | 2,815 | 3,099 |

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Liquidity risk arises from the financial liabilities and the subsequent ability to meet the obligations to repay their financial liabilities as and when they fall due. The objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, preference shares, finance leases and committed available credit lines.

The Company manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. In meeting its liquidity requirements, the Company manages its investments and borrowings in accordance with its written investment policies.  In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has flexible debt repayment funding arrangements in place to manage cover potential shortfalls.

The following table summarises The Company's contractual cash flows for its financial assets and liabilities into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows:

| | Balance sheet $'000 | Contractual cash flows $'000 | Less than 1 year $'000 | 1-2 years $'000 | 2-5 years $'000 | 5 years + $'000 |
|---|---|---|---|---|---|---|
| ***30 June 2020*** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 2,815 | 2,815 | 2,815 | - | - | - |
| Trade and other receivables | 706 | 706 | 706 | - | - | - |
| Related party receivables | 2,007 | 2,007 | 2,007 | - | - | - |
| | 5,527 | 5,527 | 5,527 | - | - | - |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 2,939 | 2,939 | 2,939 | - | - | - |
| Lease liabilities | 1,205 | 1,352 | 386 | 386 | 580 | - |
| Lease liabilities - related parties | 6,369 | 6,888 | 1,922 | 1,922 | 3,044 | - |
| | 10,512 | 11,179 | 5,247 | 2,308 | 3,624 | - |
| ***30 June 2019*** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 3,099 | 3,099 | 3,099 | - | - | - |
| Trade and other receivables | 971 | 971 | 971 | - | - | - |
| Related party receivables | 1,085 | 1,085 | 1,085 | - | - | - |
| | 5,155 | 5,155 | 5,155 | - | - | - |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 2,638 | 2,638 | 2,638 | - | - | - |
| | 2,638 | 2,638 | 2,638 | - | - | - |

### Commodity price and demand risk

The Company acknowledges the significant risk / benefit of material fluctuations in the commodity prices and demand of EcoSort products which are influenced by international demand. It does mitigate some of this risk by tendering and entering into supply contracts. In addition, the Company maintains sufficient financial flexibility through its statement of financial position to withstand commodity price fluctuations.

# Notes to the financial statements CONT.

## 27. Financial instrument risks CONT.

### Classification of financial assets and liabilities

The following tables classify the group's financial assets and liabilities between the various categories set out in NZ IFRS 9 and NZ IFRS 7:

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **Financial assets** | | |
| ***Financial assets at amortised cost*** | | |
| Cash and cash equivalents | 2,815 | 3,099 |
| Trade and other receivables | 2,712 | 2,048 |
| Total financial assets | 5,527 | 5,147 |
| **Financial liabilities** | | |
| ***Derivatives that are hedged accounted*** | | |
| Derivative financial instrument liabilities | - | 1 |
| | - | 1 |
| ***Financial liabilities at amortised cost*** | | |
| Creditors and other payables | 2,939 | 2,638 |
| Lease liabilities | 7,574 | - |
| | 10,512 | 2,638 |
| Total financial liabilities | 10,512 | 2,638 |

## 28. Related Parties

| | | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|---|
| **1.** | **CCHL** | | |
| | ***1 (a) Transactions with CCHL*** | | |
| | Interest paid / payable to CCHL | - | 29 |
| | Dividend paid | - | 250 |
| **2.** | **CCHL Subsidiaries** | | |
| | ***2 (a) Transactions with CCHL Subsidiaries*** | | |
| | Services provided to CCHL Subsidiaries | 367 | 491 |
| | Services provided by CCHL Subsidiaries | 17 | - |
| | Subvention payment | 644 | - |
| | ***2 (b) Balances with CCHL Subsidiaries*** | | |
| | Other balances owing to CCHL subsidiaries | - | - |
| | Other balances owing by CCHL subsidiaries | 45 | 38 |
| **3.** | **CCC** | | |
| | ***3 (a) Transactions with CCC*** | | |
| | Services provided to CCC | 13,534 | 12,282 |
| | Services provided by CCC (PYR includes lease payments) | 223 | 2,096 |
| | Lease payments to CCC - principle | 1,636 | - |
| | Lease payments to CCC - interest | 286 | - |
| | Subvention payment | - | 261 |
| | ***3 (b) Balances with CCC*** | | |
| | Other balances owing to CCC | 1 | 222 |
| | Other balances owing by CCC | 1,962 | 1,047 |
| | Lease liabilities owing to CCC | 6,369 | - |
| **4** | **Group entities excluding CCHL and CCC** | | |
| | ***4 (a) Transactions with group entities*** | | |
| | Services provided by group entities | 16,605 | 16,234 |
| | ***4 (b) Balances with group entities*** | | |
| | Other balances owing to group entities | 1,842 | 1,329 |

The relationships above arise from EcoCentral Limited being 100% owned by Christchurch City Holdings Limited (CCHL) and the ultimate shareholder being Christchurch City Council (CCC).

EcoCentral Limited fully paid the outstanding balance of its term loan to CCHL during the previous year. Total repayments made during the previous year were $1,250,000.

EcoCentral Limited incurred charges of $16,605,325 in 2020 (2019: $16,233,793) in relation to the disposal of waste, to Transwaste Canterbury Ltd, a company in which CCC has a material shareholding.

No provision has been required, nor any expense recognised for impairment of receivables or other receivables to related parties (2019 $nil).

During the year, EcoCentral Limited made subvention payments totalling $643,728 to Enable Services Ltd (2019: subvention payment of $261,157 was paid to the CCC Group).

# Notes to the financial statements CONT.

## 29. Remuneration

Remuneration includes costs to the Company of benefits in addition to cash. In accordance with Section 211 of the Companies Act 1993 the remuneration and other benefits in excess of $NZ100,000 paid to current employees of the Company are:

### Salary bands

| $'000 | 30 June 20 Number | 30 June 19 Number |
|---|---|---|
| 100-110 | - | 1 |
| 110-120 | 2 | 1 |
| 120-130 | 1 | 1 |
| 130-140 | - | - |
| 140-150 | 2 | 2 |
| 150-160 | - | - |
| 160-170 | - | - |
| 170-180 | - | - |
| 180-190 | - | - |
| 190-200 | 1 | - |
| 200-210 | - | - |
| 210-220 | - | - |
| 220-230 | - | - |
| 230-240 | - | - |
| 240-250 | - | - |
| 250-260 | - | - |
| 260-270 | - | 1 |
| 270-280 | - | - |
| 280-290 | - | - |
| 290-300 | 1 | - |
| 300-310 | - | - |
| 310-320 | - | - |
| 320-330 | - | - |
| 330-340 | - | - |
| 340-350 | - | - |
| 350-360 | - | - |

### Directors' remuneration

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| **Name of director** | | |
| David William Kerr | 62 | 63 |
| *(paid to D R Kerr Limited)* | | |
| Sinead Mary Horgan | 34 | 35 |
| *(paid to Morrison Horgan Limited)* | | |
| Sarah Louise Smith | 11 | 32 |
| *(paid to Sasco Holdings Limited – ceased 21/10/2019)* | | |
| Benjamin Elliott Reed | 20 | - |
| *(appointed 21/10/2019)* | | |
| Mark Andrew Jordan | 31 | 32 |

### Key Management Personnel

| | |
|---|---|
| Craig Downie | *Chief Executive Officer* |
| Rob Wilson | *Operations Manager* |
| Vaughan Whitehead | *Financial Controller* |
| Averil Stevenson | *Commercial & Compliance Manager* |
| John Ross | *EcoDrop & Transport Manager* |
| Wayne Hocking | *EcoSort Manager* |
| Julie Radcliffe | *Retail Manager* |

### Key Management Remuneration

| | 30 June 20 $'000 | 30 June 19 $'000 |
|---|---|---|
| Salaries and short term employee benefits | 1,131 | 1,142 |

# Statement of Service Performance

## Financial performance targets

The financial performance targets for the Company were as follows:

| | 30 June 20 | |
|---|---|---|
| | SOI $'000 | Actual $'000 |
| Sales | 36,226 | 34,721 |
| Net profit after tax | 287 | (75) |
| Equity | 9,464 | 9,288 |
| Shareholders' equity % | 65.7% | 43.6% |
| Return on equity | 3.0% | -0.8% |
| Debt to CCHL | - | - |
| Total assets | 14,408 | 21,291 |

## Key operational performance targets

| Performance Target | Actual 2020 | Actual 2019 | SOI Target | Commentary |
|---|---|---|---|---|
| ***EcoDrop*** | | | | |
| Investigate at least 2 new initiatives for diversion from waste stream. | | | | Achieved. Initiatives investigated are bio-diesel, tyre pyrolysis and alternative glass reuse. |
| ***EcoSort*** | | | | |
| MRF plant efficiency | 81.9% | 77.6% | 75% | Achieved. |
| Waste% | 11.9% | 12.1% | 12% | Achieved. |
| ***EcoShop*** | | | | |
| Number of customer sales | 125,781 | 135,762 | 142,000 | Not Achieved. Impacted by COVID-19. |
| Total tonnes diverted from landfill | 7,905 | 8,608 | 8,000 | Not Achieved. Impacted by COVID-19. |
| ***Health and safety*** | | | | |
| TRIFR (Total recordable incidents per 200,000 hours worked) | 13.84 | 16.38 | <20 | Achieved. |
| Maintain AS/NZS4801 Health & Safety certification, while planning transition to ISO45001. | | | | Achieved. |
| ***Sustainable business practices*** | | | | |
| Reduced Kilowatt hours per tonne | 14.59kWh | 13.73kWh | | Not Achieved. Adversely impacted by COVID. |
| Complete the development of EcoCentral's sustainability plan to further support the CCC's goal of becoming carbon neutral by 2030. | | | | Achieved. |

There were no reported breaches of legislative or contractual requirements.

# Statutory Disclosures

The following are particulars of general disclosures of interest given by the Company pursuant to Section 140(2) of the Companies Act 1993:

## Directors' interests

The following Directors have made general disclosures of interest with respect to any transaction that may be entered into with certain organisations on the basis of their being a Director, Partner, Trustee or Officer of those organisations during the year:

**David William Kerr**

Director – D.W Kerr Ltd
Director – Ryman Napier Ltd and related shelf companies
Director – Forte Health Ltd
Director – Forte Health Group Ltd
Director – Ngai Tahu Property Limited
Director – Ravenstonedale Developments Limited
Director – Ryman Health Care - related shelf companies
Director – Third Age Health Services Ltd
Chairman – Ryman Healthcare Ltd
Member – Advisory Board Alzheimer's New Zealand
Member – Facilities Advisory Committee CDHB *(Resigned 2019)*
Trustee – The Champion Centre *(Resigned 2019)*
Advisor – Medical Council of New Zealand

**Sinead Horgan**

Director – Morrison Horgan Limited
Director – Bank of China
Director – Taggart Earthmoving Limited
Director – Assistance Dogs New Zealand
Director – FuseIT
Trustee – Maia Foundation
Director – FMG Insurance

**Mark Andrew Jordan**

Director – Taggart Earthmoving Limited
Director – Mark Jordan Limited
Director – Canterbury Medical Research Foundation
Advisor – Wealleans Groundspread Ltd

**Benjamin Elliott Reed**

Chief Executive – Hamilton Jets Ltd
Director – HamiltonJet PTYE Ltd
Director – HamiltonJet UK Ltd
Director – HamiltonJet Inc

**Sarah Louise Smith**

Director – Sasco Holdings Limited
Director – S.L.I. Systems Limited *(Resigned 2019)*
Director – The Lion Foundation
Director – Wherescape Software Ltd
Director – Network Tasman Limited
Chair – Ngai Tahu Tourism
Chair – Ohinetahi Charitable Trust
Chair – World of Wearable Art
Trustee – Warren Architects Education Charitable Trust

## Remuneration of Directors

Remuneration was paid to four Directors totaling $156,968 during the 2020 year for services ($160,650 in 2019 year); there were no other benefits paid or due to directors for services as a director or in any other capacity during the year.

## Use of Company Information

During the year the Board received no notices from directors of the Company requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.

*Right:* Second hand bike parts for sale at the EcoShop.


SORT
SHOP
DROP
SeaStar


SORT
SHOP
DROP

# Report of the Auditor-General

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

## Independent Auditor's Report

**To the readers of EcoCentral Limited's financial statements and performance information for the year ended 30 June 2020**

The Auditor-General is the auditor of EcoCentral Limited (the Company). The Auditor-General has appointed me, Chantelle Gernetzky, using the staff and resources of Audit New Zealand, 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 11 to 40, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement 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 41.

In our opinion:

- the financial statements of the Company on pages 11 to 40:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information of the Company on page 41 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2020.

Our audit was completed on 28 August 2020. This is the date at which our opinion is expressed.

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

### 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.

*Left:* Goods, diverted from waste stream, to be resold at EcoShop.

# Report of the Auditor-General CONT.

## Emphasis of matter – Covid-19

Without further modifying our opinion, we draw attention to the significant accounting judgements section of Note 1 of the financial statements, which explains the impact of the Covid-19 pandemic on EcoCentral Limited. Note 1 details the impact on EcoCentral's financial performance this year and potential impacts on the future financial performance and position.

## 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 budget information reported in 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 1 to 10, 42 and 48, 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(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

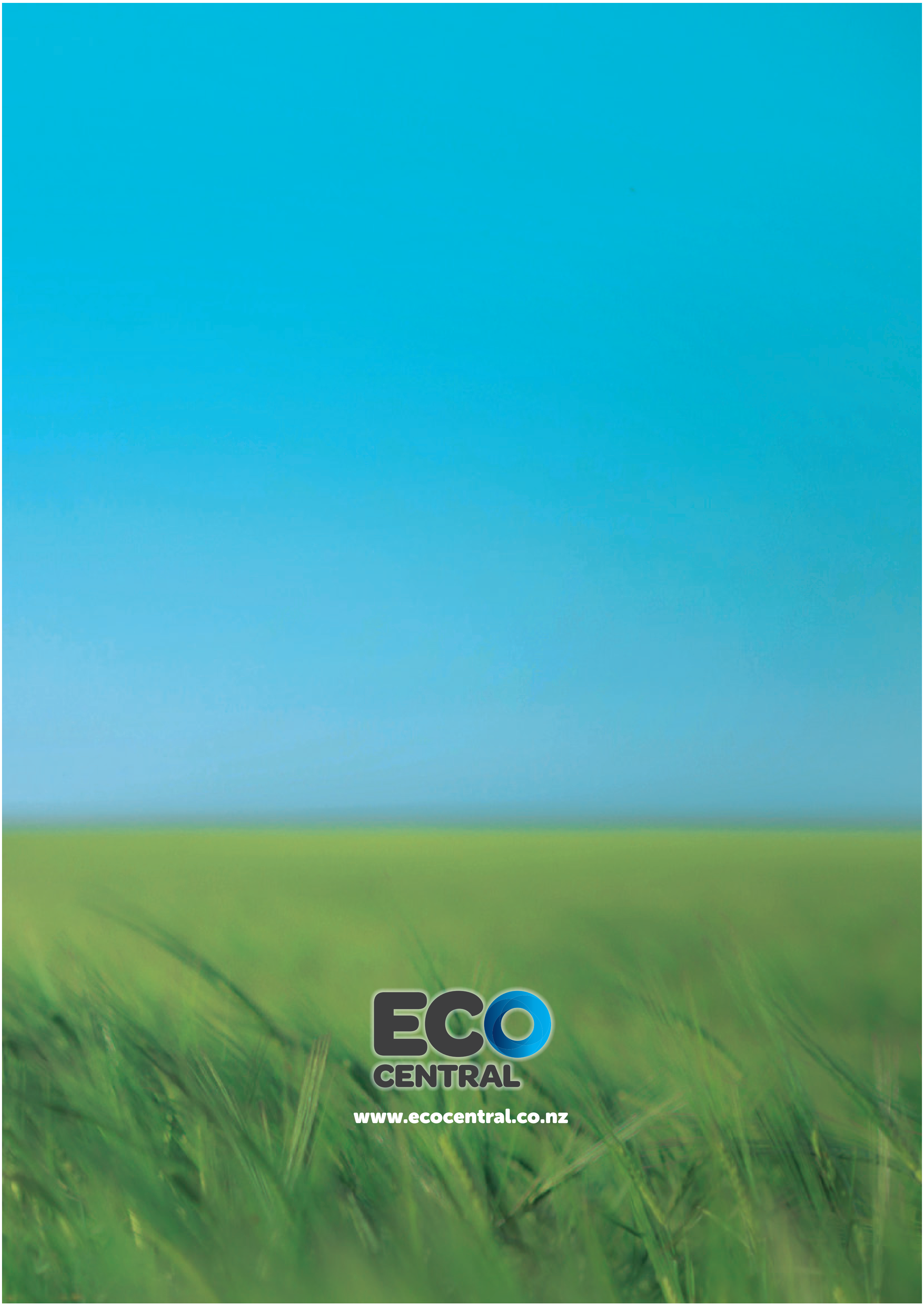
**Chantelle Gernetzky**
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

# Directory

ECO CENTRAL

| | |
|---|---|
| **Registered Office** | Level 1, 9 Baigent Way<br>Christchurch |
| **Principal Place of Business** | Level 1, 9 Baigent Way<br>Middleton |
| **Chairperson** | David William Kerr |
| **Directors** | Sinead Mary Horgan<br>Mark Andrew Jordan<br>Benjamin Elliott Reed |
| **Chief Executive Officer** | Craig Downie |
| **Bankers** | ANZ National Bank Limited<br>Christchurch |
| **Solicitors** | Lane Neave<br>Christchurch |
| **Auditors** | Audit New Zealand<br>(on behalf of the Controller and Auditor-General) Christchurch |
| **Ownership** | 100% owned by Christchurch City Holdings Limited |
| **Website** | www.ecocentral.co.nz |

ECO SORT | ECO SHOP | ECO DROP


ECO
CENTRAL
www.ecocentral.co.nz