2022

Annual Report

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ENHANCING OUR ENVIRONMENT

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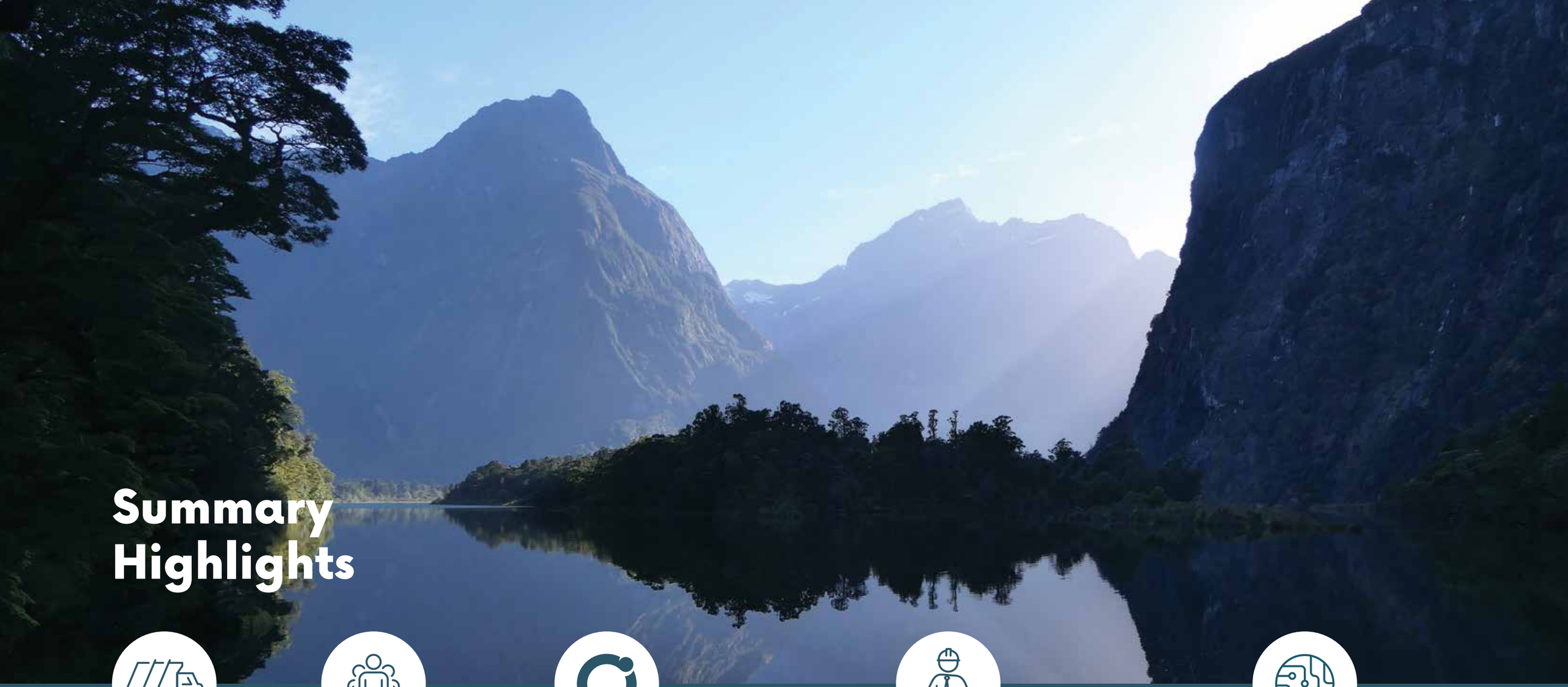

Summary Highlights

Refuse Divestment

Execution of the sale of our Residential Refuse business to Smart Environmental.

Minimal disruption to customers and the community, with a smooth transfer of operations on sale ensuring continuity of service.

Key Appointments to SLT

Further strength added to the SLT, with appointments of HSEQ, People and Culture and Commercial Divisional Leaders.

More emphasis placed on both People and Culture and HSEQ with separate roles created for each specialty (previously a combined role).

Values Refresh

We have updated our core values after undertaking a co-design approach, involving all employees to define the true essence of our business identity and culture.

Continued Success with both Tendering and Project Delivery

Tender successes included the Taranaki Crossing track project, Landscape Construction projects for Summerset and Arvida, and the NRSS Bell Island Operations and Maintenance contract rewin.

Project successes recognised at the Civil Contractors NZ (CCNZ) Awards 2021, with Poorman's Stream Shared Pathway receiving the award for Best Project between $200-$750K and the Paparoa Track Construction received the Judges Innovation Award.

Further Investment in Technology

Technology is being used as a differentiator, with continued development and positive customer feedback received related to our GIS and Solar platforms.

Phase 1 of our FMIS replacement project was completed, with Microsoft Business Central implemented in May 2022.

CEO Message

The past year has been a challenging one, which has passed quickly as Nelmac Kūmānu had to pull together and work hard on delivering a quality service to our customers, despite resource pressures inflicted by a continuation of the COVID-19 pandemic across New Zealand.

During this time, our partnerships have strengthened and our business has expanded as the communities we live and work in have grown. We have continued to roll out improvements, embedding GIS technology, strengthening our capabilities, and successfully implemented a new finance system for our business. This has enabled the roll out of a new platform for HSEQ and Training and Development, which is a key strategy to mitigate the tight labour market and rising cost of living we all face, across New Zealand.

As a result, the wellbeing of our teams has been a huge focus to mitigate the COVID shadow, their whānau and our community.

The recent launch of our refreshed values for the future, has been a highlight for us.

Respect, Responsibility and Guardianship (of our people and our land) are now our guiding principles that underpin our Strategic Vision, which has never been more meaningful – to enhance New Zealand's Environment for Community Wellbeing.

The year has seen Nelmac Kūmānu continue its journey to reduce CO_2 emissions, invest in and expand its EV fleet, invest in new plant and machinery, and build resilience behind our delivery promises.

The next 2 years ahead will see us navigate the Three Waters Reform changes and a key contract renewal with NCC in Greenspaces, whilst continuing to develop our teams' technical skills, leadership abilities and cultural competencies.

I would like to thank all our customers for their continuing support and also acknowledge the enormous efforts made by our teams across all divisions, to ensure we kept our promises, whilst ensuring we look after each other.

We can look back with pride on last year and ahead with confidence, as we embrace our new values and a positive, supportive culture.

Jane Sheard
Chief Executive

Vision

Enhancing New Zealand's environment for community wellbeing.

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Values Refresh

Nelmac Kūmānu recognise that organisational values embody who we are. Values act as cultural cornerstones and unseen drivers that impact our employee experience as well as the relationships we develop with customers and key stakeholders.

We recently celebrated our 25th anniversary. Over this time, we've grown significantly in size, scope, and reach, however the core values that originally defined the business have remained the same.

With our values representing the essence of our identity and the core of our organisation's brand, at this important milestone we asked ourselves, are our values still relevant, meaningful and do they resonate with our people? From these questions it became clear it was the perfect time to review and refresh our core values, using a co-design approach, engaging and involving all employees.

The objective of this refresh was to identify a set of core values that explain our beliefs about people, work and non-negotiable behaviours. Core values are our "moral compass", fundamentally driving behaviours and decisions that ultimately impact on Nelmac Kūmānu's performance and reputation.

Respect

Kūmānu te Tāngata

We treat people with mutual respect and fairness

Responsibility

Kūmānu te Mahi

We take ownership for the work we do and the resources we use

Guardianship

Kūmānu te Taiao

We take care of the environment and each other

We are very grateful to Ngāti Kuia who helped us identify the Te Reo Māori that captures the essence of our values.

It was important to maintain the essence of 'kūmānu' rather than trying to do direct translations. The below are written as commands/Tohutohu structure sentences.

Respect **Kūmānu te Tāngata** – Care for/tend carefully to the people
Responsibility **Kūmānu te Mahi** – Implies caring/responsibility for the work we do
Guardianship **Kūmānu te Taiao** – Care for the natural world

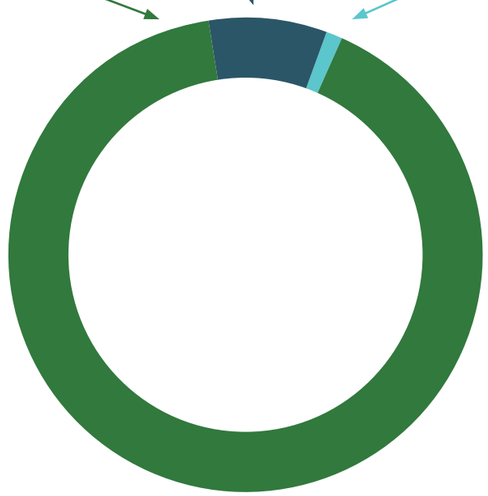
Our refreshed values are being embedded and celebrated in 2022 and beyond.

Our Business

For over 25 years, Nelmac Kūmānu has enhanced the wellbeing of New Zealand communities by providing environmental asset management services in the core areas of greenspaces, conservation, commercial projects and three waters, along with Landscape Architecture and Planning services.

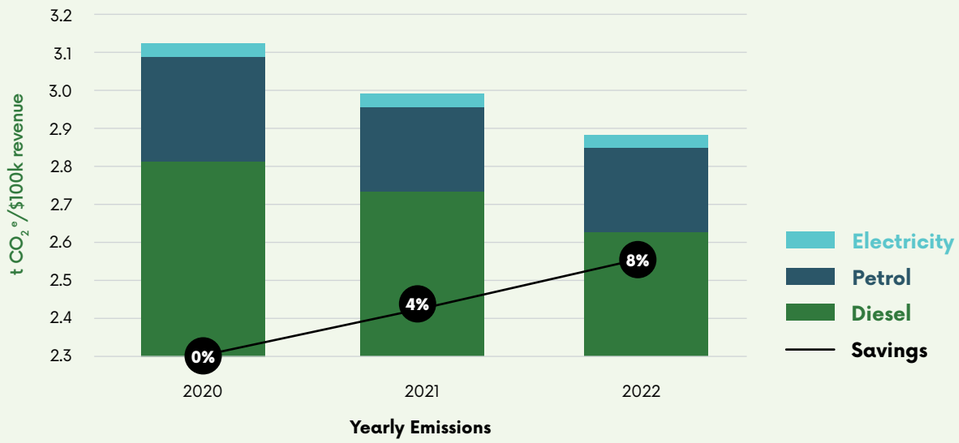
Carbon Footprint

	SCOPE 1		SCOPE 2	
Activities	**Diesel**	**Petrol**	**Electricity**	
2022 Emissions	**1138.71**	**96.52**	**14.22**	**Total 1249.45**
% of Footprint	**91%**	**8%**	**1%**	**100%**



Activities	2022 tCO_2e	2021 tCO_2e	Base Year 2020 tCO_2e
Scope 1 Diesel - Mobile and Stationary	1138.71	1183.09	1031.74
Scope 1 Petrol - Mobile and Stationary	96.52	96.67	100.9
Scope 2 Electricity	14.22	14.78	12.8
Grand Total	**1249.45**	**1294.54**	**1145.44**
CO_2/$100,000 Revenue	2.88	2.99	3.12

Revenue Adjusted Comparison 2020 to 2022



Sustainability Plan

Over the past year, our Sustainability Plan has been updated and we have been continuing with our ambitious implementation of it, with our key commitments to the Environment, the Community and Our People. This page defines the highlights. The following sections provide more detail on the achievements we have made under each of these 3 pillars.

The Environment

1 **Optimising our Environmental Management System**

We have a new integrated Health, Safety, Environment and Quality (HSEQ) Management System. Maintained our Toitū Enviromark Diamond environmental accreditation.

2 **Reducing Greenhouse Gas Emissions and Climate Change Responsiveness**

Measuring our CO_2 footprint with Ekos and taking action to make reductions, such as transitioning to a low carbon fleet, installing EV charging stations, upgrading to more fuel-efficient vehicles and improving driver behaviour aimed at fuel savings.

3 **Reducing Agrichemical Usage**

Exploring and employing alternatives to chemical spray and improving our practices.

4 **Maximising Resource Efficiency**

Improving our recycling rates, finding opportunities to reduce and avoid waste.

The Communities we Operate in

5 **Support Community Projects and Biodiversity**

Committing 5% of our profit (in kind) to community projects, such as The Brook Waimārama Sanctuary and Kea Conservation Trust. Donating 100s of native plants.

6 **Become a Leader in Sustainability**

Building our credentials and expertise in conservation projects. Leader of Fleet Management Sector Group of the Businesses for Climate Change.

Our People

7 **Ensure a Healthy and Safe Working Environment**

ISO 45001, ISO 9001 and Toitū Enviromark Diamond (ISO 14001) certification.

8 **Sustainability in the Workplace**

Embed our refreshed organisational values, improving workplace culture and employee engagement, enhanced flexible working arrangements, learning and development strategies that focus on the future needs of our business, and commitment to pay all our employees, at the minimum, a living wage.

ACHIEVEMENTS

Our Environment

Environmental Accreditation – Toitū Enviromark Diamond

In the past year our Environment, Health and Safety, and Quality Management Systems have been improved and combined into an HSEQ integrated management system.

Nelmac Kūmānu was re-awarded Toitū Enviromark Diamond certification in May 2022. This is the highest level that Toitū offers. Toitū Enviromark programme requirements meet and exceed international standards and best practice, including ISO 14001.

The key elements and achievements for Toitū Enviromark Diamond certification are that we have:

- a robust Environment Management System (EMS) in place
- internal systems and processes to ensure that our plans and policies are followed
- legislative compliance
- senior management commitment to our EMS and its continuing stability
- are committed to and working towards continual improvement.

Climate Action

Recognising the climate emergency, we are progressing toward our ambitious CO_2 emission reduction target of 25% by 2025, based on our 2020 baseline. Identifying that the majority of our emissions are fuel related, we have been growing our electric fleet through the implementation of our electric first approach, which applies to purchasing vehicles and plant. To support our growing EV fleet, we have installed 6 EV charging stations at our main site. To reduce our consumption of fossil fuels we are also upgrading our oldest fleet to more fuel-efficient lower emitting vehicles and have rolled out Smartrak GPS across our fleet to support positive driver behaviour changes and help with route optimisation.

Our Electric Fleet currently includes 2 BeV Van; 5 BeV Cars; 1 Plugin Hybrid Car; 1 Hybrid Car and a BeV motorbike. We also have several electric bikes and a considerable number of electric tools and equipment that has replaced fuel plant, such as leaf blowers, hedge trimmers, weed eaters and pole saws.

We have been measuring the carbon footprint of our business operations with Ekos since 2020. By understanding the emissions profile of our business operations, we can strategically work towards reducing them.

Thousands of Trees

Each year Nelmac Kūmānu grows and plants tens of thousands of native plants, many of which are eco-sourced locally. Our Nursery grew more than 200,000 new plants this last growing season.

Through the combined efforts of our Conservation and Greenspaces teams around 170,000 plants (mostly native trees) were planted across the top of the south, in parks, landscape reserves and for the revegetation of retired forestry.

Reducing our Chemical Footprint

We are committed to the reduction of agrichemical sprays in our pest and vegetation control mix. Reducing agrichemicals is not only positive for the environment but also the health of our staff and the public. Over the past 2 years we have managed to reduce our glyphosate usage associated with our Recreation contracts and increase the use of natural sprays.

Our teams have been seeking a variety of options to reduce our reliance on harmful chemicals, including investigating and onboarding non-chemical spray alternatives; ensuring efficient application rates; offering clients non-spray solutions for weed control, such as more weed-eating; reducing the number of different agrichemicals used; avoiding the use of the most toxic of substances; and using natural plant-based oils in machinery. Additionally, our cleaners have moved to environmentally friendly enzyme-based cleaning solutions avoiding the use of harsh bleaches.

Resource Efficiency and Waste Reduction

In a world of finite resources, increasing pressures and the strong link between resource use and carbon emissions, we are focused on using resources efficiently. Of key focus is reducing our waste footprint, increasing our recycling rates, and finding opportunities for waste minimisation. We are happy to say that our recycling rates have been improving significantly at our main sites over the past 2 years.

We frequently receive nominations for our monthly environmental award for teams or individuals who have identified innovative opportunities to reuse or repurpose waste. One great example is from the treatment team who constructed a media support table out of unused plastic planting trays. This initiative not only avoided waste but also resulted in significant cost savings for the client. Another is by our Arborist team who are trialing the composting of Phoenix Palm stems, to break down into a mulch over a 12–18-month period rather than being placed in landfill, saving the client up to $1,000 per stem in tip fees alongside the saving of methane emissions.

Sustainability Committee

Nelmac Kūmānu's Sustainability Committee has the role of actively promoting Sustainability across the business. The past year has been a busy one, with improving procedures around battery management to ensure the safe and long life of our battery-operated tools. Planning and executing a very successful family fun planting day together with Nelson City Council to celebrate World Environment Day; developing the proposal for a Sustainable Commute Initiative to be launched in 2022; and a proposal to support the installation of 6 EV charging stations. Along with establishing a quarterly Smooth Operator award aimed at improving driver behaviour to reduce fuel usage.

ACHIEVEMENTS

Our Community

By our nature, Nelmac Kūmānu is deeply connected to the communities where it operates. We protect and enhance the outdoor places we all live, work and play. We take every opportunity to contribute to local community organisations and projects that make a difference, with a target of donating 5% of our profit (in kind) each year.

Kea Conservation Trust

Nelmac Kūmānu have been a supporting partner of The Kea Conservation Trust since 2019, focused on helping to remove lead and replacing it with non-toxic alternatives from Department of Conservation huts and other buildings in the Nelson Lakes region. Our Conservation team have undertaken working at heights training so they can provide a greater variety of in-kind support. Lead poisoning is a serious threat to this inquisitive and cheeky mountain parrot. Unfortunately, it is attracted to the sweet tasting but toxic metal, commonly used in building materials prior to the 1990s. The last breeding season resulted in the successful fledging of 6 kea chicks, compared to only one the previous.

Brook Waimārama Sanctuary

The beautiful Brook Waimārama Sanctuary burgeoning with flora and fauna, the largest fenced sanctuary in the South Island, is a project that Nelmac Kūmānu is proud to be engaged with. Our teams have provided in-kind general conservation support over the past years, such as scrub cutting and weed control but more recently our focus has shifted to specialist work, that volunteers are unable to do. Our Conservation teams skilled Arborists have been carrying out in-kind specialist tree work. This work helps to protect the pest proof fencing that surrounds the 40-hectare sanctuary, slow or halt wilding weed tree species, and protect the public from dangerous trees on tracks throughout the Sanctuary.

World Environment Day

On 5 June Nelmac Kūmānu teamed up with Nelson City Council to celebrate World Environment Day and Arbor Day with a planting day. The community event supported the planting of 1,200 plants in the rocky banks of Poorman Valley Stream (all grown by the Nelmac Kūmānu Nursery). It was great to see more than 200 people attend and especially the children enjoying the fun entertainment provided by Nelmac Kūmānu, with a real-life dragon, pony rides, face painting, environment friendly balloons, a fairy garden and free hot chocolate.

Native Plant Donations

To support the local community and enhance biodiversity, Nelmac Kūmānu donates native plants to the community from its Nursery each year. This past year 100 plants were donated for the World Environment Day community planting.

Leader in Sustainability

Nelmac Kūmānu established and has been leading the Businesses for Climate Action (B4CA) sub-group on Fleet Management since June 2020. Over this time, engagement and participation in the group have been growing, including participants from organisations such as Nelson City Council, Department of Conservation, Fulton Hogan, Kernohan Engineering, Taylors Contracting, Sealord and Health Post. The group have been exploring opportunities for reducing emissions through fleet management and sharing of experiences on themes, such as alternative fuels, establishing charging infrastructure for electric vehicles, and car share opportunities.

KEA CONSERVATION TRUST

THE Brook Waimārama Sanctuary NELSON NEW ZEALAND

Department of Conservation Te Papa Atawhai

Project Mahitahi

ACHIEVEMENTS

Our People

Wellbeing

Nelmac Kūmānu recognises the importance of investing in and providing a workplace that nourishes overall health and wellbeing. We are committed to reducing the impact of work on employee health and wellbeing and improving the tools and resources available to our people.

To demonstrate our commitment, we have a number of tools and resources available, including:

- Workplace Support who provides a 100% confidential and free (to employees and their whānau) wellbeing service;
- our Wellbeing Committee consisting of representatives from across the organisation;
- injury management and rehabilitation support for both work-related and non-work-related injuries; and
- flexible work arrangements to enable greater flexibility for people to balance the demands of personal and work life.

We are working closely with our Wellbeing Committee to identify areas where we can continue to improve and introduce new tools and resources, along with wellbeing initiatives that aim at nurturing employee health and wellbeing. Additionally, we will be focussing on developing processes and procedures to support our commitment. The launch of ISO 45003 in 2021, the first standard to focus on psychological health and safety and the management of psychosocial risk, has presented an opportunity for Nelmac Kūmānu to also lead the way in developing a psychologically healthy workplace for their employees, through a management system that aligns to our HSEQ Framework, and allows us to embed employee health and wellbeing in our current practices.

Living Wage

Nelmac Kūmānu continues to be committed to providing job security together with wages that, as a minimum, enable our people to provide the necessities of life for themselves and their families, and to participate as active citizens in society. Our journey to the living wage began over the last 2 years and we are proud to say Nelmac Kūmānu are now dedicated to paying all our people no less than the current Aotearoa New Zealand living wage rate. On 1 July 2022 the living wage rate is $22.75 per hour, increasing to $23.65 on 1 September 2022. Paying a living wage aligns strongly to our value of Respect – Kūmānu te Tāngata.

COVID-19 Pandemic Response

The wellbeing of our people, customers and the communities we serve continued to be our primary focus during the past years' COVID-19 pandemic response.

In 2021, we continued to see the impacts of the pandemic with country-wide lockdowns in August, ongoing workplace restrictions and the government's COVID-19 protection framework.

To ensure we were responsibly managing any risks to our people, customers and community, we engaged an external health and safety consultant to review the controls we had in place to manage the risks associated with the virus and our subsequent residual risk profile. Following this risk assessment, in December '21 the recommendation was to mandate vaccinations for all roles across the organisation as an additional control. So, in accordance with the Health and Safety at Work Act 2015, the COVID-19 Public Health Response Act and with the best interests of our people, customers and communities in mind, a COVID-19 Vaccination Policy was consulted on and implemented across the business.

As case numbers across Nelson Marlborough increased throughout 2022, and with strong controls in place to manage the risks associated with the virus, Nelmac Kūmānu experienced limited workplace transmission during the first half of 2022 and service delivery was maintained.

In April '22 we sought a further risk assessment, following the fundamental shift in the WorkSafe NZ, Ministry of Health and government guidance on the workplace vs. community risks associated with the virus. As a result, the risk assessment determined the controls we had in place, outside of vaccination, were sufficient to manage the risks of COVID-19 transmission and infection within our workplace and the requirement for vaccination was removed, except in cases where the client requires it for site access.

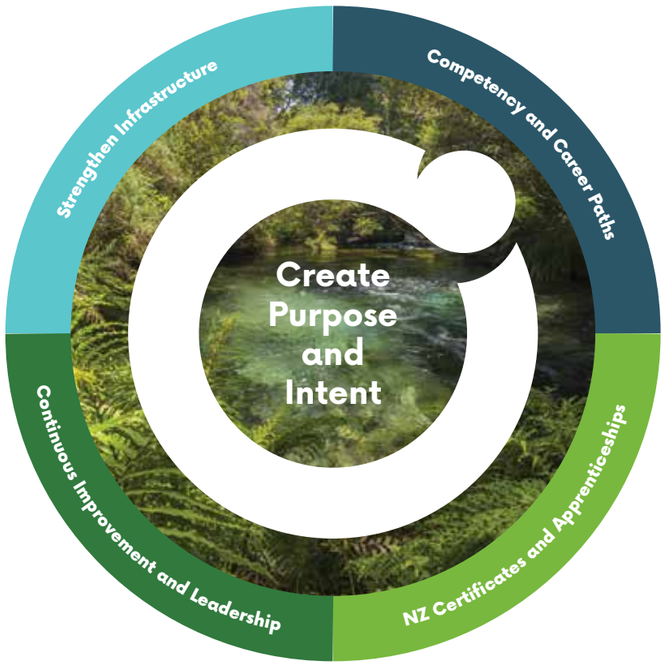
As we move from pandemic to endemic, we are learning to live with COVID-19 in our community and continue to focus on protecting our people, customers and community.

Learning and Development

Our learning and development strategy outlines the workforce capabilities, skills and competencies our business needs now and into the future and how these can be developed to ensure a sustainable successful organisation.

Developing our people enhances our market agility and reputation, client relationships, enables us to attract and retain great people, ensures we have solid attributes for tenders and contracts, strengthen our infrastructure, and creates consistency and standards across our teams.

We continue to strengthen on-the-job training with role competencies, SOPs and assessments – the tools and resources needed to upskill our people. We also develop and grow our people with National Certificates, Apprenticeships and Career Pathways supported with completion incentives, in-house workbook sessions and workplace trainers.



Flexible Working Options

Workplace flexibility remains an important consideration for Nelmac Kūmānu, enabling people to juggle work/life priorities whether it be for study, family, wellbeing, or other personal commitments.

Following the success of working from home during COVID-19 lockdowns, Nelmac Kūmānu implemented a working from home policy for office-based employees, enabling greater flexibility for people to balance the demands of personal and work life. Flexible working arrangements are also extended to our broader workforce with flexible hours of work, structuring hours around personal commitments, working a compressed working week or part-time hours.

Flexible working provides an opportunity for us to positively contribute to our commitments of caring for the environment, our employees and the communities we work in, through:

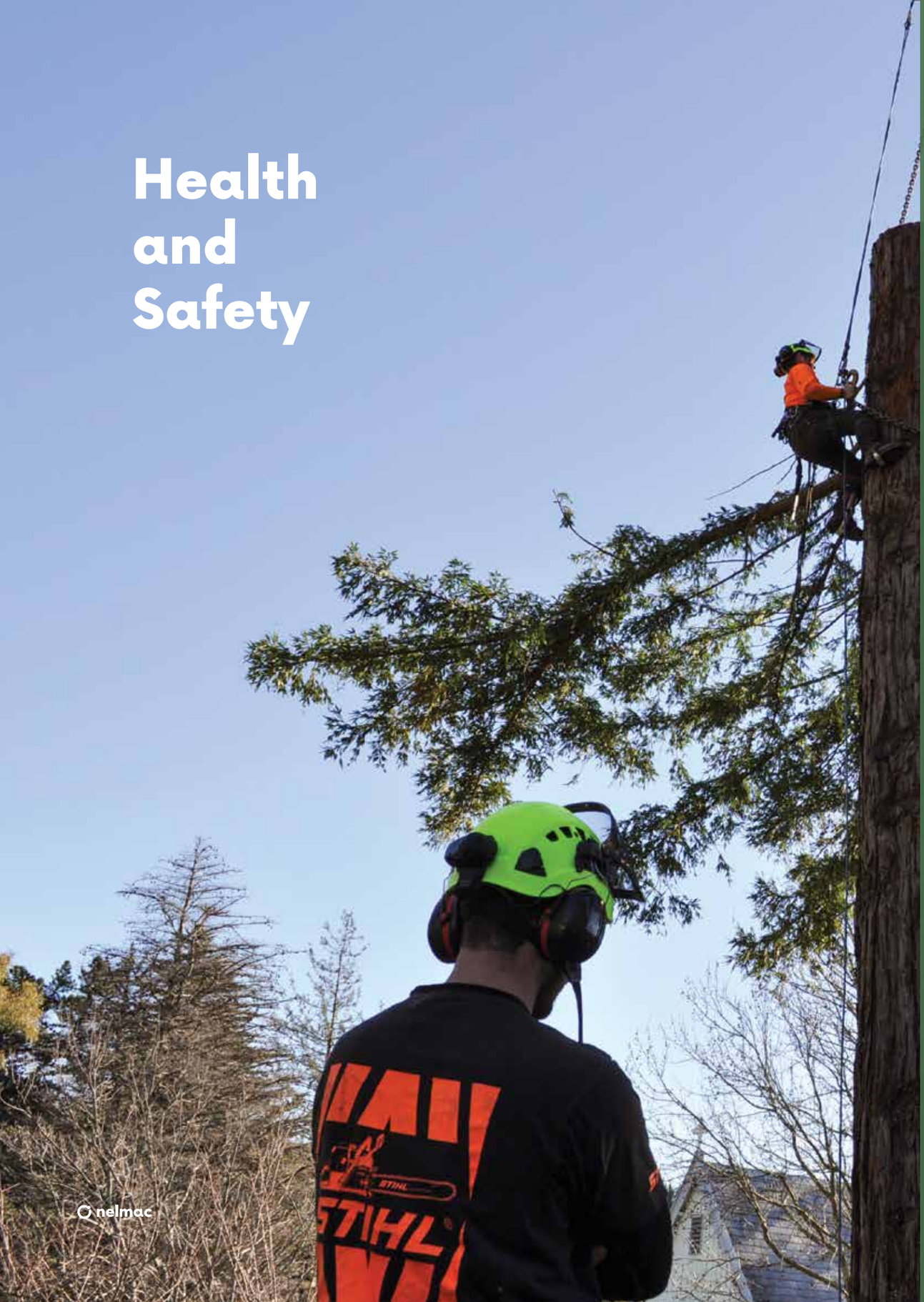
Environmental benefits – a reduction in transport-related carbon emissions and reduced transport pollution, with fewer car trips for commuting purposes every day.

Community benefits – increased working from home reduces pressure on transport infrastructure and contributed to decreased road congestion.

Organisational benefits – when we are able to quickly mobilise our people for remote working, we maximise our organisational resilience and agility at times of emergency or major disruption. Flexibility also increases our ability to attract and retain employees; promotes a culture of high trust and empowerment; and a focus on outcomes rather than inputs. The potential for a lower-distraction environment in the home supports employees to be more productive, especially for work requiring a high level of focus. The organisation also benefits from improved wellbeing and engagement of our people.

Individual benefits – increased flexibility supports better work life balance and wellbeing.

Health and Safety



Over the last year we have been working on building a Health and Safety team with the knowledge and experience to support our vision of fostering a safety culture where health and safety is embedded in the way we do business.

Our Health and Safety team has had some big changes, with a restructure and a number of new appointments. The previous People and Safety Leader position was split into 2 Senior Leader positions with a Health, Safety, and Quality (HSQ) Leader role established, and health and safety having a dedicated voice on the Senior Leadership Team. With this change, two separate departments were formed, and further opportunity arose to restructure the health and safety department to better support the needs of the organisation with a more hands-on approach. As a result, 2 HSQ Advisor roles responsible for different business profiles were created to supersede the previous structure and a fixed-term role focusing on projects was introduced. We have had new appointments into the HSQ Leader role and one of the HSQ Advisor roles, with one of the existing team stepping into the other Advisor role and one of our NMIT interns resuming the Process Coordinator role.

We have also made several improvements to our health and safety systems over the year with the introduction of an integrated Health, Safety, Environment, and Quality (HSEQ) Management System compliant with ISO 45001, ISO 14001 (Toitū) and ISO 9001, supported by a HSEQ Framework Manual and Solar modules. Within Solar, we have worked on enhancing event reporting and JSEA with the end-user in mind and introduced the sub-contractor prequalification module. In addition to this, we started a Nelmac Kūmānu-wide project on Standard Operating Procedures (SOPs) with the Process Coordinator dedicated to the implementation of the SOP project.

Looking ahead, we will be working on the continuous improvement of our current systems and procedures through worker consultation and collaboration. To do this we are increasing site visits, attending more monthly tailgate meetings, and plan to conduct targeted training and workshops with a health and safety focus. This will allow us to place a greater emphasis on our vision, driver worker responsibility, provide support to the business, and increase our visibility out in the workplace.

COVID-19

In 2021, we continued to see the impacts of the COVID-19 pandemic with country-wide lockdowns, ongoing workplace restrictions and the government's COVID-19 protection framework.

Whilst we have faced difficult times and great uncertainty over the previous year, the impact on business continuity has been very well managed – this is testament to the work done by all in isolating when unwell or a household contact, minimising team interactions, social distancing, using masks and practicing good hygiene. This is also largely as a result of our Crisis Management Team (CMT) who have done a great job at providing the necessary support in ensuring we have response plans in place, as well as timely and accurate information for our teams.

PROJECT CASE STUDY

Working Together on Project Mahitahi

Kūmānu Environmental are proud to be a founding partner and integral member of Project Mahitahi, implementing the ecological restoration of the Maitai catchment while providing local employment opportunities as part of the government's COVID-19 recovery plan.

Established in 2020, the flagship Mahitahi Restoration Project was one of the first contracts between Kūmānu and Nelson City Council (NCC) funded by the Kaimahi and Jobs for Nature programme.

Over 5 years, the project aims to revive the ecological health of the forest ecosystems of the Mahitahi (Maitai) Valley and Brook Wāimarama catchment. The ambitious project plan is to plant 125,000 trees (including taonga species), restore 1.3 hectares of wetlands, and carry out extensive pest plant control.

Kūmānu shares the optimism of the restoration goals, in particular the project empowered us to contribute significantly improved environmental outcomes for the Maitai River and the Nelson communities for whom it represents such an integral physical and cultural significance.

In early 2021, the project was extended with DOC funding under the Kotahitanga mō te Taiao Alliance* to become a collaborative project with; NCC, Ngāti Koata Trust, Fulton Hogan Ltd, Easy Trails, Friends of the Maitai and the Brook Wāimarama Sanctuary Trust.

In a short timeframe, this project has already achieved extensive pest plant and focused predator control. Some of the sites intended for planting had over 90% pest plant coverage. The Kūmānu team managed to reduce this very close to zero density before planting thousands of native saplings.

The collaboration between Kūmānu and the community and business partners in the project has magnified the environmental outcomes achieved, as well as strengthened local conservation network relationships.

95K
plants planted

22 ha
weed control

10+
community planting days

6/15
team members completed the training programme

***Kotahitanga mō te Taiao Alliance**

The Kotahitanga mō te Taiao Alliance is a collective of iwi and councils from Te Tauihu and northern Te Tai Poutini, as well as the Department of Conversation, and our global supporter, The Nature Conservancy. The Alliance is dedicated to environmental restoration across our rohe (region). As the Alliance vision grows, so will our whānau of partners, supporters, and collaborators. We look forward to working collectively to achieve the best possible environmental outcomes for people and nature.

'Kia kotahi te hoe' – further together.

nelmac

Project Mahitahi's Community Planting programmes began in 2021, seeing the first 26,000 plants of the total 125,000 being planted throughout the Mahitahi catchment area. Since then, there have been several community planting days, most recently with Nelson Girls College and the Tuia Rangatahi programme. Nelmac Kūmānu contributed further by holding our own 'Mahitahi planting day' in August inviting all employees to join with volunteers from NCC and Ngāti Koata to plant 2,400 natives in the Mahitahi catchment.

In addition to the positive environmental impacts this project has achieved to date, it has also created many nature-based job opportunities for people who were displaced by the COVID-19 pandemic. Kūmānu, just one of the 6 host employers, as part of the jobs for nature programme, has recruited at least 18 team members to join the team, including a Training Advisor.

Recruiting a Training Advisor enabled Kūmānu to design and implement an 18-month on-the-job training programme for individuals either displaced and/or seeking meaningful conservation training.

Through this, Kūmānu has effectively upskilled and trained Conservation Rangers to become available for restoration projects and has added capable resource to the Conservation sector. 6 team members have successfully completed their Conservation Ranger Training Certificate with a further 9 due to complete their certificates soon.

Playing a significant part in the positive outcomes of this project is extremely rewarding for all involved. The Mahitahi Project overall will prove that seemingly challenging conservation tasks can be overcome by working together with systematic deployment of well-organised and equipped, trained, passionate and savvy people, with a shared enthusiasm for enhancing our environment for our future generations.

"The training provided through the Jobs for Nature contract allowed me to extend and gain credentials for the skillset I already had some experience in and further my development with training in new areas.

Adam Lumsden
Team Leader – Conservation Projects

"I've enjoyed getting to know some of the locals in the area, one I've formed a good friendship with...94 years old and lived in the Maitai all her life. She has so much knowledge and history to share about the valley, it's been a great way for me to make more of a connection with the area I work in.

Amelia Hinton
Conservation Ranger

Kotahitanga mō te Taiao

Nelson City Council | Te Kaunihera o Whakatū

kūmānu ENVIRONMENTAL

Statement of Performance

Objective Area	Performance Measures	Targets	Result
Quality of Service	Maintain A/NZS ISO 9001 Quality Accreditation	ISO 9001 Accredited	Achieved
	Understand and strive to improve customer satisfaction	2021/22 Customer Satisfaction Survey for all Nelmac Customers – improving on 2019/20 score of 5.53 out of 7*	Not Achieved
		2022/23 Pulse Survey for NCC Contract Managers – improving on Net Promoter score of - 27 (due in June 2023)**	Not Measured
Sustainability and Community	Enhance the sustainability plan to incorporate climate change responsiveness	Risk resilience, mitigation and adoption strategies included in sustainability plan	Achieved
	Reporting of planned initiatives and impact on reducing carbon emissions	Carbon emissions included in annual report and compared against 2020 baseline (normalised against revenue)	Achieved
	Reduced carbon emissions year-on-year (adjusted for COVID)	Reduce carbon emissions compared with 2021 (normalised against revenue) 2020 = 3.12t per $100k Revenue 2021 = 2.99t per $100k Revenue	Achieved
		25% reduction carbon reduction by 2025 compared to 2020 (normalised against revenue)	On Track***
	Support community organisations/initiatives	Financial or in-kind contributions equivalent to 5% of net profit after tax	Achieved
People and Safety	Employee Turnover comparable to industry average	Employee turnover within 5% of the national industry average	Not Achieved
	Reduce average TRIFR	TRIFR reduction from 12% to under 10%	Not Achieved
	Maintain ISO 45001 Accreditation for Health & Safety	ISO 45001 accredited	Achieved
Non-shareholder Business	Profitable growth in non-NCC work	Profitable year-on-year growth in non-NCC work from 2021 to 2022	Achieved
Equity Ratios	Investment delivers a sustainable return at or above industry norms	EBIT Return on Equity is at or above industry benchmarks	Not Achieved
	Financial risk limited by maintaining appropriate balance sheet ratios	Bank Debt to Equity at or below 55%	Achieved

* Administered internally, response rate of 24% in 2022 (2020: 23%).

** Pulse survey is performed every 2 years. The result for 2021 was Achieved.

*** We have assessed that we are on track with our project plan to date. We are expecting progress to accelerate over the next 12-18 months as the fleet replacement programme is rolled out.

Greenhouse Gas (GHG) Emissions

Nelmac Limited (the company) is on a journey towards measuring company wide emissions. In the reported information below the company have included only Scope 1 and Scope 2 emissions sources. This reporting boundary has been defined because it includes the emissions for which sufficient measurement data is available, and the sources where there is the greatest ability to reduce emissions.

Specific exclusions from within these sources have been noted below. In addition, we have not reported Scope 3 emissions, this means we have excluded some potential significant emission sources such as: sub-contractor emissions and emissions related to our supply chain, including purchased materials and the mining and transportation of fuels.

The Company is working to include further sources in the coming financial years to represent our company wide emissions more fully. The company is working with suppliers to gather the required information and developing our internal systems to ensure that the ability exists to document, collate, measure and analyse our emissions more thoroughly. While this work is underway, we continue to be committed to reducing CO_2 emissions. Sustainability targets have been set and will be measured against on an annual basis.

The Company uses the operational control approach to determine our organisational boundary. This means the reported results include 100% of emissions from which we determine we have operational control. Emissions are included from all of the Company's depots under this approach, with any exceptions noted as exclusions below.

The Company is reporting an intensity factor to ensure that we can compare the impact of our reduction initiatives over time without being influenced by increases or decreases in the overall size of the Company. This intensity factor is our normalised tonnes of emissions from the Scope 1 and Scope 2 emissions sources per $100,000 of revenue, adjusted for the COVID-19 wage subsidy. This adjustment has been made because the receipt of the wage subsidy does not influence our carbon emissions, nor does it reflect the volume of our operations in the periods we received it.

	2022 CO_2e	2021 CO_2e	Baseline CO_2e
Nelmac Emissions (t emitted CO_2)			
Diesel Stationary and Mobile [1,2]	1138.71	1183.09	1031.74
Petrol Stationary and Mobile [1,2]	96.52	96.67	100.9
Total Scope 1 Emissions[3]	**1235.23**	**1279.76**	**1132.64**
Purchased Electricity (All Scope 2 Emissions)	14.22	14.78	12.8
Total Emissions	1249.45	1294.54	1145.44
Normalised Emissions (t/$100,000 Revenue)	**2.88**	**2.99**	**3.12**

1. Fuel emissions exclude rental car use.
2. The Company sold its commercial and residential refuse collection activity to Better Bins on 1 February 2022. The emissions presented above include the emissions of these activities until settlement date. Emissions relating to this activity have not been removed from absolute emissions reported because the Company does not consider the sale a significant structural change. Certain plant and vehicles were retained and continue to be used for other refuse and recycling activities, therefore the related emissions for the commercial and residential refuse activities cannot be easily disaggregated.
3. Scope 1 emissions exclude emissions from refrigerants.

There is a level of inherent uncertainty in reporting greenhouse gas emissions, this is due to a level of scientific uncertainty as well as estimation uncertainty involved in the measurement processes. The Company has used the published emissions factors from the MFE 2022 guidance document and obtained quantity data direct from suppliers (electricity invoice, fuel card). The Marlborough depots electricity emissions are estimated by applying the electricity usage of a similar depot. The level of uncertainty is not considered significant given the sources that have been included in the current year and the low level of estimation applied.

Environmental performance targets are assessed as achieved. This is because the reported normalised 2022 emissions are lower than 2021 and baseline emissions.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Nelmac Limited's financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Nelmac Limited (the company). The Auditor-General has appointed me, Chris Genet, 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 36 to 59, that comprise the statement of financial position as at 30 June 2022, 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 presented in the statement of performance on pages 28 to 29.

In our opinion:

- the financial statements of the company on pages 36 to 59:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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
- the performance information of the company on pages 28 to 29 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 2022.

Our audit was completed on 11 November 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors (the Board) and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of Matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The Company has chosen to include measures of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion, and considering the public interest in climate change related information, we draw attention to page 29 of the Statement of Performance, which outlines the uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources is still evolving, as are GHG reporting and assurance standards.

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.

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 4 to 27 and 60 to 63, 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.

Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Financial Statements

1. Reporting Entity

Nelmac Limited is a profit-orientated Company registered under the Companies Act 1993.

Nelmac Limited is wholly owned by Nelson City Council and is a Council Controlled Trading Organisation (CCTO) as defined in Part 1, Section 6 of the Local Government Act 2002.

Its principal activities are the maintenance of Utility Services and Amenity Horticultural Assets, along with provision of Facilities Management, Conservation and Environmental Services.

2. Summary of Significant Accounting Policies

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied:

Statement of Compliance

The Company is a Tier 1 for profit entity as defined by the External Reporting Board (annual expenses over $30 million) and has reported in accordance with Tier 1 for profit Accounting Standards. These Annual Financial Statements are general purpose financial reports which have been presented in accordance with NZIAS1, additional information as requested by Directors, and in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRS, and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

These Financial Statements were authorised for issue by the Directors on 11 November 2022.

Basis of Preparation

The financial statements have been prepared on the historic cost basis less impairment, with the exception of land, which is held at fair value. The going concern basis of accounting has been applied.

The accounting policies set out below and in the following notes have been applied consistently to all periods in these financial statements except for IFRS 16 Leases, which has been applied using the modified retrospective approach.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-orientated entities.

The financial statements of Nelmac Limited have been prepared in accordance with the requirements of the Companies Act 1993 and the Local Government Act 2002.

The reporting currency is New Zealand dollars, rounded to the nearest dollar.

Critical Accounting Judgements, Estimates and Assumptions

In preparing these financial statements, the Company has made judgements, estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated. The critical accounting judgements, estimates and assumptions of the Company are contained within the following policies and notes.

a. Goods and Services Tax

The financial statements have been prepared exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities is classified as operating cash flows.

b. Taxation

Income tax on the profit/loss for the year comprises current and deferred tax, and is recognised in the profit or loss (or recorded as equity or other comprehensive income if it relates to items recognised directly in equity or other comprehensive income).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date, and any adjustment to tax payable in respect of previous years. The current tax for current and prior periods is recognised as a liability (or asset) in the Statement of Financial Position to the extent that it is unpaid (or refundable).

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation of the carrying amount of assets and liabilities, using tax rates enacted at balance date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

c. Financial Instruments

The company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, debtors, creditors, and loans. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the profit or loss.

i. Accounts Receivable

Accounts receivable are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

ii. Accounts Payable

Accounts payable are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value approximates their fair value. They are recognised when an obligation to make future payments exists from the purchase of goods and services. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

iii. Cash/Cash Equivalents

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments with original maturities of 3 months or less, in which the Company invests as part of its day-to-day cash management.

d. Inventories

Inventories are valued on the basis of the lower of cost, determined on a weighted average basis, and net realisable value.

e. Property, Plant and Equipment

Land is shown at fair value based on periodic valuations by external independent valuers. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

Land is not depreciated.

Plant and equipment, and leasehold improvements are stated at historical cost less depreciation and impairment.

Depreciation is provided on a straight line basis on all property, plant and equipment other than freehold land, at rates which will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings:	4 to 50 years	(2% – 25%)
Plant and Equipment:	1 to 25 years	(4% – 100%)
Motor Vehicles:	3 to 15 years	(6.67% – 33%)
Furniture and Fitout:	1 to 10 years	(10% – 100%)

The actual cost of improvements to capital assets is transferred to the Asset Register on completion and then depreciated.

f. Intangible Assets

Software has a finite useful life and is initially recognised at cost, and amortised on a straight line basis over its estimated useful life of 2 to 5 years.

g. Impairment of Assets

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses are recognised and expensed immediately.

h. Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities, unless the company has an unconditional right to defer settlement of the liability for at least twelve months after balance date.

i. Employee Entitlements

Provision is made in respect of the Company's liability for annual leave, sick leave, long service leave, and retirement gratuities. Annual and long service leave due has been calculated on an actual entitlement basis at current rates of pay. Provision is also made for retirement gratuities, sick leave, and long service leave based on an estimate of the likelihood of those liabilities crystallising.

j. Borrowing Costs

Except for borrowing costs that are capitalised on qualifying assets with a start date on or after 1 July 2012, all other borrowing costs are recognised as an expense in the period in which they are incurred. A qualifying asset is defined as a separate asset where the construction period exceeds one year and costs, in excess of $1 million.

k. Work in Progress/Contract Assets and Contract Liabilities

Work in progress/contract assets is stated at estimated realisable value, after providing for non-recoverable amounts. Work in progress represents work from contracts which has been performed, but which is unable to be billed as the right to consideration remains conditional. Profits on contracts are recognised progressively over the period of each contract. The amount included in the profit or loss and the value of the work in progress are established by assessment of individual contracts, taking into account the proportion of work completed, cost analysis and estimated final results. Foreseeable losses on a contract are recognised immediately.

l. **Capital Management**

Nelmac Limited's capital is its issued and paid up capital, asset revaluation reserve and retained earnings. Equity is represented by net assets as disclosed in the Statement of Financial Position. The company manages its revenue, expenses, assets and liabilities and day-to-day financial transactions prudently. The purpose of managing Nelmac's equity is to ensure the company achieves its goals and objectives, whilst remaining a going concern.

Nelmac has adopted the new accounting pronouncements which have become effective this year:

m. **IFRS 16 Leases**

IFRS 16 "Leases" replaces IAS 17 "Leases" along with 3 interpretations.

The adoption of this new Standard has resulted in Nelmac recognising a right of use asset and related lease liability in connection, with all former operating leases except for those identified as low value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application , Nelmac has elected to apply the definition of a lease from IAS 17 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17.

Nelmac has elected not to include initial direct costs in the measurement of the right of use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 July 2019 at this date Nelmac has also elected to measure the right of use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Nelmac has assessed that it's right of use assets at the date of initial application are not impaired.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low value assets Nelmac has applied the optional exemptions to not recognise right of use assets but to account for the lease expense on a straight line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 5%.

Nelmac has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

n. **Government Subsidies**

Subsidies from the government are recognised at their fair value, where there is a reasonable assurance that the subsidy will be received and the group will comply with all attached conditions.

o. **Non-Current Assets Held For Sale and Discontinued Operations**

Non-Current Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell of a disposal group, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-Current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the statement of comprehensive income.

p. **Revenue**

Revenue

Nelmac Limited applied IFRS 15 Revenue from Contracts with Customers from 1 July 2018.

Revenue from Contracts with Customers is recognised over time using the input method, as the customer is able to receive and consume the benefits as the Company performs the work. Revenue from contracting services rendered is recognised in the statement of comprehensive income in proportion to the stage of the contract. The stage of completion is assessed by reference to the proportion of the costs incurred to date compared to the total estimated costs of the contract. This input method is considered by the directors to be appropriate in measuring progress towards complete satisfaction of these performance obligations under IFRS 15.

The work performed by the Company maintains, creates, or enhances assets the customer controls and the customer receives and consumes the services at the same time. Much of the revenue of the Company is covered by a monthly claim process, where the Company and the Customer agree on the work fully performed, and the resulting value applying contract rates. These amounts are then due for payment in the next month.

The Company has not included a finance component to revenue levels as its expectation is that the period between when a customer receives a good or service, and when they pay for it will be less than one year. There is an amount of revenue that is from sale of goods to customers on an individual order basis, the benefits of these goods transfer to the customer when they take possession. These sales are under normal trading terms with payment expected the next month.

Variable Consideration

The Company's contracts are for performance of services, with any variable components mainly relating to additional scope being added during the contract periods.

Warranties and Defects Periods

Some contracts include a warranty or defects period following the completion of work. These performance obligations are not separate and are allowed for in the contracts, and provisioned as appropriate.

3. Changes in Accounting Policies

No accounting policies have been updated in the 30 June 2022 year.

4. Future Changes to Accounting Standards

a. **NZ IFRS 17 – Insurance Contracts**

Nelmac did not apply this new standard as Nelmac expects minimal impact from this standard on the FY2022 financial statements.

Statement of Comprehensive Income

For the year ended 30 June 2022

SOI TARGET		NOTES	2022 (NZD)	2021 (NZD)
40,000,000	Revenue	1	42,580,544	41,925,319
	Cost of Sales	1	(32,859,503)	(32,752,077)
	Gross Profit		**9,721,041**	**9,173,242**
	Other Income		7,011	2,552
	Finance Costs		(208,171)	(175,219)
	Operating Expenses	1	(8,608,762)	(7,907,143)
	Operating Profit/(Loss) of Continuing Operations		**911,119**	**1,093,432**
	Profit/(Loss) Related to Discontinued Operations		(73,524)	(65,299)
1,021,000	**Operating Profit/(Loss) Before Distributions and Tax**		**837,594**	**1,028,133**
(511,000)	Subvention Payments		514,016	396,860
	Operating Profit/(Loss) Before Tax		**323,578**	**631,273**
(143,000)	Income Tax Expense	3	(94,238)	(302,199)
367,000	**Net Profit/(Loss) After Tax**		**229,340**	**329,074**
OTHER COMPREHENSIVE INCOME				
	Asset Revaluation		965,000	–
367,000	**Total Comprehensive Income**		**1,194,340**	**329,074**

Refer to Note 19 for explanation on variance in actual Financial Position to SOI estimates.

The accompanying accounting policies and notes form part of these financial statements.

Director

Date: 11 November 2022

Director

Date: 11 November 2022

Statement of Changes in Equity

For the year ended 30 June 2022

SOI TARGET		NOTES	2022 (NZD)	2021 (NZD)
10,491,000	Equity at Beginning of Year		10,477,362	10,148,288
	Adjustment from the Adoption of IFRS 16			
10,491,000	Adjusted Equity at Beginning of Year		10,477,362	10,148,288
367,000	Total Comprehensive Income for the Year		1,194,340	329,074
	Dividends Paid	4b	–	–
10,858,000	**Equity at the End of the Year**		**11,671,702**	**10,477,362**
	Represented By:			
2,000,000	Share Capital		2,000,000	2,000,000
7,778,000	Retained Earnings	4b	7,626,702	7,397,362
1,080,000	Asset Revaluation Reserve	4c	2,045,000	1,080,000
10,858,000	**Total**		**11,671,702**	**10,477,362**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2022

SOI TARGET	EQUITY	NOTES	2022 (NZD)	2021 (NZD)
2,000,000	Share Capital		2,000,000	2,000,000
7,778,000	Retained Earnings		7,626,702	7,397,362
1,080,000	Asset Revaluation Reserve		2,045,000	1,080,000
10,858,000	**Total**	**4**	**11,671,702**	**10,477,362**
	Represented by:			
	Current Assets			
	Cash and Cash Equivalents	5	1,777,151	1,317,683
	Receivables and Prepayments	6	7,236,185	6,178,248
	Assets Held for Disposal	17	–	195,000
	Inventories	7	361,791	464,786
	Work in Progress/Contract Assets	8	484,875	568,769
	Taxation Receivable	3	46,864	–
7,925,000	**Total Current Assets**		**9,906,865**	**8,724,486**
	Non-Current Assets			
	Property, Plant and Equipment	9	12,675,003	11,438,517
	Intangible Assets	10	395,498	263,749
	Right-of-Use Assets	14	777,420	1,005,984
	Deferred Taxation	3	46,726	71,428
11,655,000	**Total Non-Current Assets**		**13,894,647**	**12,779,678**
19,580,000	**Total Assets**		**23,801,512**	**21,504,163**
	Current Liabilities			
	Borrowings	13	248,004	2,682,925
	Payables and Accruals	11	3,703,902	4,093,984
	Employee Entitlements	12	1,894,814	1,727,551
	Deferred Revenue – Contract Assets	8	1,099,193	745,731
	Lease Liabilities	14	266,998	45,464
	Taxation Payable	3	-	279,809
5,463,000	**Total Current Liabilities**		**7,212,912**	**9,575,465**
	Non-Current Liabilities			
	Borrowings	13	4,276,349	402,964
	Employee Entitlements	12	52,359	37,180
	Provision for Remediation		64,000	65,000
	Lease Liabilities	14	524,180	946,192
3,259,000	**Total Non-Current Liabilities**		**4,916,888**	**1,451,337**
8,722,000	**Total Liabilities**		**12,129,800**	**11,026,801**
10,858,000	**Net Assets**		**11,671,702**	**10,477,362**

The accompanying accounting policies and notes form part of these financial statements.

Refer to Note 19 for explanation on variance in actual Financial Position to SOI estimates.

For and on Behalf of the Board who authorised the issue of these financial statements on 11 November 2022.

Director

Date: 11 November 2022

Statement of Cash Flows

For the year ended 30 June 2022

SOI TARGET	CASHFLOWS FROM OPERATING ACTIVITIES	NOTES	2022 (NZD)	2021 (NZD)
	Cash was Provided from:			
	Receipts from Customers		42,916,873	42,818,918
	COVID-19 Wage Subsidy		331,880	–
	Other Income		7,011	1,037
39,938,000			43,255,764	42,819,955
	Cash was Disbursed to:			
	Payments to Suppliers and Employees		(41,003,268)	(38,824,075)
(476,000)	Subvention Payment		(514,016)	(396,859)
	Taxes Paid		(396,209)	(242,727)
	Interest on Leases		(69,746)	(52,767)
	Interest Paid		(136,510)	(122,461)
(37,303,000)			(42,119,749)	(39,638,889)
2,159,000	**Net Cash Provided by/(Used in) Operating Activities**	**2**	**1,136,015**	**3,181,066**
	Cashflows from Investing Activities			
	Cash was Provided from:			
	Proceeds from Sale of Property, Plant and Equipment		54,929	73,113
	Cash was Applied to:			
	Purchase of Property, Plant and Equipment		(1,596,273)	(2,387,036)
	Purchase of Intangible Assets		(256,934)	(148,081)
(1,586,000)			(1,853,207)	(2,535,117)
(1,586,000)	**Net Cash (Used in)/Provided from Investing Activities**	**2**	**(1,798,278)**	**(2,462,004)**
	Cashflows from Financing Activities			
	Cash was Provided from:			
	Borrowings – Drawdown		4,524,353	3,085,890
	Cash was Applied to:			
	Borrowings – Repayments		(3,085,890)	(2,874,231)
	Lease Liabilities		(316,726)	(268,985)
	Dividends Paid		-	–
			(3,402,615)	(3,143,216)
–	**Net Cash (Used in)/Provided from Financing Activities**		**1,121,732**	**(57,332)**
178,000	**Net Increase/(Decrease) in Cash Held**		**459,468**	**661,730**
469,000	Opening Cash Balance		1,317,683	655,953
647,000	**Closing Cash Balance**		**1,777,151**	**1,317,983**

The accompanying accounting policies and notes form part of these financial statements.

Refer to Note 19 for explanation on variance in actual Financial Position to SOI estimates.

Notes to the Financial Statements

For the Year Ended 30 June 2022

1. (a) Revenues

	2022	2021
OPERATIONAL REVENUE		
– Revenue from Contracts with Customers	41,596,662	41,517,513
– Revenue from Sale of Goods	652,002	407,806
– Revenue from Divested Business	1,106,110	1,343,351
– COVID-19 Wage Subsidy	331,880	–
	43,686,655	**43,268,670**
FINANCE INCOME		
Interest Revenue	7,011	1,037
	43,693,666	**43,269,707**

Nelmac performs contracting services in a variety of areas, including:

- Open space management
- Utility assets, including water and water treatment
- Facilities maintenance and cleaning
- Recycling and waste
- Environmental and conservation
- Revenue from Sale of Goods is recognised at point of transfer
- Revenue from Contracts is recognised using the monthly claim process, where the Company and the Customer agree on the work fully performed, and the resulting value applying contract rates.

1. (b) Expenses

	2022	2021
EXPENSES INCLUDE		
Audit Fee – Financial Statement	54,360	52,604
Audit Fee – 2020 Audit Fee Recovery	–	15,000
Advisory Services (Tax and Accounting)	6,440	46,027
Depreciation		
– Buildings	75,435	78,876
– Plant and Equipment	625,414	739,124
– Motor Vehicles	568,180	260,925
– Administration Furniture and Equipment	124,494	108,190
– Leased Assets	281,208	224,089
Rent	185,785	184,626
Amortisation		
– Software and Other	153,540	167,538
Employee benefit costs	18,805,065	18,008,766
Directors' Fees	146,356	146,398
Interest Expense		
– Bank (Including Loan Fees)	136,510	122,461
– Leased Assets	69,746	52,767
– Other	–	–
Changes in Provision for Doubtful Debts	7,514	(8,298)

1. (c) Other Comprehensive Income

	2022	2021
Other Comprehensive Income	965,000	–

Other comprehensive income for the year is entirely comprised of land revaluation performed on 30 June 2022. Under New Zealand tax legislation this other comprehensive income is exempt from taxation.

No amounts previously recognised in other comprehensive income are reclassified to profit and loss in the 2022 financial year.

2. Reconciliation of Net Profit/(Loss) After Taxation with Net Cash Flow from Operating Activities

	2022	2021
Net Profit/(Loss) After Taxation	**229,340**	**725,934**
Add/(Deduct) Non-Cash Items		
Depreciation and Amortisation	1,828,272	1,578,742
Net (Gain)/Loss on Sale	(22,544)	(1,515)
Impairment of Assets Relating to Discontinued Operations	-	–
Movement in Deferred Taxation	24,702	30,192
Total Non-Cash Items	**1,830,430**	**1,607,419**
Add/(Deduct) Movements in Working Capital Items		
(Increase)/Decrease in Receivables and Prepayments	(1,018,062)	(1,040,666)
(Increase)/Decrease in Inventories	102,996	239,484
(Increase)/Decrease in WIP	83,894	75,297
Increase/(Decrease) in Payables and Accruals	(301,814)	1,535,307
Increase/(Decrease) in Revenue in Advance	353,462	
Increase/(Decrease) in Employee Entitlements	167,263	11,302
Increase/(Decrease) in Provision for Taxation	(326,673)	29,280
Net Movement in Working Capital	**(938,934)**	**850,004**
Add/(Deduct) Movements in Non-Current Items		
Increase/(Decrease) in Employee Entitlements	15,179	(2,292)
Net Movement in Non-Current Items	**15,179**	**(2,292)**
Net Cash Inflow/(Outflow) from Operating Activities	1,136,015	3,181,066

Depreciation and amortisation expense

Depreciation and amortisation expense consists of the following:

	2022	2021
Depreciation of Property, Plant and Equipment (Note 9)	1,393,524	1,187,115
Depreciation of Right-of-Use Assets (Note 14)	281,208	224,088
Total Depreciation	**1,674,732**	**1,411,203**
Amortisation of Intangible Assets (Note 10)	153,540	167,538
	1,828,272	**1,578,741**

Finance Costs

Finance costs for the reporting periods consist of the following:

	2022	2021
Interest and Fees on Bank Borrowings	136,510	122,461
Interest on Supplier Arrangements	-	–
Interest Expense for Leasing Arrangements	71,466	52,757
Total Interest Expense	**207,976**	**175,218**

3. Tax Expense

	2022	2021
Profit/(Loss) Before Taxation	**626,584**	**1,028,133**
Prima Facie Taxation at 28%	175,444	287,877
Plus/Less Taxation Effect of:		
Opening Balance Adjustment	(194,121)	(76,459)
Non-Deductible Expenditure	8,093	7,883
Deferred Tax Adjustment	104,823	82,898
Tax Expense	**94,238**	**302,199**
Taxation is Represented by:		
Current Taxation	263,657	348,466
Deferred Taxation	24,702	30,192
Prior Period Adjustment	(194,121)	(76,459)
Tax Expense	**94,238**	**302,199**
Taxation (Receivable)/Payable Account		
Balance as at 1 July	279,809	250,529
Opening Balance Adjustment	(194,121)	(76,459)
Current Taxation	263,657	348,466
(Net Taxes Paid)/Refunds Received	(396,209)	(242,727)
Closing Balance 30 June	**(46,864)**	**279,809**
Deferred Taxation (Asset)/Liability Account		
Balance as at 1 July	(71,428)	(101,620)
Opening Balance Adjustment	–	(9,477)
Current Year Charge	24,702	39,669
Closing Balance 30 June	**(46,726)**	**(71,428)**

Deferred Taxation Movements Statement	Property, Plant and Equipment	Provisions	Employee Entitlement	Other	Total
Balance as at 1 July 2020	157,438	68,159	(303,208)	(24,009)	(101,620)
Opening Balance Adjustment	–	–	(9,477)	–	(9,477)
Current Year Charge	8,337	8,461	22,871	–	39,669
Closing Balance 30 June 2021	**165,775**	**76,620**	**(289,814)**	**(24,009)**	**(71,428)**
Balance as at 1 July 2021	165,775	76,620	(289,814)	(24,009)	(71,428)
Opening Balance Adjustment	–	–	–	–	–
Current Year Charge	43,161	10,526	(28,985)	–	24,702
Closing Balance 30 June 2022	**208,936**	**87,146**	**(318,799)**	**(24,009)**	**(46,726)**

	2022	2021
Imputation Credit Account		
Imputation Credits Available for Use in Subsequent Periods	(2,548,774)	(2,142,565)

4. Equity

a) Share Capital

	2022	2021
Opening Balance	2,000,000	2,000,000
Balance at 30 June	**2,000,000**	**2,000,000**

At 30 June 2022 the company had a share capital of 2,000,000 shares (2021: 2,000,000 shares).

All shares are fully paid, and have no par value.

All shares carry equal voting rights and the right to share in any surplus on winding up the company.

None of the shares carry fixed dividend rights.

b) Retained Earnings

	2022	2021
Retained Earnings at 1 July	7,397,362	7,068,288
Adjustment from Adoption of IFRS 16	–	–
Net Profit After Tax	229,340	329,074
Dividend	–	–
Retained Earnings at 30 June	**7,626,702**	**7,397,362**

c) Asset Revaluation Reserve

	2022	2021
Asset Revaluation Reserve at 1 July	1,080,000	1,080,000
Revaluation	965,000	–
Asset Revaluation Reserve at 30 June	**2,045,000**	**1,080,000**

Included in the Asset Revaluation Reserve is a $2,045,000 asset revaluation for land to Fair Value.

5. Cash and Cash Equivalents

	2022	2021
Cash at Bank and in Hand	1,726,507	1,267,095
Short Term Deposits	50,644	50,588
Closing Cash Balance	**1,777,151**	**1,317,683**

6. Receivables and Prepayments

	2022	2021
Trade/Contract Debtors	2,239,415	1,732,695
Trade/Contract Debtors (Related Parties)	4,390,024	3,921,245
Provision for Doubtful Debts	(7,514.25)	–
Retentions Receivable	280,331	253,334
Prepayments	333,929	270,974
Total Receivables and Prepayments	**7,236,185**	**6,178,248**

As at 30 June 2022 and 2021, all overdue receivables have been assessed for impairment and appropriate provisions applied as detailed below:

	2022			2021		
	Gross	Impairment	Net	Gross	Impairment	Net
Current	6,540,892	–	6,540,892	5,636,301	–	5,636,301
Past Due 30 Days	12,421	–	12,421	9,915	–	9,915
Past Due 60 Days	33,720	–	33,720	4,271	–	4,271
Past Due 90 Days and Over	27,195	(7,758)	19,437	3,454	–	3,454
Total	**6,614,227**	**(7,758)**	**6,606,469**	**5,653,940**	**–**	**5,653,940**

Movements in the provision for impairment of receivables are as follows:

	2022	2021
Opening Balance	–	8,298
Plus Increase/(Decrease) of Provision	7,514	(8,298)
Less Receivables Written Off During Period	244	–
Balance at 30 June	**7,758**	**–**

The Company does not hold any collateral as security.

The Company applies the NZ IFRS 9 simplified approach to measuring expected credit losses, using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Company's historical credit losses experienced over the 3 year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information including macroeconomic factors affecting the Company's customers.

The Company has historically had only small amounts of losses on receivables. Loss rates in recent prior years have been negligible, and it is considered that the current provision allows adequately for foreseeable losses. The impairment amount relates entirely to Revenue from Contracts with Customers.

7. Inventories

	2022	2021
Nursery Plant Stock	114,197	129,286
Other Materials	267,594	355,500
Provision for Obsolescence	(20,000)	(20,000)
	361,791	**464,786**

There has been no adjustment for the impact of COVID-19 on inventories. We have strong forward demand for our Nursery stock due to shovel ready projects, and other stock (refuse and water) are for departments supplying essential services.

Inventories form part of the security under the Debenture that Westpac has over Nelmac Limited's Assets and Undertakings.

A small provision for obsolescence has been made to provide for nursery plants ($7k) that are currently below expected growth levels and for old water inventory ($13k) that hasn't been purchased or consumed within the last 3 years.

8. Contract Assets and Contract Liabilities

Work in progress/contract assets arise from the performance of Contracting Services.

	2022	2021
Contract Assets		
Work in Progress	484,875	568,769
Contract Set Up Costs	–	–
	484,875	**568,769**
Contract Liabilities		
Deferred Revenue	1,099,193	745,731
	1,099,193	**745,731**

Maintenance Services

Payment for maintenance services is due periodically. A contract asset is recognised over the period as services are provided to represent the Company's right to consideration for the services transferred to date.

Construction Contracts

Construction contract asset represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus margin recognised to date, less progress billings and recognised losses. Costs include all expenditure related directly to the specific projects.

Once the outcome of a construction contract can be estimated reliably, construction revenue and costs are recognised on the basis of percentage of completion of the contract at balance date. The stage of completion is assessed by carrying out surveys of the work performed.

An expected loss on a contract is recognised immediately in the income statement.

Construction contracts are defined as those in which progress claims are made under the Construction Contracts Act 2002.

Contract Set Up Costs

The Company recognises an asset in relation to costs incurred to set up new contracts. This asset is amortised over the term of the specific contract (to the earliest renewal period) that it relates to.

9. Property, Plant and Equipment

COST	Land and Buildings	Freehold Land Held at Fair Value	Buildings	Plant and Equipment	Motor Vehicles	Furniture and Fitout	Capital WIP	Total
Balance at 1 July 2021	–	2,230,000	2,563,272	10,891,897	3,940,513	1,094,325	–	20,720,007
Revaluations	–	965,000	–	–	–	–	–	965,000
Additions	–	–	5,903	651,056	825,561	190,170	82,801	1,755,490
Disposals	–	–	–	(66,538)	(34,931)	–	–	(101,469)
Transfers	–	–	–	–	(24,875)	–	–	(24,875)
Reclassification	–	–	(105,822)	(5,025,623)	5,283,152	(187,916)	–	(36,209)
Assets Held For Sale	–	–	–	–	–	–	–	–
Balance at 30 June 2022	**–**	**3,195,000**	**2,463,352**	**6,450,792**	**9,989,420**	**1,096,579**	**82,801**	**23,277,944**
Balance at 1 July 2020	–	2,230,000	2,408,408	10,388,823	3,285,376	788,638	32,413	19,133,658
Revaluations	–	–	–	–	–	–	–	–
Additions	–	–	154,864	1,160,072	769,081	349,391	–	2,433,408
Disposals	–	–	–	(656,998)	(278,521)	(43,704)	–	(979,223)
Transfers	–	–	–	–	24,875	–	(32,413)	(7,538)
Reclassification	–	–	–	–	–	–	–	–
Assets Held For Sale	–	–	–	–	139,702	–	–	139,702
Balance at 30 June 2021	**–**	**2,230,000**	**2,563,272**	**10,891,897**	**3,940,513**	**1,094,325**	**–**	**20,720,008**
Accumulated Depreciation and Impairment Losses								
Balance at 1 July 2021	–	–	708,410	6,153,602	1,798,717	620,761	–	9,281,491
Depreciation	–	–	75,435	625,414	568,180	124,494	–	1,393,523
Disposals	–	–	–	(23,514)	(40,716)	–	–	(64,230)
Transfers	–	–	–	–	–	–	–	–
Reclassification	–	–	(5,181)	(2,966,154)	2,954,219	9,273	–	(7,843)
Assets Held For Sale	–	–	–	–	–	–	–	–
Balance at 30 June 2022	**–**	**–**	**778,664**	**3,789,348**	**5,280,401**	**754,528**	**–**	**10,602,941**
Balance at 1 July 2020	–	–	629,534	6,160,855	1,643,779	527,965	–	8,962,134
Depreciation	–	–	78,876	739,124	260,925	108,190	–	1,187,115
Disposals	–	–	–	(746,377)	(123,717)	(15,394)	–	(885,488)
Transfers	–	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–	–
Assets Held For Sale	–	–	–	–	17,730	–	–	17,730
Balance at 30 June 2021	**–**	**–**	**708,410**	**6,153,602**	**1,798,717**	**620,761**	**–**	**9,281,491**
Carrying Amounts								
At 30 June 2020	–	2,230,000	1,778,874	4,227,968	1,641,596	260,674	32,413	10,171,525
At 30 June 2021	**–**	**2,230,000**	**1,854,862**	**4,738,295**	**2,141,795**	**473,565**	**–**	**11,438,517**
At 30 June 2022	**–**	**3,195,000**	**1,684,688**	**2,661,444**	**4,709,020**	**342,051**	**82,801**	**12,675,003**

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Westpac has a General Security Agreement covering all of Nelmac's assets.

FREEHOLD LAND CARRIED AT FAIR VALUE (LEVEL 3, AS DEFINED IN NZ IFRS 13)

An independent valuations of the Company's land was performed on 30 June 2022 by independent registered valuer Ashley Stevens of Telfer Young (Nelson Marlborough) Limited, Nelson, to determine the value of the land. The valuation which conforms to NZ IAS 16: Property, Plant and Equipment, NZ IFRS 13: Fair Value Measurement and International Valuation Standards IVS300: Valuations for Financial Reporting, was determined by reference to the asset's highest and best use, without deducting disposal costs. The valuation was on the estimated market value of the land at $373 psm. If the psm rate moves by +/- $10, the valuation would increase/(decrease) by $85,780.

Under the New Zealand Property Institute Practice Standard 1, which came into force from 1 May 2004, all valuations must be assessed as at the date of inspection of the property, except where the valuation instructions are to assess the value at a retrospective date. The Directors are satisfied that the current carrying amount reflects its fair value.

The carrying amount of land, had it been recognised under the historical cost method, is as follows:

	2022	2021	2020
Freehold Land	1,150,000	1,150,000	1,150,000

10. Intangible Assets – Software

Intangibles contain software which is recognised at cost and amortised to the Income Statement on a straight line basis over the estimated useful life – which is a maximum period of 5 years.

Cost	Software	Other	Capital WIP	Total
Balance at 1 July 2021	936,270	119,712	14,215	1,070,197
Additions	256,934	–	–	256,934
Disposals	–	–	–	–
Transfers	–	–	(14,215)	(14,215)
Reclassifications	37,347	(49,597)	–	(12,250)
Balance at 30 June 2022	**1,230,551**	**70,115**	**–**	**1,300,666**
Balance at 1 July 2020	821,309	98,832	2,975	923,116
Additions	112,986	20,880	14,215	148,081
Disposals	(1,000)	–	–	(1,000)
Transfers	2,975	–	(2,975)	–
Reclassifications	–	–	–	–
Balance at 30 June 2021	**936,270**	**119,712**	**14,215**	**1,070,197**
Accumulated Amortisation and Impairment Losses				
Balance at 1 July 2021	704,173	102,275	–	806,448
Amortisation	–	6,800	–	–
Disposals	146,740	–	–	153,540
Transfers	–	–	–	–
Reclassifications	(6,051)	(48,760)	–	(54,811)
Balance at 30 June 2022	**844,862**	**60,315**	**–**	**905,177**
Balance at 1 July 2020	541,716	97,194	–	638,910
Amortisation	162,457	5,081	–	167,538
Disposals	–	–	–	–
Reclassifications	–	–	–	–
Balance at 30 June 2021	**704,173**	**102,275**	**–**	**806,448**
Carrying Amounts				
At 30 June 2021	**232,097**	**17,437**	**14,215**	**263,749**
At 30 June 2022	**385,689**	**9,800**	**–**	**395,489**

11. Payables and Accruals

	2022	2021
Trade Creditors and Accruals	2,958,898	3,775,645
Trade Creditors and Accruals (Related Parties)	59,625	68,978
	3,018,523	3,844,623
GST Payable	685,379	249,361
Total Payables and Accruals	**3,703,902**	**4,093,984**

12. Employee Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on a actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the Company.

	2022	2021
Provisions		
Accrued Payroll	598,829	492,346
Annual Leave	1,295,985	1,235,205
Long Service Leave Accrual	27,027	18,563
Retirement Gratuity	25,329	18,617
Total Employee Provisions	**1,947,171**	**1,764,732**
Comprising:		
Current	1,894,814	1,727,551
Non-Current	52,356	37,180
Total Employee Provisions	**1,947,171**	**1,764,732**

13. Borrowings

	2022	2021
Bank Short Term Facility	–	–
Bank Fixed Asset Facility – Current Portion	248,004	182,925
Bank Fixed Asset Facility – Non-Current Portion	526,349	402,964
Bank Loans Term Loans	3,750,000	2,500,000
Balance at 30 June	**4,524,353**	**3,085,890**

Nelmac Limited's banking facilities with Westpac includes a Visa facility of $50,000 (2021: Westpac, $50,000).

The company has Multi Option Credit Facility (MOCF) flexible borrowing facilities of $4 million.

As at 30 June 2022, $3,750,000 of the facility was drawn down (2021: $2,500,000).

The interest cost including fees on this facility is 4.30% (2021: 2.35%).

Interest rates on the floating rate debt are based on bank bill rates plus a margin.

Due to interest rates on floating debt resettling on the market rate, the carrying amounts on secured loans approximate their fair values.

Nelmac also has a FlexEquip Fixed Asset facility of $1 million, secured by the Fleet Assets it funds. The interest rate on this facility is 5.95%.

The MOCF borrowing facilities are not amortising and can be drawn down as required.

The FlexEquip Fixed Asset facility is reducing based on depreciation rates of the assets that it is funding. It is a revolving facility that will increase as assets are purchased from it.

Obligations are secured by a Debenture over the Assets and Undertakings of Nelmac.

14. Leases

Nelmac has leases for premises in Tasman, plant and equipment, and some vehicles.

With the exception of short term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Nelmac classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Lease of vehicles are generally limited to a lease term of 3 to 5 years. Leases of property generally match the term of their underlying Delivery Contract ranging from 5 to 10 years including lease renewal options.

Lease payments are generally a fixed amount per month, however the company has property leases with rental reviews linked to changes in market rents or an annual index.

Each lease generally imposes a restriction that, unless there is a contractual right for Nelmac to sublet the asset to another party, the right-of-use asset can only be used by Nelmac. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

A lease may contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. Nelmac is prohibited from selling or pledging the underlying leased assets as security. For leases of premises Nelmac must keep those properties in good state of repair and return the properties in such condition at the end of the lease. Nelmac must insure items of property, plant and equipment (or pay for this) and incur maintenance fees on such items in accordance with the lease contracts.

A weighted average incremental borrowing rate of 5% has been applied to lease liabilities.

Nelmac Limited applied IFRS 16 Leases from 1 July 2019 and elected to use the modified retrospective approach, in that prior year amounts were not restated, and any impact to prior year revenue recognised with an adjustment to opening retained earnings.

Practical Expedients Applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similarly characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 30 June 2022
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Measurement of Right-of-Use Assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2022.

The table below describes the nature of Nelmac's leasing activities by type of right-of-use asset recognised on the balance sheet:

Right-of-Use Asset	Number of Right-of-Use Assets	Range of Remaining Terms	Average Remaining Lease Term	Number of Leases with Extension Options	Number of Leases with Variable Payments Linked to Market or Index	Number of Leases with Termination Options
Premises – Depots	4	11 to 64 months	37 months	4	3	–
Vehicles	22	12 to 47 months	40 months	–	–	–

Right-of-Use Assets

Additional information on the right-of-use asset by class of assets is as follows:

Right-of-Use Asset	Asset	Carrying Amount as at 30/06/22	Additions	2022 Depreciation	Impairment
Premises – Yard, Workshop and Office	–	440,174	47,632	142,069	–
Vehicles	–	337,246	–	139,139	–
Total	**–**	**777,420**	**47,632**	**281,208**	**–**

Lease Commitments	2022	2021	2020
Less Than One Year	266,998	45,464	108,544
One to Five Years	524,180	946,192	290,208
	791,178	**991,656**	**398,752**

Lease Liabilities at 30 June	2022	2021	2020
Current	266,998	45,464	108,544
Non-Current	524,180	946,192	290,208
Total	**791,178**	**991,656**	**398,752**

Lease Payments not Recognised as a Liability:

Nelmac has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2022	2021	2020
Short term leases			–
Leases of low value assets	18,640	16,811	8,639
Variable lease payments			–
	18,640	**16,811**	**8,639**

Amounts Recognised in the Statement of Comprehensive Income	2022	2021
Depreciation Charge on Right of Use Assets		
Land and Buildings	142,069	138,712
Vehicles	139,139	85,376
Total	**281,208**	**224,088**

Interest Expense on Lease Liabilities	2022	2021
Land and Buildings	32,740	28,071
Vehicles	38,726	24,687
Total	**71,466**	**52,757**

15. Related Parties Transactions

Nelmac is 100% owned by Nelson City Council (NCC).

All transactions with NCC and its Subsidiaries are considered to be related party transactions and these are detailed below. Values listed for all Related Party receivables are inclusive of GST.

The amounts owing to/from related parties are payable in accordance with the Company's normal terms of trade. No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables from related parties.

During the year the Company provided services and traded with the NCC Group in respect of the following transactions:

a) Transactions and Balances

	2022	2021
Services Provided to/from Nelson City Council		
Services Provided to Nelson City Council (Including All Competitively Won Tenders)	26,226,029	27,145,672
Services Provided by NCC	640,672	835,304
Rates Paid to NCC	34,814	50,442
Accounts Payable to NCC	59,625	68,978
Accounts Receivable from NCC	4,379,777	4,498,703
Subvention Payment Paid to NCC	514,016	396,860
Services Provided to Nelson City Council Subsidiaries and Associates (Including All Competitively Won Tenders)		
Nelson Airport Limited	90,319	123,581
Port Nelson Limited	41,549	27,611
Accounts Receivable from Nelson Airport Limited	6,206	7,410
Accounts Receivable from Port Nelson Limited	4,041	1,919
Subvention Payment Paid to NCC		
Subvention Payment	514,016	396,860

The Services provided to NCC related to the maintenance of Parks, Gardens, Reserves, and Essential Services.

The Services provided to NCC subsidiaries and associates (Nelson Airport Limited, Nelson Regional Sewerage Business Unit and Port Nelson Limited) related to Grounds and Garden Maintenance, and repairs to Essential Services.

Nelmac Limited has leased from the Nelson City Council a property in Atawhai Drive, Nelson.

Lease payments for fiscal year to June 30 2022 were $27,000 (2021: $27,000).

b) Key Management Personnel

Total remuneration paid to key management personnel during the year was $1,272,881 (2021: $1,230,242) and consisted only of short term benefits.

No purchases or services of a material amount were provided to, or made from, Key Management Personnel or companies where Key Management Personnel were directors of those companies, during the year (2021: $Nil).

c) Other Related Parties

No related party debts have been written off or forgiven during the year.

16. Categories of Financial Assets and Liabilities

The carrying amounts of financial asset and liability categories are as follows:

	2022	2021
Financial Assets		
LOANS AND RECEIVABLES		
Cash and Cash Equivalents (Note 5)	1,777,151	1,317,683
Trade and Other Receivables (Note 6)	6,902,256	5,907,274
	8,679,407	**7,224,957**
Financial Liabilities		
OTHER FINANCIAL LIABILITIES		
Trade and Other Payables (Note 11)	2,472,718	3,283,911
Bank Borrowings (Note 13)	4,524,353	3,085,890
	6,997,071	**6,369,800**

17. Financial Instruments

Nelmac Limited is party to financial instruments as part of its everyday operation.

These include instruments such as bank balances, investments, accounts receivable and trade creditors.

Nelmac Limited has a policy providing risk management for interest rates, operating and capital expenditures and the concentration of credit.

a) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

This could particularly impact on the cost of borrowing or the return from investments.

The interest rates on the Company's financial instruments at 30 June are:

	2022	2021
MOCU Rates	4.30%	2.35%
FlexEquip Rates	5.95%	4.20%
Overdraft Interest Rates (to $200,000)	–	–
Overdraft Interest Rates (over $200,000)	–	–
Short Term Deposits	0.55%	0.50%

The Directors do not consider there is any significant exposure to interest rate risk on its investments.

There are no interest rate options or interest rate swap agreements in place as at 30 June 2022. (2021: $Nil).

b) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Nelmac Limited has no financial instruments denominated in foreign currency and is therefore free of any currency risk.

c) Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Company causing the Company to incur a loss.

Financial instruments, which potentially subject the Company to risk, consist principally of cash and short-term investments and trade receivables.

Concentrations of credit risk with respect to accounts receivable are considered medium.

Nelson City Council accounts for 66% of Nelmac Limited's outstanding debtors as at 30 June 2022 (2021: 69.4%).

However, Nelson City Council is considered a high credit quality entity.

Capital Management Strategy

The capital of the Company is its equity which is comprised of subscribed capital, asset revaluation reserve and retained earnings. Equity is represented by the net assets. The Company manages its capital to ensure that it will be able to continue to operate as a going concern and optimise the balance of debt to equity on a prudent basis in consultation with its Shareholder.

The Directors perform continual reviews of operating strategies and financial performance, and include in those reviews any strategies required to protect the capital of the Company. The Board seeks to maximise overall returns to the Shareholder, Nelson City Council, and to maintain the Company's financial strength.

The Company is required to provide to its shareholder an annual Statement of Intent. This Statement of Intent includes information on planned distributions by way of dividend for the following 3 years.

18. Contingencies and Commitments

Nelmac Limited does not have any outstanding Contingent Assets or Contingent Liabilities as at 30 June 2022 (2021: $Nil).

At 30 June 2022 Nelmac Limited's Bankers held Contract Performance Bonds in favour of Clients totalling $963,837 (2021: $621,429).

Nelmac does not list performance bonds as Contingent Liabilities because it does not consider it is probable that any such bonds would be exercised.

19. Explanation of Major Variances against SOI Target

Explanations for major variances from the Company's original 2021/22 budget figures as contained within the Statement of Intent are as follows:

a) Comprehensive Income

Revenue

This was due to COVID impacts offsetting our growth aspirations. The 2 week COVID lockdown in August 2021, combined with high absenteeism in Q4 related to COVID had a significant impact on revenue – labour is 60% of our COS, and is required to enable delivery of all work so any interruptions have a direct impact on revenue.

b) Statement of Financial Position

Current Assets

Current assets were $1,935,001 favourable. This is due to a combination of a busier end to the quarter in 2022 than 2021, and a change in the nature of the work being completed at June 2022 compared with June 2021. The growth areas (Kūmānu, jobs for nature) are labour intensive projects and had significant volume across Q4, which meant higher receivables as a result of completing the work, combined with lower payables.

Non-Current Assets

Non-Current assets were $2,239,637 favourable due to significant investment in our Property, Plant and Equipment to replace older equipment with modern and more efficient equipment in line with our commitment to reduce our CO_2 emissions.

Current Liabilities

Current liabilities were $1,703,048 favourable due to significant water projects being completed end of 2022 – these relied on high materials and subcontractor delivery, and we didn't have such projects in 2021.

Non-Current Liabilities

Non-current liabilities were $1,657,888 lower than SOI target mainly due to an increase in our borrowings at June 2022.

c) Statement of Cashflows

Cashflow from Operating Activities

Cashflow from Operating Activities was $862,432 unfavourable primarily due to decrease in the payables processed in June 2022 compared to June 2021. This is as a result of transferring to a new FMIS which enabled more timely processing of payables prior to June.

Cashflow from Investing Activities

Cashflow from Investing Activities was $372,832 unfavourable due to our CAPEX plan being revised mid year at the request of the shareholder. This resulted in replacing our older fleet vehicles quicker.

20. Post Balance Date Events

Nil.

Statutory Information

Financial Statements

Directors' Responsibility Statement

The Directors are responsible, in accordance with New Zealand law and Generally Accepted Accounting Practice, for the preparation of financial statements which present fairly the financial position of Nelmac Limited as at 30 June 2022 and the results of the operations and cash flows for the year ended 30 June 2022.

The Directors consider that the financial statements of the group have been prepared using accounting policies appropriate to the Company's circumstances, consistently applied and supported by reasonable and prudent judgments and estimates and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1993.

The Directors are responsible for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of Nelmac Limited for the year ended 30 June 2022.

This Annual Report is dated 11 November 2022 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1) (k) of the Companies Act 1993.

For and on behalf of the Board of Directors:

Director

Date: 11 November 2022

Director

Date: 11 November 2022

The Directors of Nelmac Limited are (from left) Hugh Martyn, Robert Gunn (Chairman), Ian Goldschmidt, Michael Playford, Jen Crawford (insert).

Director's Interests

Interests in Transactions

The Directors of Nelmac Limited had no interest in any transactions of the company except as Directors during the year ended 30 June 2022.

Use of Company Information by Directors

There were no notices from Directors requesting the use of Company information received in their capacity as Directors, which would not otherwise have been available to them.

Shareholding by Directors

No Directors held shares in the Company during the year ended 30 June 2022.

Director's Fees and Other Benefits

Director's fees and other benefits paid or due for services as a Director and in any other capacity acting for Nelmac Limited during the year, are as follows.

Agnieszka Grudzinska	$6,828
Hugh Martyn	$26,418
Michael Playford	$26,418
Robert Gunn (Chairman)	$46,635
Jen Crawford	$19,814
Ian Goldschmidt	$26,418

Attendance of Directors at Board Meetings - July 2021 to June 2022

	Meetings Held	Meetings Attended
Agnieszka Grudzinska	3	3
Hugh Martyn	10	10
Michael Playford	10	10
Robert Gunn (Chairman)	10	10
Jen Crawford	7	7
Ian Goldschmidt	10	10

Board Subcommittees and Safety Walk Arounds

All Directors attend subcommittee meetings:

– Health and Safety

– Remuneration

– Audit and Risk

Directors conduct a monthly safety walk, joining Nelmac staff on various sites across the business. The Company has also provided statutory liability insurance for officers.

Indemnity Insurance: Directors and Officers

In accordance with its Constitution, the Company has provided Directors and Officers liability insurance.

Employees' Remuneration

20 employees received remuneration in excess of $100,000 during the period (2021: 17).

BAND	2022	2021
$100,000 to $110,000	6	4
$110,000 to $120,000	5	6
$120,000 to $130,000	4	2
$130,000 to $140,000	1	2
$140,000 to $150,000	1	–
$150,000 to $160,000	–	–
$160,000 to $170,000	–	–
$170,000 to $180,000	1	2
$180,000 to $190,000	–	–
$190,000 to $200,000	–	–
$200,000 to $210,000	1	–
$270,000 to $280,000	–	–
$290,000 to $300,000	–	1
$300,000 to $310,000	–	–
$310,000 to $320,000	1	–
	20	17

Changes in Accounting Policies

See statement of accounting policies.

Auditor's Renumeration

Section 15 of the Public Audit Act 2001 and Part 5 Section 70 of the Local Government Act 2002 requires the Office of the Auditor-General to audit the financial statements and performance information presented by the Board. Audit New Zealand has been appointed to act as auditor and $54,360 has been expensed for audit fees. No other services were provided by Audit New Zealand.

Donations

The Company made $100 of donations in the 2022 Financial Year.

Dividend

In lieu of a dividend, a subvention payment of $514,016 in respect of the year ended 30 June 2021, was paid to the shareholders on 31 March 2022.

In lieu of a dividend, a subvention payment of $418,797, is recommended for the 2021/22 year.

Company Directory

Directors

Jen Crawford
Hugh Martyn
Michael Playford
Robert Gunn (Chairman)
Ian Goldschmidt

Chief Executive

Jane Sheard

Registered Office

2 Bullen St, Tāhunanui, Nelson, New Zealand

Postal Address

2 Bullen St, Tāhunanui, Nelson, New Zealand
Telephone: 03 546 0910
Email: service@nelmac.co.nz

Auditor

Audit New Zealand
On behalf of the Auditor-General

Solicitors

Duncan Cotterill

Bankers

Westpac, Nelson

P: 0800 nelmac | 03 546 0910
E: service@nelmac.co.nz

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nelmac.co.nz

greenspaces
conservation
water
commercial