ECO CENTRAL

2021 annual report

for the year ended 30 June 2021

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.

7,468 tonnes

recovered for resale by EcoCentral.

1,420 tonnes

diverted from waste to the EcoShop.

12,720 tonnes

of paper products recycled by EcoCentral.

248 tonnes

of milk bottles recycled.

59,991 tonnes

Everything we diverted from landfill.

Health & Safety

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

Contents

Our mission

To lead and support best practice waste minimisation and provide enduring refuse and recycling services for South Island councils, businesses and communities.

Financial statements

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

For the year ended 30 June 2021.

Mark Jordan
Chairman
29 November 2021

Sinead Mary Horgan
Director
29 November 2021

For and on behalf of the Board

SORT
SHOP
DROP

Chairman's report

This is my first report as Chair of EcoCentral, and the 2020/21 financial year has certainly been an interesting one.

The business has faced significant disruption in the past 12 months, with massive swings in commodity prices, fluctuating volumes, introduction of new systems, and export shipping delays. CEO Craig Downie, his very capable management group, and the whole EcoCentral team have been riding these waves with skill and commitment. We thank them enormously for their efforts.

Despite the challenges we have faced, EcoCentral has steadfastly delivered on its core operating functions. Cost management, focus on quality, and customer service have combined to achieve a satisfactory financial result as we continue to provide an important waste and recycling service for Cantabrians. Gains have also been made in the way we care for our people, with enhanced health and safety programmes including task observations and critical risk assessments. Directors have been active in their involvement in safety matters: attending meetings; conducting site visits; and keeping up to date with best practice governance. We realise the responsibility the board has for setting the tone with company culture and seek appropriate opportunities to engage with people in the business.

Recycling leadership is a key aspect of our strategy and there have been some notable examples of this. The partnership with Christchurch City Council has been a focus area, with sharing of information and plans to meet our joint goals. Our enhanced contract helps us manage industry volatility so that we can consistently meet the expectations of a recycling- minded public. Investment in marketing and education has been done in collaboration with the council, as the best place to sort material is in the home.

We have also constructively engaged with other businesses to evaluate new opportunities, with EcoCentral providing a bridge between commercial realities and exercising social good. The materials recycling facility (MRF) upgrade project, with funding support from the Ministry for the Environment, will enable us to meet the increasingly stringent quality standards being set by processing customers in New Zealand and offshore. The better we sort it, the more likely there will be someone who wants to buy it.

We are proud of the role we play in making New Zealand a better place to live and work. The recent report by the Climate Commission refers to this country's relatively high level of greenhouse gas emissions that are attributable to waste. There is a goal to reduce this by 25% and this can be achieved through better co-ordination of recycling activities, investment in facilities and education, and changes to consumer and business practices. Our primary goal at EcoCentral is to minimise waste, a simple call to arms that takes on increasing relevance as we tackle the effects of global warming.

On the local community front, the work being done by the EcoShop continues to impress. This commercially positive enterprise, supplies goods that people need in a pleasant and convenient shopping experience. Beyond the shop front, the team also support local charities such as the Comcare Trust to assist people in their housing needs.

The Board Audit and Risk Committee has increased the attention being paid to broader business risks in the past year in addition to financial compliance and controls. A comprehensive risk governance system is being implemented, with progress in the areas of cyber risk and climate risk. We have also identified the risks associated with having business concentrated with relatively few large commercial customers and have worked with management to develop a pipeline of new opportunities.

I would like to thank my fellow board members - Sinead, Mark, Katrina, and Ben. We come from varied backgrounds, and this adds to the quality of our discussion and decision making. We are united in our enthusiasm for EcoCentral and good work the company does. The support we receive from the team at CCHL is appreciated. We are a relatively small business in the group stable, with limited resources, so the opportunity to tag along with initiatives is helpful.

The future looks bright for our company. We are busy executing a business plan of investment in new facilities, and waste and recycling industry leadership. Building on our constructive partnership with Christchurch City Council will see us contribute towards waste minimisation for decades to come. In the year ahead we will increasingly investigate technology solutions that optimise commercial and social benefits for the communities that we serve.

Mark Jordan *Chairman*

Left: Yellow bin recyclables being processed at the EcoSort.

Chief Executive Officer's report

It is my privilege to present the EcoCentral annual report for the year ended June 2021.

In contrast to 2020 and its disruption from COVID and lockdowns, 2021 performance was strong with the negative economic forecasts not coming to fruition.

With the general expectation that economic activity would slow due to the negative effects of COVID, the focus for EcoCentral was on consolidation, cost control and operational efficiency.

The year proved to be more buoyant than forecast with strong volumes and customer numbers.

Our Health & Safety focus continued as we increasingly strengthened our lead activity around staff training, collaborative Bowtie analysis on Critical Risks and an increased lens on Mental health. Additionally, we completed our transition to the ISO45001 standard, completing a successful audit and gaining certification in the second quarter.

The business applied for and received government funding for a major upgrade project to the EcoSort MRF. The upgrade project applies the latest optical sorting technology improving the sorting capability of co-mingled kerbside recycling to an exceptionally high quality. The project kicked off in 2021 with the projected completion in late 2022.

Contamination of the contents of the kerbside recycling remained above acceptable levels, and has been an area of focus throughout the year. The intense efforts of councils, collection contractors and EcoCentral have contributed to a gradual reduction in contamination, however it remains substantially higher than pre-COVID and requires the support of residents to help us address the issue.

Sustainability is not a new concept at EcoCentral – it is built into the work we do every day to ensure our business contributes to our region's future wellbeing as New Zealand moves towards more of a circular economy. We engaged Lumen, a leading provider of energy and carbon management advisory services, to measure our carbon footprint and help us identify options to reduce it. We have now completed the measurement of our carbon footprint. Next financial year we will have set our energy and carbon emission reduction goals and announced our action plan to deliver on those goals.

EcoDrop

Our three EcoDrop transfer stations performed well, with waste volumes trending higher than budgeted against a backdrop of strong commercial competition and negative economic sentiment due to COVID.

A number of projects during the year focused on improved customer service and traffic flow through upgraded vehicle barriers, control systems and POS kiosk operations.

EcoSort

With recycling contamination an ongoing issue, the focus of the EcoSort team was on providing maximum support to our recycling customers to ensure the sorted product met the highest quality standards.

Additional collection truck receiving capability was required throughout the year to reinforce quality control and ultimate rejection of highly contaminated loads. This helped protect the quality of our final sorted material and ensured sales to our end markets were maintained.

Again, the global impact of COVID negatively affected our ability to ship to export markets, although demand for sorted commodities was strong throughout. The team worked tirelessly to manage their way through significant shipping constraints and deserve high praise.

The high recycling rejection rate meant a considerable volume of material couldn't be processed and went to landfill reducing the forecast annual volume.

EcoShop

A great year for the EcoShop as the team worked hard to obtain resellable items and improve the retail offering. The affect on our customers from COVID and lockdown was difficult to predict, so focus went to ensuring we delivered great customer service and provided a diversified product range.

Our customer base strengthened throughout the year, with the daily line of customers growing and weekends busy.

The Team

John Ross, a long standing member of our management team, began a well earned retirement mid-year after almost 40 years in the business! It is always difficult to replace such experience and knowledge, however we fell on our feet welcoming Andrew Henderson to the EcoDrop role. Andrew has seamlessly fitted into the team, making his mark and enjoying the new challenge.

We continued to build our people capability and operational bench strength during the year, with a range of staff training and development programmes. It is our people, their knowledge and their skill that provides the foundation for company success.

This year has been another extraordinarily challenging one and the entire EcoCentral team has performed above and beyond as we navigated our way through the many personal and operational COVID challenges.

I want to acknowledge the hard work of the EcoCentral team and thank them for their continued commitment and support.

Outlook

Like every business in Canterbury, the impact of COVID and the changing way we approach business will influence how we design and evolve our growth strategies.

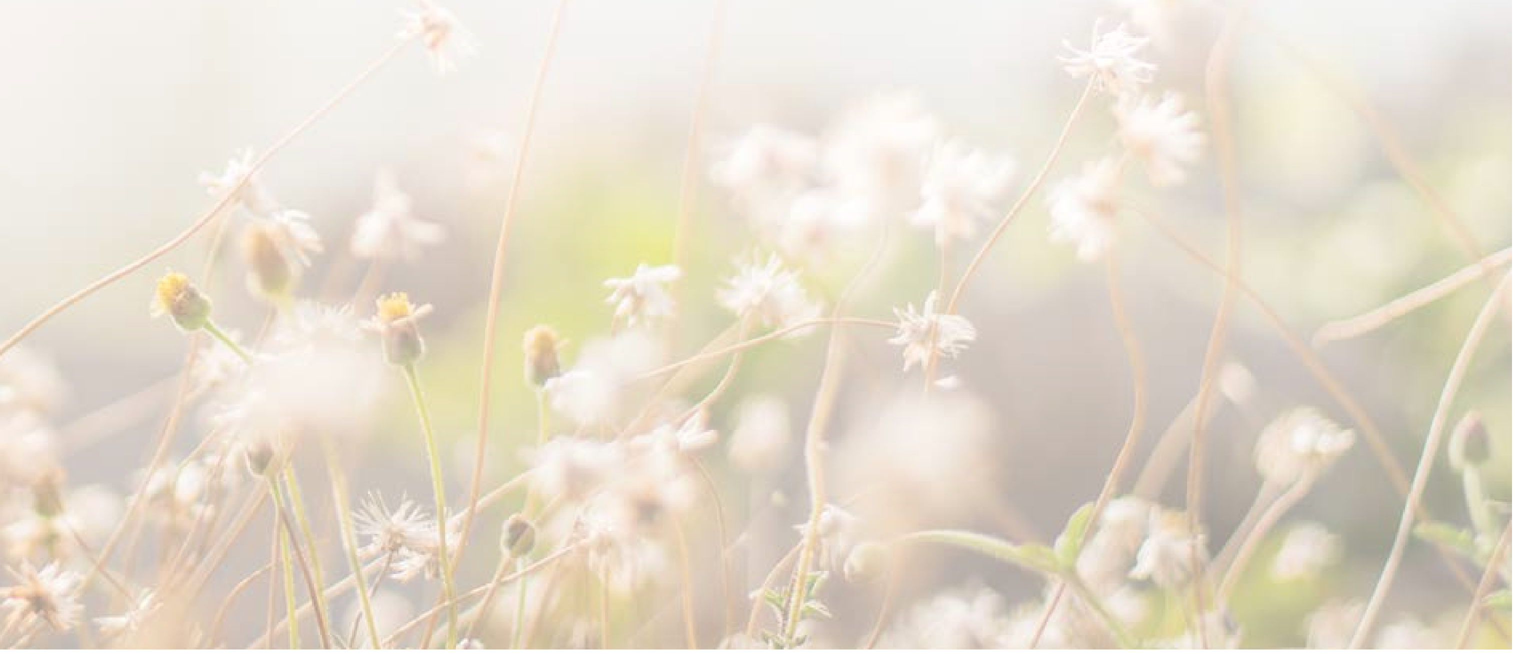
The EcoSort major upgrade project will progress throughout the year and into mid-year FY23. Once complete the residents of Canterbury will have the latest recycling sorting technology, supporting reuse and recycling and able to meet the highest quality standards.

We will partner with our council customers to reduce recycling contamination to low sustainable levels, while continuing to build on our education and marketing activity to support this.

The future of how waste and recycling is managed continues to evolve as we develop innovative ways of reducing our footprint on the world and look for better ways to use less and do more with what we produce.

I would like to close by thanking my team for their commitment and the board for their guidance and support.

Craig Downie *Chief Executive Officer*




SORT
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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.

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 2021 Financial Year the Board met eleven 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. Issues of health and safety are covered by the Board, as are decisions regarding senior management remuneration.

Subcommittees of the Board

There is one subcommittee 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.

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.

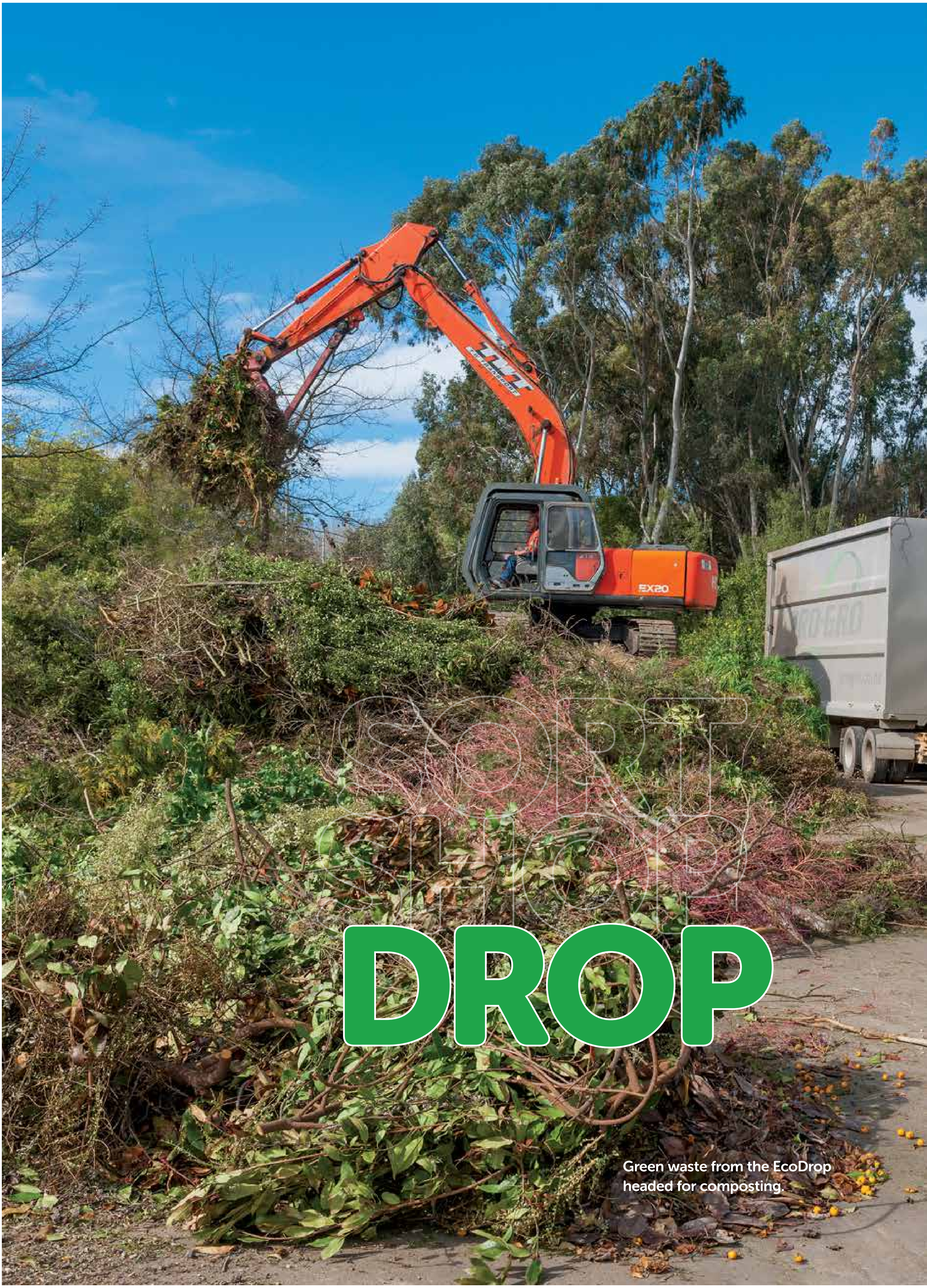
Indemnities and Insurance

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.

Left: Great bargains available at the EcoShop.



DROP

Green waste from the EcoDrop headed for composting.

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

	Note	30 June 21 $'000	30 June 20 $'000
Revenue			
Operating and other revenue	*2*	39,517	34,639
Financial income	*3*	19	31
Other gains	*4*	72	51
Total revenue		39,608	34,721
Expenditure			
Depreciation, amortisation and impairment	*5*	4,334	4,167
Finance costs	*6*	288	335
Personnel costs	*7*	7,368	7,329
Other expenses	*8*	24,247	23,171
Total expenditure		36,235	35,002
Surplus/(deficit) before tax		3,373	(281)
Income tax expense	*10a*	945	(206)
Surplus/(deficit) after tax		2,427	(75)
Other comprehensive income			
Cash flow hedges	*21*	-	1
Total comprehensive income		2,427	(74)

The accompanying notes form part of these financial statements

Statement of financial position

AS AT 30 JUNE 2021

	Note	30 June 21 $'000	30 June 20 $'000
Current assets			
Cash and cash equivalents	*11*	7,911	2,815
Trade and other receivables	*12a*	1,215	2,712
Prepayments		58	84
Inventories	*13*	891	356
Total current assets		10,076	5,967
Non-current assets			
Property, plant and equipment	*14*	6,066	7,551
Right of use assets	*15*	5,408	7,445
Deferred tax asset	*10d*	626	328
Total non-current assets		12,101	15,324
Total assets		**22,176**	**21,291**
Current liabilities			
Trade and other payables	*16*	2,871	2,939
Provisions	*17*	220	269
Employee entitlements	*19*	1,011	1,066
Current tax liabilities	*10b*	1,242	156
Lease liabilities	*18*	2,139	2,025
Total current liabilities		7,482	6,454
Non-current liabilities			
Lease liabilities	*18*	3,478	5,549
Total non-current liabilities		3,478	5,549
Total liabilities		**10,961**	**12,003**
Net assets		11,216	9,288
Equity			
Capital and other equity instruments	*20*	6,100	6,100
Reserves	*21*	-	-
Retained earnings	*22*	5,116	3,188
Total equity		11,216	9,288

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 2021

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000
Note	*20*	*21*	*22*	
30 June 2021				
Balance at beginning of financial year	6,100	-	3,188	9,288
Net profit	-	-	2,427	2,427
Total comprehensive income	-	-	2,427	2,427
Dividends paid	-	-	(500)	(500)
Balance at end of financial year	6,100	-	5,116	11,216
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

The accompanying notes form part of these financial statements

Cash flow statement

FOR THE YEAR ENDED 30 JUNE 2021

	Note	30 June 21 $'000	30 June 20 $'000
Cash flows from operating activities			
Receipts from customers and other sources		40,209	34,008
Interest received		19	31
Payments to suppliers and employees		(31,490)	(30,103)
Subvention payment made		(157)	(644)
Interest and other finance costs paid		(288)	(335)
Net cash flow from operating activities	*23*	8,294	2,957
Cash flows from investing activities			
Payment for property, plant and equipment		(730)	(1,341)
Proceeds from sale of property, plant and equipment		82	74
Net cash flow from investing activities		(648)	(1,267)
Cash flows from financing activities			
Repayment of lease liabilities		(2,049)	(1,974)
Dividends paid		(500)	-
Net cash flow from financing activities		(2,549)	(1,974)
Net increase in cash and cash equivalents		5,096	(284)
Cash and cash equivalents at beginning of year		2,815	3,099
Cash and cash equivalents at end of year	*11*	7,911	2,815

The accompanying notes form part of these financial statements

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2021

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 2021, 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

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

The plant and equipment at the EcoSort's materials recycling facility (MRF) have been assessed to have their useful lives concluding/ expiring by 2024.

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.

Impairment

Items of property, plant and equipment are assessed for impairment on an annual basis. There was no impairment recognised during the current year or previous years.

Leases

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.

During the current financial year, following an increase in monthly rental payments, the Entity remeasured its lease liability (and corresponding right-of-use asset) relating to the Christchurch City Council. There were no such adjustments during prior year.

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 and is calculated on a straight-line basis over the estimated useful life of the specific assets.

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.

Notes to the financial statements CONT.

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.

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.

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, 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.

Notes to the financial statements CONT.

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 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). There were no grants or assistance received during the current year. During the prior year the Company received $650,834 in COVID-19 wage subsidies. There are no unfulfilled conditions or other contingencies attached to the subsidies that were received.

On 26th August 2020, the New Zealand Government announced it will be investing $36.7 million in high-tech recycling plants nationwide. On 21st January 2021, EcoCentral signed deeds of funding with the Ministry for the Environment (MFE) 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. The company did not draw down on the MFE funding grant during the current year and only approved its final concept designs post 30 June 2021.

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.

(ii) Impact of COVID-19

The company assesses that COVID-19 had a minimal impact on its operational results for the current year. However, the impact of COVID-19 on the prior year's results was more significant. 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 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 prior year.

Adoption of new and revised standards

The company changed its accounting policies following the adoption of NZ IFRS 16 leases in the year ended 30 June 2020. No new accounting standards or interpretations that became effective for the year ended 31 June 2020 had an impact on the group.

Certain new accounting standards and amendments have been issued that are not mandatory for the year ended 31 June 2021 and have not been early adopted by the group. The group has assessed that these are not likely to have an effect on its financial statements.

Changes in accounting policy and disclosures

The accounting policies detailed above have been applied in the preparation of these financial statements for the year ended 30 June 2021 and have been consistently applied throughout the year.

There have been no changes in accounting policies in comparison with the prior year.

Subsequent Event

On 17th August 2021, EcoCentral was impacted by the Government's nationwide COVID level 4 lockdown. As an essential service, the EcoSort's recycling facility continued to operate during this time and the EcoDrop refuse stations also continued to operate for essential customers only. The company's EcoShop was closed and didn't reopen until Christchurch returned to level 2 on 2nd September 2021. The company experienced a loss of revenue in excess of 55% during the first two weeks of the lockdown and received a wage subsidy from the government for this period. No other wage subsidy claims were made.

On 6th September 2021, EcoCentral signed a contract with ABPNZ Pty Ltd for the design, supply and installation of the Government funded recycling plant upgrade for the enhanced sorting of plastics and fibre. This project has since commenced and is expected to be completed towards the end of December 2022. This project is not likely to have a significant impact on the Company's financial performance during the year ended 30 June 2022.

Notes to the financial statements CONT.

2. Operating and other revenue

	30 June 21 $'000	30 June 20 $'000
Revenues from contracts with customers		
Processing of waste and recyclables	33,168	29,630
Sale of goods	5,331	3,704
Hazardous waste cost recoveries	533	379
	39,032	33,714
Other revenue		
Miscellanous income	486	925
	486	925
Total operating and other revenue	39,517	34,639

3. Finance income

	30 June 21 $'000	30 June 20 $'000
Interest income - bank deposits	19	31
	19	31

4. Other gains and losses

	30 June 21 $'000	30 June 20 $'000
Other gains		
Gains on disposal of property, plant and equipment	72	51
	72	51

5. Depreciation, amortisation and impairment

	30 June 21 $'000	30 June 20 $'000
Depreciation of property, plant and equipment	2,205	2,063
Depreciation of right of use assets	2,129	2,103
	4,334	4,167

6. Finance costs

	30 June 21 $'000	30 June 20 $'000
Interest on leases	288	335
	288	335

7. Personnel costs

	30 June 21 $'000	30 June 20 $'000
Salaries and wages	7,125	7,046
KiwiSaver contributions	170	158
Other defined benefit plan contributions	-	2
Increase / (decrease) in employee entitlements	(54)	(11)
Other	127	134
	7,368	7,329

For everyone who is qualified in their role, they are paid the living wage.

8. Other expenses

	30 June 21 $'000	30 June 20 $'000
Directors' fees	155	157
Low value or short term leases	83	30
Net foreign exchange losses	16	15
Donations	-	1
Other operating expenses	23,992	22,969
	24,247	23,171

9. Remuneration of auditors

	30 June 21 $'000	30 June 20 $'000
Audit New Zealand		
Audit of the financial statements	50	51
	50	51

Notes to the financial statements CONT.

10. Income taxes

	30 June 21 $'000	30 June 20 $'000
(a) Components of tax expense		
Taxation payable for current year	1,242	156
Adjustments to deferred tax in prior year	2	(16)
Deferred tax expense/(income)	(298)	(346)
Total tax expense/(income)	945	(206)
Reconciliation of prima facie income tax:		
Net profit before tax	3,373	(281)
Income tax expense calculated at 28%	944	(79)
Expenses not deducted for income tax	1	1
Impact of change in building depreciation	-	(129)
Total tax expense/(income)	945	(206)
(b) Current tax payables		
Taxation payable	1,242	156
	1,242	156
(c) Imputation credit account		
Imputation credits available for use in subsequent periods	-	-
	-	-

	Opening balance $'000	Income $'000	Closing balance $'000
(d) Deferred tax balance			
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)**
30 June 2021			
Deferred tax liabilities:			
Property, plant and equipment	-	-	-
	-	-	-
Deferred tax assets:			
Property, plant and equipment	23	298	322
Provisions and employee entitlements	304	(1)	304
Doubtful debts and impairment losses	1	1	1
	328	298	626
Net deferred tax liability / (asset)	**(328)**	**(298)**	**(626)**

11. Cash and cash equivalents

	30 June 21 $'000	30 June 20 $'000
NZD Balances	7,908	2,803
USD Balances	3	12
	7,911	2,815

Notes to the financial statements CONT.

12. Trade and other receivables

	30 June 21 $'000	30 June 20 $'000
(a) Current trade and other receivables		
Trade receivables (before impairment)	1,109	708
Other related parties	110	2,007
	1,219	2,714
Provision for impairment - trade receivables	(4)	(2)
	1,215	2,712

(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 21 $'000	30 June 20 $'000
Gross receivables		
Not past due	1,184	2,220
Past due 0-30 days	39	512
Past due 31-60 days	(1)	(1)
Past due more than 60 days	(3)	(16)
	1,219	2,714
Impairment		
Past due more than 60 days	(4)	(2)
	(4)	(2)
Movement in provisions for impairment of receivables		
Balance at start of the year	(2)	(4)
Provisions made during the year	(4)	2
Receivables written off during the year	2	-
	(4)	(2)

13. Inventories

	30 June 21 $'000	30 June 20 $'000
Inventory - raw materials and maintenance items	512	347
Inventory - finished goods	379	9
	891	356

14. Property, plant and equipment

Reconciliation of movement in property, plant and equipment

Operational assets	Land & Buildings $'000	Plant & equipment $'000	Total $'000
Cost			
Cost 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 at 30 June 2020	3,903	19,446	23,349
Cost at 1 July 2020	3,903	19,446	23,349
Additions	-	791	791
Disposals	-	(422)	(422)
Net movements in work in progress	-	(61)	(61)
Cost at 30 June 2021	3,903	19,754	23,657
Accumulated depreciation			
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)
Balance at 1 July 2020	(2,888)	(12,909)	(15,798)
Disposals	-	411	411
Depreciation expense	(282)	(1,923)	(2,205)
Balance at 30 June 2021	(3,170)	(14,421)	(17,591)
Carrying amount at 30 June 2020	1,014	6,537	7,551
Carrying amount at 30 June 2021	**733**	**5,333**	**6,066**

Notes to the financial statements CONT.

15. Right of use assets

	Land & Buildings $'000	Total $'000
Cost		
Cost at 1 July 2019	-	-
Adoption of NZ IFRS-16	9,548	9,548
Cost at 30 June 2020	9,548	9,548
Cost at 1 July 2020	9,548	9,548
Additions	93	93
Cost at 30 June 2021	9,641	9,641
Accumulated depreciation		
Balance at 1 July 2019	-	-
Depreciation expense	(2,103)	(2,103)
Balance at 30 June 2020	(2,103)	(2,103)
Balance at 1 July 2020	(2,103)	(2,103)
Depreciation expense	(2,129)	(2,129)
Balance at 30 June 2021	(4,232)	(4,232)
Carrying amount at 30 June 2020	7,445	7,445
Carrying amount at 30 June 2021	**5,408**	**5,408**

16. Trade and other payables

	30 June 21 $'000	30 June 20 $'000
Trade payables and accrued expenses	896	1,028
Amounts due to related parties	1,893	1,843
GST payable	81	68
	2,871	2,939

17. Provisions

	Other provisions $'000	Repairs & maintenance provisions $'000	Total $'000
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
Balance at 1 July 2020	12	257	269
Additional provisions made	-	295	295
Amounts used	-	(344)	(344)
Balance at 30 June 2021	12	208	220

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.

18. Lease liabilities

	30 June 21 $'000	30 June 20 $'000
Current		
Non related parties	360	346
Related parties	1,779	1,679
	2,139	2,025
Non-current		
Non related parties	499	859
Related parties	2,979	4,690
	3,478	5,549
	5,617	7,574
Maturity Analysis		
Year 1	2,337	2,308
Year 2	2,277	2,308
Year 3	1,325	2,308
Year 4	-	1,316
	5,939	8,240

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 one and three years. The Company does not own the assets at the end of the lease term and there is no residual value.

Notes to the financial statements CONT.

19. Employee entitlements

	30 June 21 $'000	30 June 20 $'000
Current portion		
Accrued pay	65	183
Annual leave	835	775
Long service leave	22	17
Bonuses and redundancy provision	90	90
	1,011	1,066

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.

20. Capital and other equity instruments

	30 June 21 $'000	30 June 20 $'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.

21. Reserves

	30 June 21 $'000	30 June 20 $'000
Hedging reserve	-	-
	-	-
Hedging reserve		
Balance at 1 July	-	(1)
Forward foreign exchange contracts	-	1
Balance at 30 June	-	-

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

22. Retained earnings

	30 June 21 $'000	30 June 20 $'000
Balance at 1 July	3,188	3,263
Net profit for the period	2,427	(75)
Dividends paid	(500)	-
Balance at 30 June	5,116	3,188

During the year ended 30 June 2021, EcoCentral Limited declared and paid a dividend of 8.197 cents per share, $500,000 (2020: $0), to the shareholder, Christchurch City Holdings Limited.

23. Reconciliation of surplus to net cash flows from operating expenses

	30 June 21 $'000	30 June 20 $'000
Surplus / (deficit) for the period	2,427	(75)
Add/(less) non-cash items		
Depreciation, amortisation and impairment expense	4,334	4,167
Deferred tax credited to income	(298)	(346)
	4,035	3,821
Add/(less) items classified as investing or financing activites		
Gain on disposal of property, plant & equipment	(72)	(51)
	(72)	(51)
Add/(less) movement in working capital items		
Trade and other receivables	1,497	(664)
Inventories	(535)	119
Prepayments	25	(29)
Trade and other payables	(68)	301
Provisions	(49)	51
Employee entitlements	(54)	(11)
Income tax payable	1,086	(504)
New changes in net assets and liabilities	1,902	(738)
Net cash from operating activities	8,294	2,957

Notes to the financial statements CONT.

24. Capital commitments and operating leases

As at 30 June 2021 there were no capital commitments (2020: Nil), and no non-cancellable operating lease commitments (2020: Nil).

25. Contingent liabilities and contingent assets

As at 30 June 2021 there were no contingent liabilities and no contingent assets (2020: Nil).

26. 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 Chief Financial Officer 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 2021			30 June 2020		
	Fixed $'000	**Variable $'000**	**Non-interest $'000**	**Fixed $'000**	**Variable $'000**	**Non-interest $'000**
Financial assets						
Cash and cash equivalents		7,911			2,815	
Trade and other receivables	1,105			706		
Related party receivables	110			2,007		
	1,215	7,911		2,712	2,815	
Financial liabilities						
Lease liabilities	859			1,205		
Lease liabilities – related parties	4,758			6,369		
	5,617			7,574		

Notes to the financial statements CONT.

26. Financial instrument risks CONT.

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.

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 3% of sales are denominated in currencies other than the functional currency of the entity (2020: 1%), whilst almost 100% of costs are denominated in New Zealand dollars.

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.

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 21 $'000	30 June 20 $'000
Maximum exposure to credit risk			
Cash at bank, term deposits and foreign currency		7,911	2,815
Trade and other receivables		1,215	2,712
		9,126	5,527
Counterparties			
Cash at bank, term deposits and foreign currency	AA-	7,911	2,815
		7,911	2,815

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.

Notes to the financial statements CONT.

26. Financial instrument risks CONT.

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 2021						
Financial assets						
Cash and cash equivalents	7,911	7,911	7,911	-	-	-
Trade and other receivables	1,105	1,105	1,105	-	-	-
Related party receivables	110	110	110	-	-	-
	9,126	9,126	9,126	-	-	-
Financial liabilities						
Trade and other payables	2,871	2,871	2,871	-	-	-
Lease liabilities	859	900	387	327	187	-
Lease liabilities - related parties	4,758	5,039	1,951	1,951	1,138	-
	8,488	8,810	5,208	2,277	1,325	-
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	-

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, and through the structure of its commercial contracts for incoming comingled product. In addition, the Company maintains sufficient financial flexibility through its statement of financial position to withstand commodity price fluctuations.

26. 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 21 $'000	30 June 20 $'000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	7,911	2,815
Trade and other receivables	1,215	2,712
Total financial assets	9,126	5,527
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	2,871	2,939
Lease liabilities	5,617	7,574
Total financial liabilities	8,488	10,512

Notes to the financial statements CONT.

27. Related Parties

	30 June 21 $'000	30 June 20 $'000
1. CCHL		
1 (a) Transactions with CCHL		
Dividend paid	500	-
2. CCHL Subsidiaries		
2 (a) Transactions with CCHL Subsidiaries		
Services provided to CCHL Subsidiaries	443	367
Services provided by CCHL Subsidiaries	157	17
Subvention payment	-	644
2 (b) Balances with CCHL Subsidiaries		
Other balances owing by CCHL subsidiaries	45	45
Other balances owing to CCHL subsidiaries	53	-
3. CCC		
3 (a) Transactions with CCC		
Services provided to CCC	14,491	13,534
Services provided by CCC	267	223
Lease payments to CCC - principle	1,703	1,636
Lease payments to CCC - interest	247	286
Subvention payment	157	-
3 (b) Balances with CCC		
Other balances owing by CCC	65	1,962
Other balances owing to CCC	234	1
Lease liabilities owing to CCC	4,758	6,369
4 Group entities excluding CCHL and CCC		
4 (a) Transactions with group entities		
Services provided by group entities	17,747	16,605
4 (b) Balances with group entities		
Other balances owing to group entities	1,660	1,842

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 incurred charges of $17,746,911 in 2021 (2020: $16,605,325) 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 (2020 $nil).

During the year, EcoCentral Limited made subvention payments totalling $157,389 to the CCC Group (2020: subvention payment of $643,728 was paid to Enable Services Ltd).

All related party transactions are performed on an "arms length basis".

28. 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 21 Number	30 June 20 Number
100-110	-	-
110-120	1	2
120-130	1	1
130-140	-	-
140-150	1	2
150-160	1	-
160-170	-	-
170-180	-	-
180-190	-	-
190-200	-	1
200-210	1	-
210-220	-	-
220-230	-	-
230-240	-	-
240-250	-	-
250-260	-	-
260-270	-	-
270-280	-	-
280-290	-	-
290-300	1	1
300-310	-	-
310-320	-	-
320-330	-	-
330-340	-	-
340-350	-	-
350-360	-	-

Directors' remuneration

Name of director	30 June 21 $'000	30 June 20 $'000
Mark Andrew Jordan *(paid to Mark Jordan Ltd)*	53	31
Sinead Horgan *(paid to Morrison Horgan Ltd)*	35	34
Benjamin Reed	32	20
Mark Christensen *(paid to Natural Resources Law Ltd) (appointed 1/01/2021)*	16	-
David Kerr *(paid to D R Kerr Ltd) – ceased 19/10/2020)*	21	62
Sarah Smith *(paid to Sasco Holdings Limited – ceased 21/10/2019)*	-	11

Key Management Personnel

Craig Downie	*Chief Executive Officer*
Rob Wilson	*Operations Manager*
Vaughan Whitehead	*Chief Financial Officer*
Averil Stevenson	*Commercial & Compliance Manager*
Andrew Henderson	*EcoDrop Manager*
Wayne Hocking	*EcoSort Manager*
Julie Radcliffe	*Retail Manager*
John Ross	*EcoDrop Manager (retired)*

Key Management Remuneration

	30 June 21 $'000	30 June 20 $'000
Salaries and short term employee benefits	1,195	1,131

SORT SHOP DROP

Statement of service performance

Financial performance targets

The financial performance targets for EcoCentral Limited were as follows:

	30 June 21 SOI $'000	30 June 21 Actual $'000
Sales	33,236	39,608
Net profit after tax	310	2,427
Equity	8,487	11,216
Shareholders' equity %	66.4%	50.6%
Return on equity	3.7%	23.7%
Debt to CCHL	-	-
Total assets	12,787	22,176

Key operational performance targets

Performance Target	Actual 2021	Actual 2020	SOI Target	Commentary
EcoDrop				
Investigate at least 2 new initiatives for diversion from waste stream				• Glass separation in Kerbside collections Outcome: joint proposal provided to Christchurch City Council • Improved plastic separation at recycling plant. Outcome: MFE deed of funding signed, upgrade project underway. • Participation in government consultancy group for container return scheme.
EcoSort				
MRF plant efficiency	87.9%	81.9%	75%	Achieved.
Waste%	10.1%	11.9%	12.5%	Achieved.
EcoShop				
Number of Customer sales	145,806	125,781	112,000	Achieved.
Total tonnes diverted from landfill	7,468	7,905	8,000	Not achieved: available tonnes to divert less than expected.
Health and safety				
TRIFR (Total recordable incidents per 200,000 hours worked)	17.18	13.84	<18	Achieved.
ISO45001 Management System - Complete transition to ISO45001				Achieved.
Sustainable business practices				
Reduced kilowatt hours per tonne	16.18kWh	14.59kWh	Reduction from PYR	Not achieved: adversely impacted by reduced throughput due to high contamination.
Measure carbon footprint				Achieved.
Transition mobile plant to Bio-diesel				Achieved.

There were no reported breaches of legislative or contractual requirements.

Left: Recyclables moving through the baling process at the EcoSort.

SORT SHOP DROP

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:

Mark Andrew Jordan

Director – Canterbury Medical Research Foundation
Independent Board Member – Keith Andrews Trucks Ltd
Director – Mark Jordan Limited
Director – Taggart Earthmoving Limited
Advisor – Wealleans Groundspread Ltd

Sinead Horgan

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

Benjamin Elliott Reed

Managing Director – C W F Hamilton & Co Ltd and subsidiaries

Mark Christensen

Director – Animal Control Products Ltd
Trustee / Chair – Banks Peninsula Conservation Trust *(resigned 28/02/21)*
Trustee – Better World Initiative Trust
Trustee – Central Plains Water Trust *(resigned 30/06/21)*
Director / Shareholder – Columba Investments
Trustee – Committee for Canterbury Trust
Director – EEB Trustee Company
Independent Chair – Lake Hood Extension Project Joint Venture
Chair of Trustees – Liang Regeneration Trust
Director / Shareholder – Natural Resources Law Ltd
Director / Shareholder – Peninsula Air Ltd
Chair– Pest Free Banks Peninsula Initiative (Project Oversight Group)

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

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

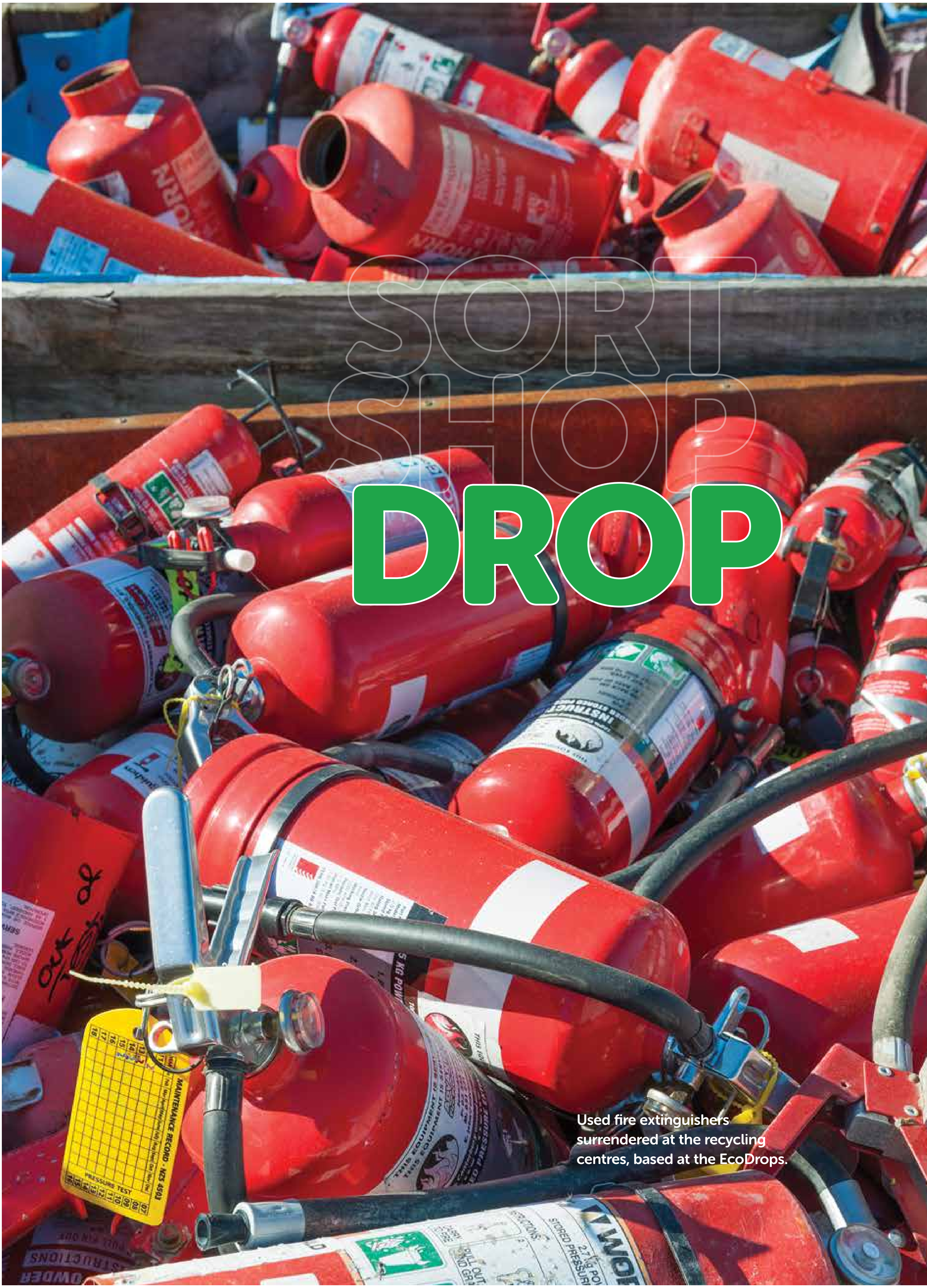
Remuneration was paid to four Directors totaling $155,400 during the 2021 year for services ($156,968 in 2020 year); there were no other benefits paid or due to directors for services as a director or in any other capacity during the year.

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.

Left: Vinyl is on-trend again. We have plenty for sale at the EcoShop.

SORT SHOP DROP



Used fire extinguishers surrendered at the recycling centres, based at the EcoDrops.

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 2021

The Auditor-General is the auditor of EcoCentral Limited (the company). The Auditor-General has appointed me, Yvonne Yang, 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 39, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on page 41.

In our opinion:

- the financial statements of the company on pages 11 to 39:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with 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 2021.

Our audit was completed on 29 November 2021. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Report of the Auditor-General CONT.

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, 43, 44 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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

Y Yang

Yvonne Yang
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

ECO CENTRAL

Directory

Registered Office	Level 1, 9 Baigent Way Christchurch
Principal Place of Business	Level 1, 9 Baigent Way Middleton
Chairperson	Mark Andrew Jordan
Directors	Mark Andrew Jordan Sinead Mary Horgan Benjamin Elliott Reed Mark Raymond George Christensen
Chief Executive Officer	Craig Downie
Bankers	ANZ National Bank Limited Christchurch
Solicitors	Chapman Tripp Christchurch
Auditors	Audit New Zealand (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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