



InfraCore

Essential Contracting Solutions
He Toki Taukari Whakaea

Financial Statements
InfraCore Limited
2021/22

Financial Statements Index

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INFRACORE LIMITED

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2022

The Directors of InfraCore Limited accept responsibility for:

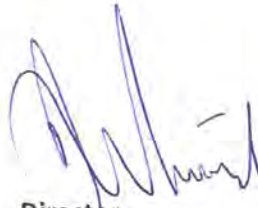
- the preparation of the Company's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and non-financial reporting;
- the accuracy of any end-of-year performance information prepared by the Company, whether or not that information is included in the annual report.

In the Directors opinion:

- The financial statements and statement of service performance fairly reflect the financial position of the Company as at 30 June 2022 and its operations for the year ended on that date.



Director
7th December 2022



Director
7th December 2022

INFRACORE LIMITED
ENTITY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2022

Date of Incorporation

27 July 2015

Company Number

5758268

IRD Number

117-357-767

Nature of Business

The business of the company is the constructing, maintaining and managing infrastructure and facility assets. Providing high quality cost effective services in the following areas: three waters, city cleaning, parks operations, civil works, and supply of nursery products.

Business Location

70 Vaughan Road and Queens Drive, Government Gardens, Rotorua

Registered Office

1061 Haupapa Street, Rotorua

Directors

John McRae – Chair

Vivienne Scott

Brent Whibley

Tupara Morrison

Geoffrey Rolleston

Christiaan Van Florenstein Mulder

Auditor

Audit New Zealand, on behalf of the Auditor-General

Banker

BNZ Bank, Rotorua

Solicitor

Holland Beckett, Rotorua

Shareholder

Rotorua District Council

100% shareholder

2,366,081 Ordinary Shares

STATEMENT OF SERVICE PERFORMANCE – 2022

FOR THE YEAR ENDED 30 JUNE 2022

How we did in 2022

2022 was a challenging year for the business with the operational constraints as a result of the pandemic. InfraCore were able to repay \$950,000 of debt, with a further \$950,000 forgiven by Rotorua Lakes Council. This has left InfraCore with remaining shareholder debt of \$910,000.

We have achieved 7 of the 10 performance targets. Those we have not achieved have operational plans in place to ensure achievement for the following financial year. Operationally, due to staff turnover, the Utilities KPI scoring was negatively impacted. As with many other businesses around NZ, InfraCore is struggling with attracting and retaining talent with an extremely tight labour market. This directly correlates to the work completed.

InfraCore continues to work with agencies for social outcomes such as MSD and Department of Corrections. These partnerships are another way for InfraCore to fill vacancies within the business while contributing to the wider community.

As we move to 2023 and beyond, InfraCore will be looking for opportunities to build capability and capacity enabling growth across the organisation.

	Performance measure	Target for FY22	Status
1	To achieve financial budget	To achieve financial budget allowing any future surpluses to be used to enhance business.	Achieved Budget was set to \$56k and a surplus of \$729k was achieved.
2	To secure additional revenue within this financial year that upon completion has a positive contribution to margin.	To secure additional revenue streams within the financial year that increases EBITDA compared to budget. This will be measured upon project completion, and monitored on a monthly basis.	Achieved There were a total of 14 projects during the year, with 4 projects still in progress. Of the 10 projects that were completed, they contributed to \$68k of profit to the bottom line.
3	Consolidated KPI scoring Parks and Open Spaces	80%	Achieved Annual average 85%
4	Consolidated KPI Utilities	80%	Not Achieved Annual average 71%
5	Targeting full employee engagement with Health and Safety	90%	Achieved 95% this was based upon employee attendance in the health and safety committee representative meetings



	Performance measure	Target for FY22	Status
6	Individual performance plan in place per employee	100%	Achieved 100%. All InfraCore employees have individual performance plans that are set with their managers. We have a performance management process that is followed, with annual and 6 monthly reviews.
7	Develop and document social enterprise project of work	1	Achieved Finalised contract with MSD to employ 10 people into full time roles, complete with training and career pathways. Open day with Corrections held to detail InfraCore activities and career opportunities within InfraCore. 6 people have successfully been employed through this.
8	Understand the satisfaction level of the beneficiaries of the social enterprise's activities from a community stakeholder perspective (Engagement survey or written comms *note 1)	80%	Achieved 100% based upon 2 feedback datasets from corrections and MSD
9	Partner with Te Arawa (contributing towards Te Arawa Vision 2050) and Mana Whenua through collaboration with a Te Arawa Iwi and Hapū entities.	1 entity	Achieved 1 FTE employed as an HR Intern, appointed in conjunction with Ngāti Whakaeue Distributions and Initiatives team. Internship complete April 2022. Experience gained across all areas of HR management, with high focus on recruitment. Positive experience.
10	Development and implementation of InfraCore reorua strategy. Commitment to Rotorua Reorua. Increased cultural awareness within our organisation.	Development of InfraCore reorua strategy and implementation of Y1 initiatives.	Not Achieved As part of a review process it was established that we needed a dedicated resource to implement this effectively. This will be recruited for in the 2022/23 year.



STATEMENT OF SERVICE PERFORMANCE – 2021

FOR THE YEAR ENDED 30 JUNE 2021

How we did in 2021

2021 was an exceptional year for InfraCore, leaving it to be in the strongest financial position for the company to date. This was the result of consolidating and building on the achievements of the prior year. Priorities for the year included building our financial position, renewing our aged fleet and continuing the journey to greater engagement in Health and Safety. We also saw extremely positive results in our staff engagement survey that shows the initiatives implemented are working to ensure greater staff morale.

InfraCore continues to engage in social initiatives including having signed agreements with the Department of Corrections and the Ministry of Social Development. InfraCore uses the internal “Why don’t we just..?” programme to gain insights into more efficient and effective ways of operating. This ensures staff members are engaged in the process, and all successful ideas are tracking in the business optimisation programme.

We used the year to refine our internal dispatch processes to move towards centralised workflow management. InfraCore is looking forward to seeing the initiatives come to fruition as we move to 2022 and beyond.

	Performance measure	Target for FY21	Status
1	To achieve financial budget	To achieve financial budget allowing any future surpluses to be used to enhance business capability and invest in further plant and equipment and/or capability.	Achieved Budget was set to break even and a surplus of \$870k was achieved.
2	To secure additional revenue within this financial year that upon completion has a positive contribution to margin.	To secure additional revenue streams within the financial year that increases EBITDA compared to budget. This will be measured upon project completion, and monitored on a monthly basis.	Achieved There were a total of 13 projects during the year, with 3 projects still in progress. These projects contributed to \$960k of profit to the bottom line.
3	Consolidated KPI scoring Parks and Open Spaces	80%	Achieved Annual Average 82.37%
4	Consolidated KPI Utilities	80%	Achieved Annual Average 87.25%



	Performance measure	Target for FY21	Status
5	Targeting full employee engagement with Health and Safety	80%	Achieved 93.8% this was based upon employee attendance in the health and safety committee representative meetings
6	Gain ISO 9001 accreditation	Maintain	Not Achieved A 30 June was awaiting our final audit to receive accreditation. Infracore achieved accreditation and were certified on 5 th August 2021.
7	Individual performance plan in place per employee	90%	Achieved 100% - All InfraCore employees have individual performance plans that are set with their managers. We have a performance management process that is followed, with annual and 6 monthly reviews.
8	Develop and document social enterprise project of work	3	Achieved <ul style="list-style-type: none"> • 1 project completed in conjunction with RLC and PGF • 1 project completed with RLC - utilising / extending the redeployment resource • 1 MOU signed with corrections for employment pathways • 1 contract signed with MSD to deliver employment and training.
9	Understand the satisfaction level of the beneficiaries of the social enterprise's activities (Engagement survey)	80%	Achieved 100% based upon 3 feedback datasets from corrections.

Note1: Engagement survey to be undertaken post-employment for each beneficiary to measure their satisfaction in accordance with Noya, A. (2015), "Social Entrepreneurship - Social Impact Measurement for Social Enterprises", *OECD Employment Policy Papers*, No. 10, OECD Publishing, Paris, <https://doi.org/10.1787/5jrtpbx7tw37-en>



INFRACORE LIMITED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Actual 2022 \$000	Actual 2021 \$000
Revenue			
Operating revenue	2	12,583	14,194
Other revenue	3	2,393	1,615
Total Revenue		14,976	15,809
Expenses			
Personnel costs	4	8,634	8,755
Depreciation and amortisation expense	12/13	381	531
Director remuneration	5	105	78
Finance costs	6	15	17
Other expenses	7	5,112	5,558
Total Expenses		14,247	14,939
Surplus/deficit before tax		729	870
Income tax expense	11	-	-
Surplus/deficit after tax		729	870
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense		729	870

NOTE: The accompanying notes form an integrated part of these financial statements



INFRACORE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	Actual 2022 \$000	Actual 2021 \$000
Assets			
Current Assets			
Cash and cash equivalents	8	314	1,550
Receivables and prepayments	9	2,216	2,303
Inventories	10	628	668
Total current assets		3,158	4,522
Non-current assets			
Taxation Refund Due		-	-
Intangible Assets	12	10	68
Property, plant and equipment	13	2,254	1,984
Total non-current assets		2,264	2,051
Total assets		5,422	6,573
Liabilities			
Current liabilities			
Payables under exchange transactions	14	722	564
Payables under non exchange transactions	14	95	148
Accruals	15	17	133
Employee entitlements	16	612	576
Borrowings	17	1	941
Total current liabilities		1,447	2,363
Non-current liabilities			
Borrowings	17	910	1,874
Total non-current liabilities		910	1,874
Total Liabilities		2,357	4,237
Net Assets		3,065	2,336
Equity			
Retained earnings	18	699	(30)
Share capital	18	2,366	2,366
Total equity		3,065	2,336

The Board of Directors of InfraCore Limited authorise these financial statements for issue on 7th December 2022

NOTE: The accompanying notes form an integrated part of these financial statements

INFRACORE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Actual 2022 \$000	Actual 2021 \$000
Balance at 1 July		2,336	716
Share Issue		0	750
Surplus/(deficit)		729	870
Balance at 30 June	18	3,065	2,336

NOTE: The accompanying notes form an integrated part of these financial statements



INFRACORE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Actual 2022 \$000	Actual 2021 \$000
Cash flows from operating activities			
Receipts from revenue		13,953	15,867
Payment to suppliers and employees		(13,467)	(14,947)
Directors fees		(105)	(78)
Goods and services tax		(54)	(4)
Interest received		-	-
<i>Net cash flow from operating activities</i>	19	327	839
Cash flows from investing activities			
Receipts from sale of property, plant and equipment		-	(4)
Payments to acquire property, plant and equipment		(583)	(868)
Payments to acquire Intangible Assets		(10)	(7)
<i>Net cash flow from investing activities</i>		(593)	(879)
Cash flows from financing activities			
Share Issue		-	750
Interest on loans/CARL facility		(15)	(17)
Proceeds from loans		-	-
Loan Repayments		(955)	(5)
<i>Net cash flow from financing activities</i>		(970)	728
Net (decrease)/increase in bank accounts and cash		(1,236)	688
Cash and cash equivalents at the beginning of the year		1,550	863
Cash and cash equivalents at the end of the year	8	314	1,550

NOTE: The accompanying notes form an integrated part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2022

Reporting Entity

InfraCore Limited ('the Company') is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is fully owned by the Rotorua Lakes Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2022. The financial statements were authorised for issue by the directors on 7th December 2022.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis.

Statement of compliance

The Company is a reporting entity for the purposes of the Financial Reporting Act 2013. These financial statements comply with the Financial Reporting Act 2013, the Companies Act 1993, and Section 69 of the Local Government Act 2002.

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

The entity is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the entity has no public accountability and has expenses >\$2m and <\$30m.

These financial statements comply with PBE standards.

The Company was required under section 67(5) of the Local Government Act 2002 to complete its audited financial statements and service

performance information by 30 November 2022. This timeframe was not met because of resourcing constraints.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded in thousands. The functional currency of the Company is New Zealand dollars.

Changes in accounting policies

There have been no changes in the company's accounting policies since the date of the last audited financial statements.

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not effective that have not been early adopted, and which are relevant to the company are:

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 replaces PBE IFRS 9 *Financial Instruments* and is effective for the year ending 30 June 2023, with earlier adoption permitted. The company has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9. The company does not intend to early adopt the standard.

SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of financial results and financial position have been adopted in the preparation of the financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from exchange transactions

Operating revenue is recognised when earned. Lease income is recognised on an accrual basis with reference to the leases and rental agreements in force at balance date, with adjustment for rent paid in advance.

Revenue from sale of goods is recognised when the goods are sold to the customer. Revenue from sales of services is recognised by reference to the stage of completion of the service delivered at balance date as a percentage of the total services to be provided.

Interest income is recognised using the effective interest method.

Revenue from non-exchange transactions

Covid-19 wage subsidy issued by the government is considered non-exchange. Revenue is recognised when the subsidy is approved. Revenue would not be recognised if the qualifying conditions of the subsidy were no longer met.

Borrowings and borrowing costs

Borrowings are initially recognised at their fair value plus transaction costs. 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 12 months after balance date.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Finance leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty whether InfraCore will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Trade debtors and other receivables

Trade debtors and other receivables are recognised at their face value less any provision for doubtful debts. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

Trade creditors and other payables

Trade creditors and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits. Bank overdrafts that are repayable on demand and form part of the Company's cash management are included for the purposes of the statement of cash flows.

Employee entitlements

Liabilities for accumulating short-term entitlements are measured at nominal value based on unused entitlement accumulated at current rate of pay at balance date.

Goods & Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the Inland Revenue Department, including GST relating to the investing and financing activities, is classified as

an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

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, plus 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 by 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 the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) 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.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in

other comprehensive revenue and expense or directly in equity.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, the sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Property, plant & equipment

Property plant and equipment consists of:

Operational assets

These assets include motor vehicles and various plant and equipment.

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.

Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the statement of comprehensive revenue and expense.

Subsequent costs

Costs incurred subsequent to initial recognition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on either a straight-line basis or diminishing value on all property, plant and equipment at rates that will write-off the cost of the assets to their set residual values over their useful lives.

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

Diminishing Value Depreciation Range

Motor vehicles	10% - 30%
Plant and equipment	7% - 67%

Intangible Assets

Intangible Assets Under Development – Software Licenses

Initial Recognition

Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Company has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project. Research costs are recognised as an expense when incurred.

Acquired computer software licences are initially capitalised at cost, which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Subsequent Recognition

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three years. The amortisation period and amortisation method of intangible assets other

than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Critical accounting estimates and assumptions

In preparing these financial statements the company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property, plant and equipment

At balance date, the Company reviews the useful life of its buildings and infrastructural assets. Assessing the appropriateness of useful life and residual value estimates requires the Company to consider a number of factors, such as the physical condition of the assets, expected period of use of the assets by the Company, and expected disposal proceeds from the future sale of the assets.

An incorrect estimate of the useful life will impact on the depreciation expense recognised in the profit and loss, and the carrying amount of the assets in the statement of financial position. The Company will minimise the risk of this estimation uncertainty by physical inspections of assets, and asset replacement of programmes in line with useful life expectations.

Impairment of property, plant and equipment and intangible assets

The Company performs impairment testing with respect to its property, plant and equipment and intangible assets. In determining whether impairment exists, the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.



The fair value less cost of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental the value in use calculation for cash generating assets is based on a discounted cash flow model.

The cash flows are derived from the forecasted cash flows. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model and well as the expected future cash inflows.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2. RLC REVENUE

	Actual 2022 \$000	Actual 2021 \$000
Exchange revenue		
Rotorua Lakes Council – Services Revenue	12,445	14,050
Rotorua Lakes Council – Nursery and Leasing Revenue	138	144
Rotorua Lakes Council – Other Revenue	-	-
Total operating revenue	12,583	14,194

3. OTHER REVENUE

	Actual 2022 \$000	Actual 2021 \$000
Trading and Sundry Income	1,366	1,571
Government Grants – Apprentice Wage Subsidy	77	44
Loan Forgiveness	950	-
Interest Received	-	-
Total other revenue	2,393	1,615

4. PERSONNEL COSTS

	Actual 2022 \$000	Actual 2021 \$000
Salaries and wages	8,055	8,192
Employer superannuation contributions	239	249
Other employee related costs	340	314
Total personnel costs	8,634	8,755

5. DIRECTORS REMUNERATION

Directors' remuneration was paid as follows:

	Actual 2022 \$000	Actual 2021 \$000
John McRae	30	30
William Lawson	-	10
Brent Whibley	15	15
Vivienne Scott	15	15
Christiaan Van Florenstein Mulder	15	3
Geoffrey Rolleston	15	3
Tupara Morrison	15	3
Total remuneration	105	78

No other benefits have been provided by the Company to a Director or in any other capacity. No loans have been made by the Company to a Director nor has the Company guaranteed any debts incurred

by a Director.

6. FINANCE COSTS

	Actual 2022 \$000	Actual 2021 \$000
Interest on loans	15	17
Total finance costs	15	17

7. OTHER EXPENSES

	Actual 2022 \$000	Actual 2021 \$000
Audit New Zealand (Financial Statement Audit)	39	35
Administration and overhead	2,039	1,957
Inventories consumed	1,423	1,413
Maintenance	226	205
Telecommunication	99	111
Insurance	63	68
Consultancy	22	16
Bank charges	4	6
Travel and accommodation	3	3
Legal	53	11
Loss / (gain) on disposal	2	53
Other expenses	1,139	1,682
Total other expenses	5,114	5,558

8. CASH AND CASH EQUIVALENTS

	Actual 2022 \$000	Actual 2021 \$000
Cash and cash equivalents	314	1,550
Total cash and cash equivalents	314	1,550
Net cash and cash equivalents for the purposes of the statement of cash flows	314	1,550



9. RECEIVABLES AND PREPAYMENTS

	Actual 2022 \$000	Actual 2021 \$000
Receivables from exchange transactions	2,052	2,095
Prepayments	164	208
Total receivables	2,216	2,303

10. INVENTORIES

	Actual 2022 \$000	Actual 2021 \$000
Held for distribution inventories		
Inventories held for use in the provision of goods and services	297	289
Commercial inventories		
Inventories held for sale	331	380
Total inventories	628	668

No inventory is pledged as security for liabilities (2021: \$nil).

11. INCOME TAX

	Actual 2022 \$000	Actual 2021 \$000
Components of tax expense		
Current tax	-	-
Deferred tax expense	-	-
Tax expense	-	-

Relationship between income tax expense and accounting surplus

Surplus/(Deficit) for the year	729	870
Tax at 28%	204	244
Plus/(less) tax effects of:		
Group loss offset	(127)	-
Losses brought forward	(101)	(333)
Loss to carry forward	-	105
Permanent differences	-	-
Deferred tax asset/(liability) not recognised	24	(15)
Tax expense	-	-

It is expected that the company's tax liability for the year will be eliminated by tax loss of \$433,205 transferred from the Rotorua Lakes Council by loss offset.

A deferred tax asset movement has not been recognised in relation to temporary differences of \$86,512 (2021: \$54,540).

12. INTANGIBLE ASSETS

	Actual 2022 \$000	Actual 2021 \$000
Opening Cost	689	682
Accumulated amortisation opening	(621)	(392)
Opening carrying amount	68	290
Additions	10	7
Disposals (net of accumulated amortisation)	-	-
Amortisation expense	(68)	(229)
Closing cost	699	689
Accumulated Amortisation	(689)	(621)
Carrying amount at 30 June	10	68

The intangible assets relate to the field service system NextService and Finance system NetSuite. The expected costs are to be amortised over three years. Any additional costs in relation to the system will be expensed in the period too which they relate.

13. PROPERTY, PLANT, AND EQUIPMENT

Movements for each class of property, plant and equipment are as follows:

	Equipment \$000	Motor vehicle \$000	Total \$000
Opening cost 1 July 2020	865	2,477	3,342
Accumulated depreciation opening	(342)	(1,518)	(1,861)
Opening carrying amount	524	958	1,481
Additions	541	339	880
Disposals (net of accumulated depreciation)	(22)	(53)	(75)
Depreciation expense	(114)	(188)	(302)
Closing cost	1,375	2,598	3,974
Accumulated depreciation closing	(447)	(1,543)	(1,990)
Carrying amount at 30 June 2021	929	1,055	1,984
Opening cost 1 July 2021	1,375	2,598	3,974
Accumulated depreciation opening	(447)	(1,543)	(1,990)
Opening carrying amount	929	1,055	1,984
Additions	414	169	583
Disposals (net of accumulated depreciation)	(1)	(1)	(2)
Depreciation expense	(139)	(173)	(312)
Closing cost	1,789	2,767	4,556
Accumulated depreciation closing	(586)	(1,716)	(2,302)
Carrying amount at 30 June 2022	1,203	1,051	2,254

There are no restrictions over the title of property, plant and equipment. There are no items of property, plant and equipment that are pledged as security for liabilities.

14. PAYABLES

	Actual	Actual
	2022	2021
	\$000	\$000
Payables under exchange transactions		
Creditors	722	564
Total payables under exchange transactions	722	564
Payables under non exchange transactions		
GST	95	148
Total payables under non exchange transactions	95	148
Total payables	817	713

15. ACCRUALS

	Actual	Actual
	2022	2021
	\$000	\$000
Current portion		
Income in advance	5	122
ACC Accredited Employers Programme	12	11
<i>Total current portion</i>	<i>17</i>	<i>133</i>
Total accruals	17	133

16. EMPLOYEE ENTITLEMENTS

	Actual	Actual
	2022	2021
	\$000	\$000
Current portion		
Annual leave and payroll accrual	602	566
Long service leave and retirement gratuities	10	10
Total employee entitlements	612	576

17. BORROWINGS

	Actual 2022 \$000	Actual 2021 \$000
Current portion		
Finance Leases	1	5
Bank of New Zealand CARL Facility	-	-
Loan from Rotorua Lakes Council	-	937
<i>Total current portion</i>	1	941
Non-current portion		
Finance Leases	0	1
Loan from Rotorua Lakes Council	910	1,873
<i>Total non-current portion</i>	910	1,874
Total borrowings	911	2,816

	Actual 2022 \$000	Actual 2021 \$000
Minimum lease payments payable		
Not later than one year	1	5
Later than one year and not later than five years	-	1
Later than five years	-	-
<i>Total minimum lease payments</i>	1	6
Future finance charge	-	-
<i>Present value of minimum lease payments</i>	-	6
Present value of minimum lease payments payable		
Not later than one year	1	5
Later than one year and not later than five years	-	1
Later than five years	-	-
<i>Present value of minimum lease payments payable</i>	1	6

The loan to Rotorua Lakes Council is on a three month cyclical renewal. As at 30 June 2022, the effective rate of interest was 3.61% (2021: 0.65%).

The finance lease is for a piece of plant and equipment. The net carrying amount of the plant and equipment held under finance lease is \$1,000 (2021: \$6,000). The finance lease can be renewed at the Company's option, with rents set by current market rate for items of equivalent age and condition. There are no restrictions place on the Company by the finance lease arrangement.

18. Equity

(a) Share Capital		
	Actual 2022 \$000	Actual 2021 \$000
Opening Balance – Number of shares (2,366,081)	2,366	1,616
Share Issue (750,000)	0	750
Total Share Capital	2,366	2,366

(b) Retained Earnings		
	Actual 2022 \$000	Actual 2021 \$000
Balance at 1 July	(30)	(901)
Surplus/(deficit)	729	870
Total Retained Earnings	699	(30)
Total Equity	3,065	2,336

19. RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Actual 2022 \$000	Actual 2021 \$000
Net Surplus/(deficit)	729	870
Add/(less) non-cash items:		
Depreciation	380	531
Loan forgiveness	(950)	-
(Gain) / Loss on sale of assets	-	53
Total non-cash items	(570)	584
Add/(less) items classified as investing or financing activities		
Interest on loans from Rotorua Lakes Council/CARL	15	17
Total net movement in investing or financing items	15	17
Add/(less) movements in statement of financial position items		
(Increase)/Decrease in receivables	43	(8)
(Increase)/Decrease in other current assets	85	(11)
Increase/(Decrease) in payables and accrued expenses	25	(614)
Total net movement in working capital items	153	(633)
Net cash flow from operating activities	327	839

20. RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Company would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions of such transactions.

21. TRANSACTIONS WITH PARENT

The Company entered into transactions with:

	Actual 2022 \$000	Actual 2021 \$000
The company paid administration and overhead costs to Rotorua Lakes Council (excl. GST)	468	436
Forgiveness of Loan from Rotorua Lakes Council	950	-
Received sales from Rotorua Lakes Council (excl. GST)	12,583	14,194
Accounts payable to Rotorua Lakes Council	35	135
Accounts receivable from Rotorua Lakes Council	1,550	1,454
Share issue to Rotorua Lakes Council	-	750
Loan Repayment to Rotorua Lakes Council	950	-
Paid Interest to Rotorua Lakes Council	15	17
Holiday's Act recalculation costs transferred to Rotorua Lakes Council	109	43

22. INTEREST REGISTER

The Company is required to maintain an interest register in which the particulars of certain transactions and matters involving the Directors must be recorded. The interest register is available for inspection at the operational office.

INFORMATION USED BY DIRECTORS

During the financial year, there were no notices received from directors of InfraCore Limited as, or any subsidiary, requesting to use information received in their capacity as a director which would not otherwise have been available to them.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has arranged policies of the Directors' and Officers' Liability Insurance and separate Director's and Officers' defence costs insurance.



23. EMPLOYEE REMUNERATION

The following numbers of employees, who were not directors, received remuneration and benefits which exceeded \$100,000 value for the 2022 financial year: seven (2021: seven).

	Actual 2022	Actual 2021
Remuneration		
\$100,000 - \$109,999	1	1
\$110,000 - \$119,999	1	1
\$130,000 - \$139,999	1	1
\$140,000 - \$149,999	1	-
\$150,000 - \$159,999	-	3
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	1	-
\$260,000 - \$269,999	-	1
\$300,000 - \$309,999	1	-

Transactions with key management personnel:

	Actual 2022 \$000	Actual 2021 \$000
Senior management team including chief executive		
Full time equivalent members	5	6
Remuneration	1,005	997
Directors		
Full time equivalent members	6	6
Remuneration	105	78
Total full time equivalent personnel	11	12
Total key management personnel remuneration	1,110	1,075

24. SEVERANCE PAYMENTS

For the year ended 30 June 2022 the Company made two severance payments to two employees totalling \$35,000 (2021: one severance payments to one employee of \$15,000).

25. AUDITORS

The Auditor General is appointed under Section 15 of the Public Audit Act 2001. Audit New Zealand has been appointed to provide these services on his behalf. Provision for audit fee for the year was \$39,000 excl. GST (2021 \$35,000 excl. GST).

26. DONATIONS

No donations were made by the company during the year (2021: nil).

27. CONTINGENT LIABILITIES

At balance date contingent liabilities have been estimated at nil (2021: nil).



28. COMMITMENTS

Commitment Type	Actual	Actual
	2022	2021
	\$000	\$000
Commitment to lease 20-40 Queens Drive per annum	760	8
Commitment to lease 64-70 Vaughan Road	1,670	17
	<u>2,430</u>	<u>24</u>
Not later than one year	301	24
Later than one year and not later than five years	2,129	-
	<u>2,430</u>	<u>24</u>

29. EVENTS AFTER BALANCE DATE

There have been no significant events after balance date (2021: \$937,000).

30. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amount of financial instruments in each of the financial instrument categories are:

	Actual	Actual
	2022	2021
	\$000	\$000
Loans and receivables		
Cash and cash equivalents	314	1,550
Receivables (excluding tax receivable)	2,052	2,095
<i>Total loans and receivables</i>	<u>2,366</u>	<u>3,645</u>
Financial liabilities at amortised cost		
Payables (excluding taxes payable)	722	564
Borrowings	911	2,816
<i>Total current portion</i>	<u>1,633</u>	<u>3,380</u>

31. CAPITAL MANAGEMENT

The Company's capital is its equity, which comprise shareholders' funds. Equity is represented by net assets.

The objective of managing the Company's equity is to ensure that the Company effectively achieves its goals and objectives for which it has been established while remaining a going concern.

32. GOING CONCERN

In previous financial years, the company has obtained a letter of comfort from the 100% shareholder, Rotorua Lakes Council (RLC) regarding their on-going relationship with InfraCore Limited and that RLC will ensure that InfraCore Limited is adequately resourced in the short and medium term. The company does not deem this to be a requirement this year as it is in a stronger financial position with a budgeted surplus for 2023.

At 30 June 2022 the company's assets exceed their liabilities by \$3,044,000 (2021: \$2,336,000).

33. REPORTING AGAINST FINANCIAL FORECASTS AS SET OUT IN STATEMENT OF INTENT

	Target 2022 \$000	Actual 2022 \$000	Variance 2022 \$000
Revenue from Rotorua Lakes Council	11,528	12,276	748
Revenue from other sources	658	923	265
Project Revenue	1,863	1,202	(661)
Nursery Revenue	918	575	(343)
Total Revenue	14,967	14,976	9
Direct costs	2,659	2,606	(53)
Staff costs	9,241	8,528	(713)
Training and development	256	89	(167)
Overhead costs	2,478	2,625	147
Total Expenses	14,634	13,848	(786)
EBITA	333	1,128	795
Depreciation and amortisation	273	381	108
Interest expense	4	18	14
Net Profit Before Tax	56	729	673

Explanation of major variances against financial forecast

Revenue

Revenue from Rotorua Lakes Council – This includes the \$950k of debt forgiveness as agreed with the parent and then the loss of revenue from being in lock down in August 2021 (\$172k).

Revenue from other sources – additional recoverable work from 3rd party maintenance contracts, government subsidies for Covid leave support payments and apprenticeship scheme.

Project Revenue – staff resourcing constraints meant the organisation had to focus on core deliverables and did not have capacity to do as much additional work streams.

Nursery Revenue – Impact of Covid causing reduced events and plant leasing, along with non-critical spend on plants.

Expenses

Staff Costs – recruitment of vacancies has been a significant challenge for the organisation

Training and Development – turn over within the human resources department led to compliance training becoming a priority over organisational development training.

Overhead Costs – significant increases in the motor vehicle costs due to fuel prices and repair work to the aged fleet.

34. AUDITORS REPORT

Independent Auditor's Report

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

The Auditor-General is the auditor of InfraCore Limited (the company). The Auditor-General has appointed me, Leon Pieterse, 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 9 to 28, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 5 to 8.

In our opinion:

- the financial statements of the company on pages 9 to 28:
 - 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 Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 5 to 8 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 7 December 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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 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 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 page 4, 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.



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand