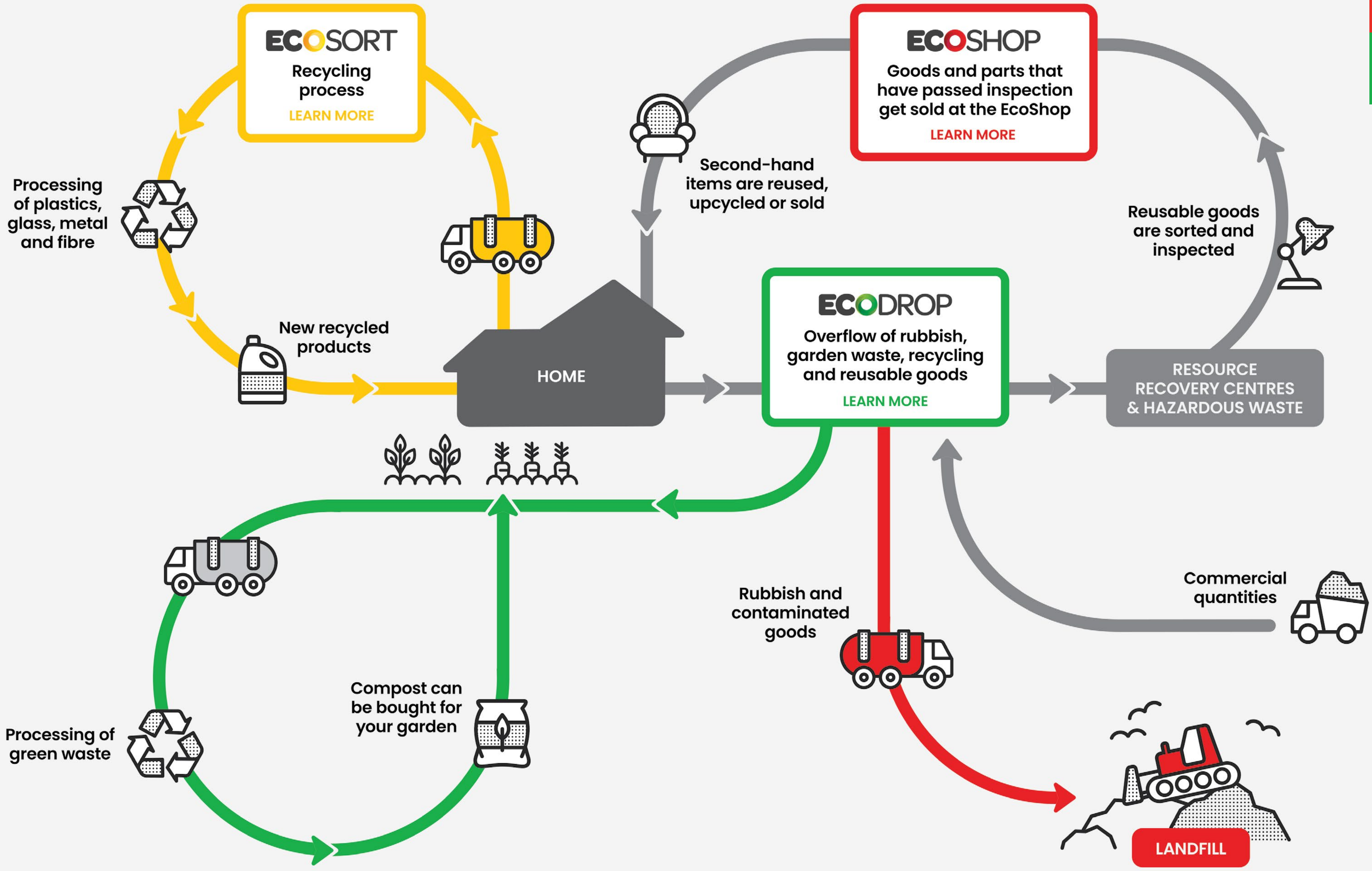
ECO CENTRAL

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

CONTENTS


ECOSORT
Recycling process
LEARN MORE
Processing of plastics, glass, metal and fibre
New recycled products
ECOSHOP
Goods and parts that have passed inspection get sold at the EcoShop
LEARN MORE
Second-hand items are reused, upcycled or sold
Reusable goods are sorted and inspected
HOME
ECODROP
Overflow of rubbish, garden waste, recycling and reusable goods
LEARN MORE
RESOURCE RECOVERY CENTRES & HAZARDOUS WASTE
Commercial quantities
Rubbish and contaminated goods
LANDFILL
Compost can be bought for your garden
Processing of green waste

HOW WE'VE DONE

EcoDrop
Customers served

515,751

EcoShop
Customers served

137,627

EcoShop
Items reused

1,294
Tonnes

Total glass
recycled

14,776
Tonnes

Total plastics
recycled

2,889
Tonnes

Total paper &
cardboard recycled

12,742
Tonnes

Total recycled/
diverted

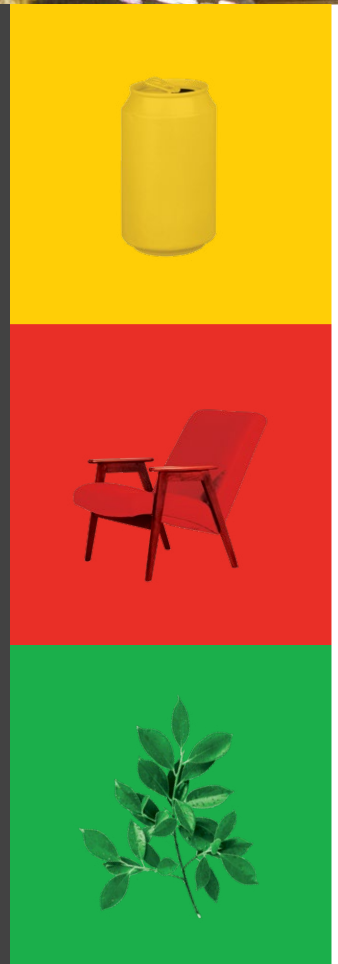
61,317
Tonnes

Green waste
composted

18,054
Tonnes

Health & safety
TRIFR

10.71
(Total recordable injury
frequency rate)



FINANCIAL STATEMENTS

The directors are pleased to present the audited financial statements of EcoCentral Limited for the year ended 30 June 2023.

Mark Jordan (25 September 2023)
Chairman
For and on behalf of the Board

Sinead Horgan (25 September 2023)
Director

CHAIR AND CEO REPORT

REPORT SUMMARY – ACHIEVEMENTS AND OUTLOOK FOR ECOCENTRAL

The highlight of the past year has been the successful $18 million upgrade to our Materials Recovery Facility (MRF). This project was not only delivered on time and under budget but also ensured continuous recycling services for our valued customers. We take pride in surpassing international standards in material quality, which allows us to contribute to the sustainable reuse of plastic and fibre materials.

Our partnership with Christchurch City Council remains constructive, focusing on contract and strategy alignment that will guide us through the coming decade. This collaboration underscores our commitment to advancing the Circular Economy, balancing both environmental and financial considerations.

We extend our heartfelt thanks to the team at EcoCentral for their dedication and efforts in performing an important job for the community in both a safe and efficient manner. Cantabrians can rest assured that the contents of their red and yellow bins are being treated effectively to minimise the amount of product that ends up in landfills.

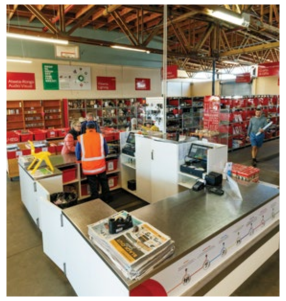
Above left: Mark Jordan
Above right: Craig Downey

MARKET DYNAMICS

Internationally, there is a growing trend towards increased secondary processing within a country's borders. Consumers are increasingly demanding a higher proportion of recycled content in packaging, while governments are implementing policies to promote product stewardship and discourage waste.

New Zealand faces a capacity shortage in processing facilities for recycled products. Over the next five years, we are committed to substantial investments in this area to reduce exports, delivering social benefits, economic opportunities, and lower carbon emissions. Collaborating with industry partners, our strategy aims to develop processing capacity, with Christchurch as a logical hub, positioning us for South Island-wide solutions.

We are intensifying our focus on sales and marketing to increase plant throughput, thereby reducing per-tonne costs. Strengthening commercial relationships and contracts will mitigate market risks and expand our network for pursuing new opportunities.



INVESTING IN OUR TEAM

Our growth aspirations hinge on our motivated and talented team members. We are enhancing our training programs to unlock their full potential, complemented by a recent revision of our company values, which provides clarity on our priorities.

As part of the CCHL Group of companies, we have access to resources that enable us to champion equality and inclusiveness. Our managers can further enhance their skills through CCHL-led programs.

Safety remains paramount, especially concerning critical risks, but we are also placing increased emphasis on mental wellbeing. Encouragingly, staff engagement is on the rise, while staff turnover is decreasing.

SUSTAINABILITY IS AT OUR CORE

Our number one job when it comes to protecting the planet is to facilitate the re-use and recycling of consumable products. Our Resource Recovery Centers and the ever-popular EcoShop on Blenheim Rd play a pivotal role in achieving this, collaborating with charitable organizations, universities, and others to ensure quality goods find their way into homes in need. Future plans include partnerships with commercial retailers to redirect unsold products to where they can be utilised.

Our CO2 reduction roadmap is complete, and we have initiated the transition away from fossil fuels, employing electric light vehicles and forklifts. Discussions are ongoing with heavy equipment suppliers to swiftly adopt electric or hydrogen-powered trucks and loaders.

AN EXCITING FUTURE

In the waste and recycling sector, there has never been a more pivotal time. Our society's challenges are evident, and EcoCentral is committed to delivering sustainable solutions. We aim to make New Zealand cleaner and better by championing the Circular Economy. EcoCentral's role in collecting, sorting, and processing consumable materials for reuse in New Zealand holds increasing importance. Together, we can promote a future where resources are used again and again, contributing to a cleaner, more sustainable New Zealand.

CORPORATE GOVERNANCE STATEMENT

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

ROLE OF THE BOARD

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

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

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

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

CONDUCT OF DIRECTORS

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

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

BOARD COMPOSITION AND MIX

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

The Board of EcoCentral Limited comprises four directors.

The Board meets at least eleven times a year. In the 2023 Financial Year the Board met eleven times.

The Board receives monthly board papers, which cover health & safety, financial & operational performance and updates on progress of strategic initiatives against plan & statement of intent. Issues of health and safety are covered by the Board, as are decisions regarding senior management remuneration.

SUBCOMMITTEES OF THE BOARD

There is one subcommittee of the Board;

- Audit & Risk committee – this committee is responsible for the assurance and assistance to the Board on EcoCentral Limited's risk, control and compliance framework, and its external accountability responsibilities.

DIRECTORS' REMUNERATION

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

CONFLICTS OF INTEREST

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

INDEMNITIES AND INSURANCE

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

CHIEF EXECUTIVE OFFICER PERFORMANCE REVIEW

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

REMUNERATION

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

SALARY BANDS	30 JUNE 23	30 JUNE 22
100 - 110	–	–
110 - 120	–	1
120 - 130	–	1
130 - 140	2	1
140 - 150	1	–
150 - 160	–	1
160 - 170	–	–
170 - 180	–	1
180 - 190	1	–
190 - 200	–	–
200 - 210	–	–
210 - 220	–	1
220 - 230	1	–
230 - 240	–	–
240 - 250	–	–
250 - 260	–	–
260 - 270	–	–
270 - 280	–	–
280 - 290	–	–
290 - 300	–	–
300 - 310	–	–
310 - 320	–	–
320 - 330	–	–
330 - 340	1	1
340 - 350	–	–
350 - 360	–	–

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2023

	Note	30 JUNE 23 $'000	30 JUNE 22 $'000
Revenue			
Operating and other revenue	2	54,514	42,738
Financial income	3	320	69
Other gains	4	–	251
Total revenue		54,834	43,059
Expenditure			
Depreciation, amortisation and impairment	5	12,891	4,522
Finance costs	6	129	210
Personnel costs	7	8,816	9,203
Other expenses	8	29,043	25,889
Other losses	4	1,008	–
Total expenditure		51,888	39,824
Surplus before tax		2,946	3,235
Income tax expense	10a	827	907
Surplus after tax		2,120	2,327
Other comprehensive income			
Cash flow hedges	23	(254)	263
Total comprehensive income		**1,866**	**2,590**

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	30 JUNE 23 $'000	30 JUNE 22 $'000
Current assets			
Cash and cash equivalents	11	11,303	8,386
Trade and other receivables	12	3,053	2,713
Derivative financial instruments	13	9	263
Prepayments		34	31
Inventories	14	424	593
Total current assets		14,822	11,985
Non-current assets			
Property, plant and equipment	15	12,303	14,786
Right of use assets	16	2,260	3,709
Deferred tax asset	10d	930	844
Total non-current assets		15,493	19,338
Total assets		**30,314**	**31,324**
Current liabilities			
Trade and other payables	17	4,388	3,974
Employee entitlements	18	1,267	1,149
Provisions	19	239	129
Deferred income	20	8,276	7,429
Lease liabilities	21	1,602	2,592
Current tax liabilities	10b	932	1,151
Total current liabilities		16,704	16,424
Non-current liabilities			
Lease liabilities	21	689	1,344
Total non-current liabilities		689	1,344
Total liabilities		**17,393**	**17,768**
Net assets		12,921	13,556
Equity			
Capital and other equity instruments	22	6,100	6,100
Reserves	23	9	263
Retained earnings	24	6,813	7,193
Total equity		12,921	13,556

Mark Jordan (25 September 2023)
Chairman
For and on behalf of the Board

Sinead Horgan (25 September 2023)
Director

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2023

	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Note	22	23	24	
30 June 2022				
Balance at beginning of financial year	6,100	–	5,116	11,216
Net profit	–	–	2,327	2,327
Other comprehensive income	–	263	–	263
Total comprehensive income	–	263	2,327	2,590
Dividends paid	–	–	(250)	(250)
Balance at end of financial year	6,100	263	7,193	13,556
30 June 2023				
Balance at beginning of financial year	6,100	263	7,193	13,556
Net profit	–	–	2,120	2,120
Other comprehensive income	–	(254)	–	(254)
Total comprehensive income	–	(254)	2,120	1,866
Dividends paid	–	–	(2,500)	(2,500)
Balance at end of financial year	6,100	9	6,813	12,921

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2023

	Note	30 June 23 $'000	30 June 22 $'000
Cash flows from operating activities			
Receipts from customers and other sources		45,832	41,831
Interest received		320	69
Payments to suppliers and employees		(37,232)	(34,207)
Subvention payment made		(1,131)	(1,216)
Interest and other finance costs paid		(129)	(210)
Net cash flow from operating activities	25	7,660	6,268
Cash flows from investing activities			
Payment for property, plant and equipment		(8,536)	(10,818)
Proceeds from sale of property, plant and equipment		8	291
Government grants received		9,371	7,429
Net cash flow from investing activities		843	(3,097)
Cash flows from financing activities			
Repayment of lease liabilities		(3,085)	(2,446)
Dividends paid		(2,500)	(250)
Net cash flow from financing activities		(5,585)	(2,696)
Net increase in cash and cash equivalents		2,917	474
Cash and cash equivalents at beginning of year		8,386	7,911
Cash and cash equivalents at end of year	11	11,303	8,386

The accompanying notes form part of these financial statements

SORT

ECO SORT

AUTOMATED RECYCLING

Where the Yellow Bin recycling from Canterbury region is sorted, baled and sold as reclaimed material

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2023

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

BASIS OF PREPARATION

Statement of compliance

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

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

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain financial instruments (including derivative instruments). The accounting policies have been consistently applied in determining the earnings and cash flows for the year ended 30 June 2023, and the financial position as at that date.

Functional and presentation currency

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

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. A significant assumption was made in relation to the going concern principle given the main business contract was not yet extended at the balance date. Subsequent to 30 June 2023, the company received an undertaking from the Christchurch City Council, effectively extending the contract to 31 January 2025 and confirming the intention for both parties to enter into negotiations to extend for a further period beyond that. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

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

Foreign currency transactions

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

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

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

Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis at an operating level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised following an expected credit loss model, using a simplified approach.

Inventories

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

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

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

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

Derivative financial instruments and hedging

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date.

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

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

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

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

Property, plant, and equipment

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

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

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

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

The plant and equipment at the EcoSort's materials recycling facility (MRF) have been assessed to have their useful lives expiring by 2024 in accordance with the main business contract.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

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

Disposals

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

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

Impairment

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

Leases

EcoCentral Limited as a lessee

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

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

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

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

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

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

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

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

SHOP

THE SHOP WITH A CONSCIENCE

EcoShop is the retail outlet for reusable goods recovered from our three Resource Recovery Centres located at our EcoDrops

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2023

During both the current and prior financial years, following an increase in monthly rental payments, the Entity remeasured its lease liability (and corresponding right-of-use asset) relating to the Christchurch City Council.

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

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

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

The depreciation starts at the commencement date of the lease and is calculated on a straight-line basis over the estimated useful life of the specific assets.

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

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

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

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

Trade and other payables

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

Interest-bearing loans and borrowings

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

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

Provisions and employee benefits

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

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

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

Employee leave benefits

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

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

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

(ii) Long service leave

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

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

Revenue recognition

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

(i) Processing of waste and recyclables

The company operates three refuse stations and a materials recovery facility for the processing of recyclable products. Revenue for the processing of waste and recyclables is recognised when the product or waste is received by the company. The company's performance obligations for each customer are satisfied at the time of delivery as no further work or processing is required, the quantity and quality of the goods has been determined and the price is fixed. The unit price is pre-agreed and fixed. However, for some contracts, in addition to the fixed unit price, a variable consideration and a consideration payable to a customer are estimated for the respective transactions and recognised at year end based on the entity's overall performance for the year.

(ii) Sale of goods

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

The company runs a retail store that sells recycled goods that have been delivered by the public. Revenue is recognised when the company sells goods to the customer. Payment for each transaction is due immediately. The company offers a 60 day warranty for whiteware and electronic products over the value of $250. Based on accumulated experience, it is highly probably that a significant reversal in cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

(iii) Hazardous waste cost recoveries

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

Income tax

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

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

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

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

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

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

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

Goods and services tax

Revenues, expenses, cash flows and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense. Cash flows in respect of payments to and receipts from the Inland Revenue Department are shown net in the statement of cash flows.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Revenue recognised from Government grants and assistance is disclosed under operating and other revenue (see note 2).

Significant accounting judgements, estimates and assumptions

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

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

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

(i) Classification of leases

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

Adoption of new and revised standards

Certain new accounting standards and amendments have been issued that are not mandatory for the year ended 30 June 2023 and have not been early adopted by the company. The company has assessed that these as not likely to influence its financial statements.

Changes in accounting policy and disclosures

The accounting policies detailed above have been applied in the preparation of these financial statements for the year ended 30 June 2023 and have been consistently applied throughout the year.

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

Subsequent Event

Subsequent to 30 June 2023, the company received an undertaking from the Christchurch City Council extending the current operations contract for an initial twelve-month period to 31 January 2025. The undertaking also advised that the Christchurch City Council wished to enter into negotiations to extend the current contract further for a period to be agreed.

2. OPERATING AND OTHER REVENUE

	30 JUNE 23 $'000	30 JUNE 22 $'000
Revenues from contracts with customers		
Processing of waste and recyclables	38,538	34,239
Sale of goods	6,740	7,778
Hazardous waste cost recoveries	399	389
	45,677	42,405
Other revenue		
Miscellanous income	281	310
Government grants	8,556	23
	8,837	333
Total operating and other revenue	54,514	42,738

Processing of waste and recyclables

A consideration payable to a customer is recognised as a reduction of the transaction price at an amount of $741k (2022: 724k).

Government grants

During the current year the company received $32K from the Government's COVID-19 Leave Support Scheme. (2022: $23k).

On 26th August 2020, the New Zealand Government announced it will be investing $36.7 million in high-tech recycling plants nationwide. On 21st January 2021, EcoCentral signed deeds of funding with the Ministry for the Environment (MfE) to receive up to $1.8 million grant funding for a plastics optical sorter and up to $15 million grant funding for a fibre optical and mechanical sorter. This project was completed in December 2022. During the current year, the company claimed $9.4M from the MfE funding grant (2022: 7.4M). We received confirmation on 26 July 2023 from MfE that, with reference to clause 4.9 of the deed of funding, the milestone deliverables are complete and the term on deed is now concluded. No further claims may be made against this deed of funding. The $16.8M MfE grant has been initially recognised as deferred revenue (refer to Note 20) and will subsequently be recognised as government grant revenue over the useful life of the asset. During the current year, $8.8M of this balance has been recognised as government grant revenue (2022: nil). The actual cost for this project is now recognised in Property, Plant and Equipment, refer to note 15.

3. FINANCE INCOME

	30 JUNE 23 $'000	30 JUNE 22 $'000
Interest income – bank deposits	320	69
	320	69

4. OTHER GAINS AND LOSSES

	30 JUNE 23 $'000	30 JUNE 22 $'000
Other gains		
Gains on disposal of property, plant and equipment	–	250
Gains on modification of leases	–	1
	–	251
Other losses		
Losses on disposal of property, plant and equipment	(1,008)	–
	(1,008)	251

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	30 JUNE 23 $'000	30 JUNE 22 $'000
Depreciation of property, plant and equipment	10,202	2,194
Depreciation of right of use assets	2,690	2,328
	12,891	4,522

6. FINANCE COSTS

	30 JUNE 23 $'000	30 JUNE 22 $'000
Interest on leases	129	210
	129	210

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2023

7. PERSONNEL COSTS

	30 JUNE 23 $'000	30 JUNE 22 $'000
Salaries and wages	8,360	8,703
KiwiSaver contributions	209	185
Increase/(decrease) in employee entitlements	118	138
Other	130	178
	8,816	9,203

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

8. OTHER EXPENSES

	30 JUNE 23 $'000	30 JUNE 22 $'000
Disposal costs	23,077	20,077
Repairs and maintenance	1,738	1,231
Directors' fees	170	165
Low value or short term leases	–	75
Net foreign exchange losses	9	1
Other operating expenses	4,049	4,340
	29,043	25,889

9. REMUNERATION OF AUDITORS

	30 JUNE 23 $'000	30 JUNE 22 $'000
Audit New Zealand		
Audit of the financial statements	75	52
	75	52

DROP

ECO DROP

TRANSFER STATIONS

around Christchurch accepting waste and recyclables
from both domestic and commercial customers

10. INCOME TAXES

	30 JUNE 23 $'000	30 JUNE 22 $'000
(a) Components of tax expense		
Taxation payable for current year	932	1,151
Adjustments to deferred tax in prior year	(19)	(26)
Deferred tax expense/(income)	(86)	(217)
Total tax expense	827	907
Reconciliation of prima facie income tax:		
Net profit before tax	2,946	3,235
Income tax expense calculated at 28%	825	906
Expenses not deducted for income tax	2	2
Adjustments to tax expense in prior years	–	–
Total tax expense	827	907
(b) Current tax payables		
Taxation payable	932	1,151
	932	1,151
(c) Imputation credit account		
Imputation credits available for use in subsequent periods	–	–
	–	–

	OPENING BALANCE $'000	INCOME $'000	CLOSING BALANCE $'000
(d) Deferred tax balance			
30 June 2022			
Deferred tax assets:			
Property, plant and equipment	322	203	525
Provisions and employee entitlements	304	14	318
Doubtful debts and impairment losses	1	–	1
	626	217	844
30 June 2023			
Deferred tax assets:			
Property, plant and equipment	525	(19)	506
Provisions and employee entitlements	318	105	423
Doubtful debts and impairment losses	1	–	1
	844	86	930

11. CASH AND CASH EQUIVALENTS

	30 JUNE 23 $'000	30 JUNE 22 $'000
NZD Balances	11,269	8,383
AUD Balances	6	1
USD Balances	28	3
	11,303	8,386

12. TRADE AND OTHER RECEIVABLES

	30 JUNE 23 $'000	30 JUNE 22 $'000
(a) Current trade and other receivables		
Trade receivables (before impairment)	1,199	1,096
Other related parties	1,856	1,473
GST receivable	–	147
	3,055	2,716
Provision for impairment – trade receivables	(2)	(3)
	3,053	2,713

(b) Credit risk aging of receivables

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

	30 JUNE 23 $'000	30 JUNE 22 $'000
Gross receivables		
Not past due	2,928	2,645
Past due 0-30 days	21	50
Past due 31-60 days	110	24
Past due more than 60 days	(4)	(3)
	3,055	2,716
Impairment		
Past due more than 60 days	(2)	(3)
	(2)	(3)
Movement in provisions for impairment of receivables		
Balance at start of the year	(3)	(4)
Provisions made during the year	1	(11)
Receivables written off during the year	–	12
	(2)	(3)

13. DERIVATIVES

	30 JUNE 23 $'000	30 JUNE 22 $'000
(a) Current assets		
Forward exchange instruments	9	263
	9	263

14. INVENTORIES

	30 JUNE 23 $'000	30 JUNE 22 $'000
Inventory – spare parts	358	340
Inventory – finished goods	66	252
	424	593

15. PROPERTY, PLANT AND EQUIPMENT

	LAND & BUILDINGS $'000	PLANT & EQUIPMENT $'000	TOTAL $'000
Cost			
Cost at 1 July 2021	3,903	19,754	23,657
Additions	3	874	877
Disposals	–	(980)	(980)
Net movements in work in progress	–	10,078	10,078
Cost at 30 June 2022	3,905	29,725	33,631
Cost at 1 July 2022	3,905	29,725	33,631
Additions	661	17,489	18,150
Disposals	(35)	(8,108)	(8,143)
Net movements in work in progress	172	(9,587)	(9,415)
Cost at 30 June 2023	4,703	29,519	34,223
Accumulated depreciation			
Balance at 1 July 2021	(3,170)	(14,421)	(17,591)
Disposals	–	940	940
Depreciation expense	(280)	(1,914)	(2,194)
Balance at 30 June 2022	(3,450)	(15,395)	(18,845)
Balance at 1 July 2022	(3,450)	(15,395)	(18,845)
Disposals	22	7,105	7,127
Depreciation expense	(370)	(9,832)	(10,202)
Balance at 30 June 2023	(3,799)	(18,122)	(21,920)
Carrying amount at 30 June 2022	455	14,330	14,786
Carrying amount at 30 June 2023	905	11,398	12,303

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2023

16. RIGHT OF USE ASSETS

	LAND & BUILDINGS $'000	TOTAL $'000
Cost		
Cost at 1 July 2021	9,641	9,641
Additions	786	786
Disposals	(21)	(21)
Cost at 30 June 2022	10,406	10,406
Cost at 1 July 2022	10,406	10,406
Additions	1,439	1,439
Disposals	(196)	(196)
Cost at 30 June 2023	11,649	11,649
Accumulated depreciation		
Balance at 1 July 2021	(4,232)	(4,232)
Depreciation expense	(2,328)	(2,328)
Depreciation expense – transferrred to PPE (MRF Upgrade)	(137)	(137)
Balance at 30 June 2022	(6,697)	(6,697)
Balance at 1 July 2022	(6,697)	(6,697)
Disposals	196	196
Depreciation expense	(2,690)	(2,690)
Depreciation expense – transferrred to PPE (MRF Upgrade)	(197)	(197)
Balance at 30 June 2023	(9,388)	(9,388)
Carrying amount at 30 June 2022	3,709	3,709
Carrying amount at 30 June 2023	2,260	2,260

17. TRADE AND OTHER PAYABLES

	30 JUNE 23 $'000	30 JUNE 22 $'000
Trade payables and accrued expenses	1,346	1,291
Amounts due to related parties	3,008	2,683
GST payable	34	–
	4,388	3,974

18. EMPLOYEE ENTITLEMENTS

	30 JUNE 23 $'000	30 JUNE 22 $'000
Current portion		
Accrued pay	134	91
Annual leave	942	946
Long service leave	86	22
Bonuses and redundancy provision	105	90
	1,267	1,149

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

19. PROVISIONS

	OTHER PROVISIONS $'000	REPAIRS & MAINTENANCE PROVISIONS $'000	TOTAL $'000
Balance at 1 July 2021	12	208	220
Additional provisions made	–	560	560
Amounts used	–	(650)	(650)
Balance at 30 June 2022	12	117	129
Balance at 1 July 2022	12	117	129
Additional provisions made	150	447	597
Amounts used	(14)	(474)	(487)
Balance at 30 June 2023	148	90	239

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

20. DEFERRED INCOME

	30 JUNE 23 $'000	30 JUNE 22 $'000
Government grants	8,276	7,429
	8,276	7,429

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2023

21. LEASE LIABILITIES

	30 JUNE 23 $'000	30 JUNE 22 $'000
Current		
Non related parties	359	673
Related parties	1,244	1,920
	1,602	2,592
Non current		
Non related parties	689	185
Related parties	–	1,159
	689	1,344
	2,291	3,936
Maturity Analysis		
Year 1	1,752	2,707
Year 2	211	1,363
Year 3	211	–
Year 4	211	–
Year 5	123	–
	2,510	4,070

The Company has lease liability agreements with the Christchurch City Council, and other non-related parties, that relate to the rental of land and buildings across all of Its business units. The agreements have remaining terms of between one and five years. The Company does not own the assets at the end of the lease term and there is no residual value.

22. CAPITAL AND OTHER REDEEMABLE EQUITY INSTRUMENTS

	30 JUNE 23 $'000	30 JUNE 22 $'000
Fully paid redeemable preference shares		
Balance at 1 July	6,100	6,100
Balance at 30 June	6,100	6,100

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

23. RESERVES

	30 JUNE 23 $'000	30 JUNE 22 $'000
Hedging reserve	9	263
	9	263
Hedging reserve		
Balance at 1 July	263	–
Forward foreign exchange contracts	(254)	263
Balance at 30 June	9	263

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

24. RETAINED EARNINGS

	30 JUNE 23 $'000	30 JUNE 22 $'000
Balance at 1 July	7,193	5,116
Net profit for the period	2,120	2,327
Dividends paid	(2,500)	(250)
Balance at 30 June	6,813	7,193

During the year ended 30 June 2023, EcoCentral Limited declared and paid a dividend of $0.40983 per share, $2,500,000 (2022: $250,000), to the shareholder, Christchurch City Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2023

25. RECONCILIATION OF SURPLUS TO NET CASH FLOWS FROM OPERATING EXPENSES

	30 JUNE 23 $'000	30 JUNE 22 $'000
Surplus for the period	2,120	2,327
Add/(less) non-cash items		
Depreciation, amortisation and impairment expense	12,891	4,522
Deferred tax credited to income	(86)	(217)
	12,806	4,304
Add/(less) items classified as investing or financing activites		
(Gain)/loss on disposal of property, plant & equipment	1,008	(250)
Deferred government grants credited to income	(8,524)	–
	(7,515)	(250)
Add/(less) movement in working capital items		
Trade and other receivables	(339)	(680)
Inventories	169	298
Prepayments	(2)	27
Trade and other payables	414	285
Provisions	110	(91)
Employee entitlements	118	138
Income tax payable	(219)	(91)
New changes in net assets and liabilities	250	(113)
Net cash from operating activities	7,660	6,268

26. CAPITAL COMMITMENTS

	30 JUNE 23 $'000	30 JUNE 22 $'000
As at 30 June 2023, the Company have the following capital commitments:		
(a) Capital commitments		
Property, plant & equipment – MFE funded plant upgrade	–	7,706
Land & buildings	156	–
Property, plant & equipment – other	364	509
Buildings – agreement to lease	–	228
	520	8,443

27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2023 there were no contingent liabilities and no contingent assets (2022: Nil).

28. FINANCIAL INSTRUMENT RISKS

Interest rate risk management

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

Risk exposures and responses

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

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

Interest rate risk

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

	30 JUNE 23			30 JUNE 22		
	Fixed $'000	Variable $'000	Non-interest $'000	Fixed $'000	Variable $'000	Non-interest $'000
Financial assets						
Cash and cash equivalents	–	11,303	–	–	8,386	–
Trade and other receivables	1,197	–	–	1,240	–	–
Related party receivables	1,856	–	–	1,473	–	–
	3,053	11,303	–	2,713	8,386	–
Financial liabilities						
Lease liabilities	1,047	–	–	857	–	–
Lease liabilities – related parties	1,244	–	–	3,079	–	–
	2,291	–	–	3,936	–	–

Foreign currency risk management

Foreign currency risk is the risk that the value of the assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk as a result of transactions that are denominated in a currency other than New Zealand dollars.

The Company seeks to mitigate the effect of its foreign currency exposure through the use of cash flow hedges or options, and forward currency purchases where there is a firm commitment for a sale or purchase. It also applies hedge accounting practices. Approximately 3% of sales are denominated in currencies other than the functional currency of the entity (2022: 6%), whilst almost 100% of costs are denominated in New Zealand dollars.

Approximately 77% of the capital costs relating to the Materials Recovery Facility (MRF) upgrade project are dominated in Australian dollars. 100% of this exposure was covered by a series of forward exchange contracts.

Capital management

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2023

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

Credit risk management

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

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

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

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

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

		30 JUNE 23 $'000	30 JUNE 22 $'000
Maximum exposure to credit risk			
Cash at bank, term deposits and foreign currency		11,303	8,386
Trade and other receivables		3,053	2,713
		14,356	11,099
Counterparties			
Cash at bank, term deposits and foreign currency	AA-	11,303	8,386
		11,303	8,386

Liquidity risk

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

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

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

	BALANCE SHEET $'000	CONTRACTUAL CASH FLOWS $'000	LESS THAN 1 YEAR $'000	1-2 Years $'000	2-5 Years $'000	5 Years+ $'000
30 June 2023						
Financial assets						
Cash and cash equivalents	11,303	11,303	11,303	–	–	–
Trade and other receivables	1,197	1,197	1,197	–	–	–
Related party receivables	1,856	1,856	1,856	–	–	–
Net settled derivative assets	9	9	9	–	–	–
	14,364	14,364	14,364	–	–	–
Financial liabilities						
Trade and other payables	4,388	4,388	4,388	–	–	–
Lease liabilities	1,047	1,172	415	211	546	
Lease liabilities – related parties	1,244	1,338	1,338	–	–	–
	6,679	6,898	6,140	211	546	–
30 June 2022						
Financial assets						
Cash and cash equivalents	8,386	8,386	8,386	–	–	–
Trade and other receivables	1,240	1,240	1,240	–	–	–
Related party receivables	1,473	1,473	1,473	–	–	–
Net settled derivative assets	263	263	263	–	–	–
	11,362	11,362	11,362	–	–	–
Financial liabilities						
Trade and other payables	3,974	3,974	3,974	–	–	–
Lease liabilities	857	878	691	187	–	–
Lease liabilities – related parties	3,079	3,192	2,016	1,176	–	–
	7,910	8,044	6,681	1,363	–	–

Commodity price and demand risk

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

Classification of financial assets and liabilities

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

	30 JUNE 23 $'000	30 JUNE 22 $'000
Financial assets		
Derivatives that are hedged accounted		
Derivative financial instrument assets	9	263
	9	263
Financial assets at amortised cost		
Cash and cash equivalents	11,303	8,386
Trade and other receivables	3,053	2,713
	14,356	11,099
Total financial assets	14,364	11,362
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	4,388	3,974
Lease liabilities	2,291	3,936
Total financial liabilities	6,679	7,910

29. RELATED PARTIES

	30 JUNE 23 $'000	30 JUNE 22 $'000
1 CCHL		
1(a) Transactions with CCHL		
Dividend paid	2,500	250
2 CCHL Subsidiaries		
2(a) Transactions with CCHL Subsidiaries		
Services provided to CCHL Subsidiaries	515	407
Services provided by CCHL Subsidiaries	16	22
2(b) Balances with CCHL Subsidiaries		
Other balances owing by CCHL subsidiaries	66	50
Other balances owing to CCHL subsidiaries	–	–
3 CCC		
3(a) Transactions with CCC		
Services provided to CCC	17,393	14,781
Services provided by CCC	1,145	324
Lease payments to CCC – principle	2,060	1,838
Lease payments to CCC – interest	103	178
Subvention payment	1,131	1,216
3(b) Balances with CCC		
Other balances owing by CCC	1,790	1,423
Other balances owing to CCC	937	969
Lease liabilities owing to CCC	1,244	3,079
4 Group entities excluding CCHL and CCC		
4(a) Transactions with group entities		
Services provided by group entities	20,833	18,802
4(b) Balances with group entities		
Other balances owing to group entities	1,981	1,715

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

EcoCentral Limited incurred charges of $20,833,281 in 2023 (2022: $18,802,000) in relation to the disposal of waste, to Transwaste Canterbury Ltd, a company in which CCC has a material shareholding.

No provision has been required, nor any expense recognised for impairment of receivables or other receivables to related parties (2022 $nil).

During the year, tax losses were transferred to the CCC Group by subvention payment of $1,131,416 and loss offset of $2,909,355. (2022: subvention payment of $1,215,904 was paid to the CCC Group and loss offset of $3,126,611).

During the year, in the normal course of business, EcoCentral Limited received $136 from Taggart Earthmoving Limited, of which Mark Jordan (Chair) and Sinead Horgan (Board member) were directors of (2022: $2,403).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2023

30. REMUNERATION

	30 JUNE 23 $'000	30 JUNE 22 $'000
Directors remuneration		
Mark Andrew Jordan *(paid to Mark Jordan Ltd)*	66	64
Sinead Horgan *(paid to Morrison Horgan Ltd)*	38	37
Benjamin Reed	33	32
Mark Christensen *(paid to Natural Resources Law Ltd)*	33	32
	170	165
Key management personnel remuneration		
Salaries and short term benefits	1,314	1,262
	1,314	1,262

Key management personnel include:

Craig Downie	Chief Executive Officer
Rob Wilson	Operations Manager
Vaughan Whitehead	Chief Financial Officer
Carol Allen	People & Capability Manager
Brandon Craine	Commercial Manager
Andrew Henderson	EcoDrop Manager
Wayne Hocking	EcoSort Manager
Julie Radcliffe	Retail Manager

STATEMENT OF SERVICE PERFORMANCE

FINANCIAL PERFORMANCE TARGETS	30 JUNE 23 $'000	30 JUNE 22 $'000
The financial performance targets for EcoCentral Limited were as follows:		
Revenue	42,255	54,834
Earnings before interest & tax (EBIT)	2,359	3,075
Earnings before interest, tax, depreciation & amortisation (EBITDA)	6,969	15,967
Interest expense	228	129
Net profit after tax (NPAT)	1,534	2,120
Equity	14,857	12,921
Debt	–	–
Shareholder funds to total assets	63.0%	42.6%
Total assets	23,546	30,314
Dividend Yield	1.7%	18.9%
Return on Average Equity	13.7%	16.0%
Return on Invested Capital	20.0%	13.9%
Operating Margin %	52.9%	4.8%
Debt to EBITDA	–	–
Net Gearing	0.0%	0.0%
Interest Cover	22	24
Revenue Growth %	104.3%	127.3%
EBITDA Growth %	94.4%	200.4%

KEY OPERATIONAL PERFORMANCE TARGETS	ACTUAL 23	SOI TARGETS	COMMENTARY
EcoDrop Divert at least 60,000 tonnes from landfill.	61,317	60,000	Achieved
EcoSort MRF plant improvement – Deliver on completion of MFE funded 2 year capital improvement project (for fibre and plastics) within agreed schedule.			Project reached practical completion in December 2022.
Waste%	16.8%	< 11%	Not achieved due to improved efficiency of the upgraded MRF plant. This is a good news story for the company because the reduced contamination in our bales represents a significant improvement in the quality of recyclables that the volume of waste during the sorting process.
EcoShop Number of Customer sales	137,627	145,000	Not Achieved. The number of customer sales was less than expected.
Total Resource Recovery tonnes diverted from landfill.	7,287	> 7500	Not Achieved. The number of tonnes diverted were less than expected.
Health and safety Number of safe work observations	226	> 100	Achieved
Remedy and close out corrective actions within 8 weeks of initiation	93.8%	> 90%	Achieved
Sustainable business practices Improve operational efficiency of machinery and plant to reduce greenhouse gas emissions:			
• Reduced kilowatt hours per tonne from FY2021/22 (18.47 kWh per tonne)	22.34kWh	Reduction from PYR	Not Achieved. New MRF plant requires higher electricity demand.
• Reduction in ECL Carbon Footprint from FY2021/22 (708 tCO2-e) • measured by tonnes of dioxide equivalent (Category 1 and 2 only – measured as tCO2-e).	747	Reduction from 21/22	Target not met. Diesel up due to internal movements of kerbside recycling following recycling plant upgrade. Electricity usage up due to increase electricity demand from upgraded recycling plant.
Community Recycling Education: • Provide >80 recycling education sessions to schools, community groups and businesses	171	> 80	Achieved

Commentary

We report our company-wide emissions from category 1 and 2 emissions sources, which include fuel and electricity usage. 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.

We use 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 EcoCentral's facilities under this approach.

There is a level of inherent uncertainty in reporting greenhouse gas emissions, which is due to inherent scientific uncertainty in measuring emissions factors as well as estimation uncertainty in the measurement of activity quantity data. In measuring emissions, EcoCentral has used the published emissions factors from the Ministry for the Environment (MfE) 2023 guidance document issued on 12 July 2023 and obtained quantity data directly from electricity and fuel suppliers.

Our target was not achieved mainly due to an increase in direct fuel emissions. The electricity demands for the MRF plant, following the upgrade, are almost double what they were prior to the upgrade.

Fuel use contributed approximately 80% of category 1 and 2 emissions in both FY2022 and FY2023. While total fuel emissions have increased by 4% due to the unavailability of biodiesel (which was used in FY2022), total fuel consumption between FY2022 and FY2023 has not changed.

REPORT OF THE AUDITOR GENERAL

Independent Auditor's Report

To the readers of EcoCentral Limited's financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of EcoCentral Limited (the company). The Auditor-General has appointed me, Yvonne Yang, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 16 to 47, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 48 to 49.

In our opinion:

- the financial statements of the company on pages 16 to 47:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the company on pages 48 to 49 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 25 September 2023. 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

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

The company has chosen to include a measure 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 49 of the Statement of Performance, which outlines the inherent 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 are 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.

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 financial statements and 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

REPORT OF THE AUDITOR-GENERAL
Independent Auditor's Report
AUDIT NEW ZEALAND
Mana Arotake Aotearoa

cause the company to cease to continue as a going concern.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 15 and 58 to 59 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

Y Yang

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

STATUTORY DISCLOSURES

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

DIRECTORS' INTERESTS

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

Mark Andrew Jordan	Charter Group Ltd & associated companies – Director Keith Andrews Trucks Ltd – Director Landpower Group Ltd – Director Mark Jordan Limited – Director/Shareholder Taggart Earthmoving Limited – Director (resigned 27/07/22) Wealleans Groundspread Ltd – Advisor
Sinead Horgan	Assistance Dogs New Zealand – Chair Bank of China – Director and Chair of Risk FMG Insurance – Director and Chair of Audit and Risk FuseIT – Advisory Chair Leighs Construction Ltd – Director Leighs Holdings Ltd – Director & Chair of Audit Maia Foundation – Trustee Morrison Horgan Limited – Director/Shareholder Rakon Ltd – Director and Chair of Audit and Risk Taggart Earthmoving Limited – Director (resigned 27/07/22)
Benjamin Elliott Reed	C W F Hamilton & Co Ltd and subsidiaries – Managing Director Learning City Christchurch – Trustee
Mark Christensen	Animal Control Products Ltd – Director Better World Initiative Trust – Trustee Columba Investments – Director/Shareholder Committee for Canterbury Trust – Trustee EEB Trustee Company – Director Lake Hood Extension Project Joint Venture – Independent Chair Natural Resources Law Ltd – Director/Shareholder Pest Free Banks Peninsula Initiative (Project Oversight Group) – Chair

REMUNERATION OF DIRECTORS

Remuneration was paid to four Directors totaling $170,210 during 2023 for services (2022: $165,430). There were no other benefits paid or due to directors for services as a director or in any other capacity during the year (2022: $114).

USE OF COMPANY INFORMATION

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

DIRECTORY

Registered Office	Ground Floor, 9 Baigent Way Christchurch
Principal Place of Business	Ground Floor, 9 Baigent Way Christchurch
Chairperson	Mark Andrew Jordan
Directors	Mark Andrew Jordan Sinead Mary Horgan Benjamin Elliott Reed Mark Raymond George Christensen
Chief Executive Officer	Craig Downie
Bankers	ANZ National Bank Limited Christchurch
Solicitors	Chapman Tripp Christchurch
Auditors	Audit New Zealand (on behalf of the Controller and Auditor-General) Christchurch
Ownership	100% owned by Christchurch City Holdings Limited
Website	www.ecocentral.co.nz

ECO CENTRAL


ECO
CENTRAL
ECOCENTRAL.CO.NZ