

**ECO**  
**CENTRAL**

**2018** annual report for the year ended 30 June 2018

# DROP SORT SHOP



# DROP SORT SHOP

**ECO  
DROP**

Your local  
recycling centre

Transfer stations  
around Christchurch  
accepting recycling  
and waste for  
both domestic and  
commercial customers.

**ECO  
SORT**

Automated recycling

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

**ECO  
SHOP**

The shop with  
a conscience

EcoShop is the  
retail outlet for  
the recycled goods  
rescued from our  
three EcoDrops.



**1,726**  
**tonnes**

diverted from waste to the EcoShop.



**332**  
**tonnes**

of milk bottles recovered.



**8,333**  
**tonnes**

recovered for resale by EcoCentral.



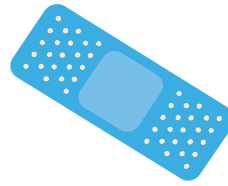
**Community focus**

continued partnership with Nurse Maude and EcoShop.



**24,000**  
**tonnes**

of paper products recovered by EcoCentral.



**Health and Safety**

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



Clean, uncrushed bottles belong in your yellow recycle bin – but their lids go in your red rubbish bin.



# DROP

# SORT



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TIP 2

Clean, loose items belong in your yellow recycle bin.



Right: Christchurch waste being processed at the EcoDrop.



**SORT**

SHOP

## Financial statements

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

For the year ended 30 June 2018.



**David William Kerr**

Chairman  
29 August 2018



**Sinead Mary Horgan**

Director  
29 August 2018



Take your pre-loved tools to the resource  
recovery area at your nearest EcoDrop.



*Right:* Recycling sorted,  
baled and ready to go

# SHOP





## Chairman's report

It is a privilege to report on behalf of the directors of EcoCentral on the financial year ended 30 June 2018.

All our staff at EcoCentral have worked hard once again to ensure that the Transfer Stations or EcoDrops, EcoShop and the MRF at the EcoSort have been run efficiently.

The operating performance of the company during the year has been particularly volatile. In the earlier part of the financial year there were good financial results but over the last quarter we sustained some heavy losses.

This later change was a result of the Chinese National Sword initiative where China stopped accepting recycling materials from international suppliers. EcoCentral had not exported recycled material to China but the sudden increase in global supply to the remaining markets was accompanied by a significant reduction in commodity prices, most particularly with the mixed paper price dropping by over 85% during the year.

Cardboard, or OCC as it is known in the market was similarly affected but to a lesser extent.

This resulted in some sustained discussions with both Christchurch City Holdings Limited (CCHL) and the Management of the Christchurch City Council (CCC).

Over the years CCC has not paid a processing fee for the recycling, as the profitability of the EcoDrops supported the losses generated from recycling. With the volumes of material decreasing at the EcoDrops to pre-earthquake levels and the appearance of competing providers, who do not have the obligation of being open to the members of the public and to operate on the weekends, the balance was somewhat disturbed between the component parts of EcoCentral.

The company absorbed significant losses over the final quarter and this is evident in the financial results. Since balance date an arrangement has been entered into with CCC whereby a fee for the processing of recyclable product has been agreed.



The staff have continued their attention to health and safety and I have been delighted at the level of engagement of staff in this area when attending health and safety subcommittee meetings.

We can advise that we continue to have tertiary accreditation with ACC, and have accreditation to the gold standard of NZ4801.

Success in health and safety is achieved not by excessive form filling and protocols, but more by staff engagement and support for the importance of everyone going home safe at the end of the day. I believe the team have done a good job of ensuring the right culture.

In April we had the retirement of Judi Sefton as our Chief Executive. She has a wealth of knowledge about this sector and has been invaluable in establishing good processes and good culture across the organisation. This has contributed to the building of a strong balance sheet that was able to sustain the significant losses over the final quarter. Our thanks are due to Judi in significant dimension, but she has been ably replaced by Craig Downie who previously was in the role of Operations Manager.

We look forward to working with CCC to manage the challenging times associated with The National Sword initiative and believe that EcoCentral has an important role to play in both innovation of the present ways we work and also assisting with thought leadership around the longer term solutions for the waste stream for Canterbury and the wider South Island.

My thanks are due to all the staff for their continued efforts, and of course my thanks are also due to my fellow Directors, Judi Sefton, and our current CEO Craig Downie. The board has enjoyed the addition of Mark Jordan to the role of Director and his contribution is much valued. The staff and Board have again been a pleasure to work with over the last 12 months

**David Kerr** *Chairman*

Left: Kids bargains galore at the EcoShop.



## Chief Executive Officer's report

EcoCentral has endured a rollercoaster year with a solid performance in the initial three quarters followed by substantial erosion of profitability in the last quarter driven by falls in international commodity prices. Waste volumes continued to reduce as Canterbury returned to pre-earthquake levels of activity. The EcoCentral team continued to operate with safety and customer service as a focus and a strong emphasis on training.

### EcoDrops

Waste volumes reduced at the EcoDrops as Canterbury returned to pre-earthquake levels with this being further impacted from increased competition in the market. The addition of our pit face employees provided improved customer service while having a positive impact in minimising waste to landfill through redirecting customers with reusable items to the recycling centres.

### EcoSort

A newly installed paper baler has improved throughput while reducing the facilities energy footprint. The EcoSort continues to perform efficiently while maintaining a high-quality standard. The team had a great start to the year before a dramatic reduction in the fibre and plastic commodity prices in the final quarter adversely affected profitability.

### EcoShop

The shop has had a solid performance this year and continued to support circular recycling in the community by providing a wide range of repurposed goods. Our partnership with Nurse Maude continues to enable customers to support the wider Canterbury community through their EcoShop purchases.

### TIP4

Hoses, worn shoes or clothing belong in your red rubbish bin, or charity clothing bin if still wearable.

### The Team

The team have continued to perform exceptionally well. Our customer focused frontline staff have again provided an outstanding friendly service to our customers. The management teams focus in supporting their staff and the business as a whole is much appreciated. April this year saw the retirement of our CEO Judi Sefton who has worked tirelessly building a strong business over the last six years. We wish Judi all the best and thank the management team for their fantastic efforts through the leadership transition. The health and safety culture continues to grow and mature with increased reporting and awareness of the risks our business can generate. A big thank you to the team for their efforts this year.

### Outlook

With the recent upheaval in global recycling EcoCentral will continue to operate efficiently while increasing focus on innovation, to close the recycling loop and reduce our reliance on external dependencies. Several initiatives are being developed to enhance our recovery of product and increase waste minimization. The past year has seen us retain our ACC, AS/NZS4801 and ISO9001 accreditation which is a credit to the efforts of the whole team. Over the next 12 months we will maintain our focus on health and safety and develop our people with ongoing training. EcoCentral will continue to be involved as a community centric business for the Canterbury community, employing local staff, recovering and reusing local resources. I thank the EcoCentral board for their fantastic support, confidence and guidance as we build an innovative and customer focused business.

**Craig Downie** *Chief Executive Officer*

Right: Hauling compacted waste from the EcoDrop.





## 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 2018 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.



Clean, uncrushed and topless bottles belong in your yellow recycle bin.



Left: EcoSort recycling processing in action.

## Corporate Governance statement CONT.

### Subcommittees of the Board

There are two subcommittees of the Board

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

### Directors' remuneration

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

### Conflicts of interest

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

### Indemnities and Insurance

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

### Chief Executive Officer performance review

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



Take your steel items to be recycled at your nearest EcoDrop.



## Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 18 \$'000	30 June 17 \$'000
<b>Revenue</b>			
Operating and other revenue	2	34,316	37,878
Finance income	3	70	46
Other gains	4	87	10
<b>Total revenue</b>		<b>34,474</b>	<b>37,934</b>
<b>Expenditure</b>			
Depreciation, amortisation and impairment	5	1,843	2,758
Finance costs	6	59	79
Personnel costs	7	6,711	6,613
Other expenses	8	25,344	26,859
<b>Total operating expenses</b>		<b>33,957</b>	<b>36,309</b>
<b>Profit before income tax expense</b>		<b>517</b>	<b>1,626</b>
Income tax expense	10(a)	136	724
<b>Profit for the Year</b>		<b>381</b>	<b>902</b>
<b>Other comprehensive income</b>			
Cash flow hedges	23	(87)	(17)
<b>Total comprehensive income for the year</b>		<b>294</b>	<b>885</b>

The accompanying notes form part of these financial statements

## Statement of financial position

AS AT 30 JUNE 2018

	Note	30 June 18 \$'000	30 June 17 \$'000
<b>Current assets</b>			
Cash and cash equivalents	11	2,021	3,704
Trade and other receivables	12(a)	1,815	1,889
Derivative financial instruments	13(a)	-	134
Prepayments		57	203
Inventories	14	387	480
<b>Total current assets</b>		<b>4,280</b>	<b>6,409</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	9,512	9,869
Intangible assets	16	-	-
Goodwill	17	-	-
<b>Total non-current assets</b>		<b>9,512</b>	<b>9,869</b>
<b>Total assets</b>		<b>13,792</b>	<b>16,278</b>
<b>Current liabilities</b>			
Trade and other payables	18	2,330	3,267
Provisions	19	254	386
Employee entitlements	21	976	927
Current tax liabilities	10(b)	260	950
Derivative financial instruments	13(b)	24	-
Borrowings	20	1,250	-
<b>Total current liabilities</b>		<b>5,094</b>	<b>5,530</b>
<b>Non-current liabilities</b>			
Borrowings	20	-	2,000
Deferred tax liabilities	10(d)	239	334
<b>Total non-current liabilities</b>		<b>239</b>	<b>2,334</b>
<b>Total liabilities</b>		<b>5,334</b>	<b>7,864</b>
<b>Net assets</b>		<b>8,458</b>	<b>8,414</b>
<b>Equity</b>			
Capital and other equity instruments	22	6,100	6,100
Reserves	23	(24)	63
Retained earnings	24	2,382	2,251
<b>Total equity</b>		<b>8,458</b>	<b>8,414</b>



Chairman                      Director  
For and on behalf of the Board

The accompanying notes form part of these financial statements



## Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2018

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Note	22	23	24	
<b>30 June 2018</b>				
Balance at the beginning of the financial year	6,100	63	2,251	8,414
Net profit	-	-	381	381
Other comprehensive income	-	(87)	-	(87)
Total comprehensive income	-	(87)	381	294
Dividends Paid	-	-	(250)	(250)
<b>Balance at the end of the financial year</b>	<b>6,100</b>	<b>(24)</b>	<b>2,382</b>	<b>8,458</b>
<b>30 June 2017</b>				
Balance at the beginning of the financial year	6,100	80	1,599	7,779
Net profit	-	-	902	902
Other comprehensive income	-	(17)	-	(17)
Total comprehensive income	-	(17)	902	885
Dividends Paid	-	-	(250)	(250)
<b>Balance at the end of the financial year</b>	<b>6,100</b>	<b>63</b>	<b>2,251</b>	<b>8,414</b>

The accompanying notes form part of these financial statements

## Cash flow statement

FOR THE YEAR ENDED 30 JUNE 2018

	<i>Note</i>	<b>30 June 18 \$'000</b>	<b>30 June 17 \$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers and other sources		34,374	37,918
Interest received		70	46
Payments to suppliers and employees		(32,748)	(33,056)
Subvention payment made		(920)	(606)
Interest and other finance costs paid		(62)	(94)
<b>Net cash provided from operating activities</b>	25	<b>714</b>	<b>4,207</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(1,614)	(818)
Proceeds from sale of property, plant and equipment		216	34
<b>Net cash provided from investing activities</b>		<b>(1,398)</b>	<b>(784)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(750)	(1,000)
Dividends paid		(250)	(250)
<b>Net cash provided from financing activities</b>		<b>(1,000)</b>	<b>(1,250)</b>
Net increase in cash and cash equivalents		(1,684)	2,172
Cash and cash equivalents at beginning of year		3,704	1,532
<b>Cash and cash equivalents at end of year</b>	11	<b>2,021</b>	<b>3,704</b>

The accompanying notes form part of these financial statements

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

## 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 2018, and the financial position as at that date.

#### Functional and presentation currency

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

## Significant Accounting Policies

### Cash and cash equivalents

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

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

### Foreign currency transactions

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

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

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

### Trade and other receivables

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

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

## Notes to the financial statements CONT.

### 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

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

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

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

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

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

### Property, plant and equipment

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

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

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

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

### Additions

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

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

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

### Disposals

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

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

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### *EcoCentral Limited as a lessee*

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

### Goodwill and intangibles

#### *Goodwill*

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss. At 30 June 2017, the Goodwill was fully impaired and has a carrying value of \$nil.

### Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Company amortises its software assets over a 3 year period. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

### 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.

## Notes to the financial statements CONT.

### Interest-bearing loans and borrowings

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

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

### Borrowing costs

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

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

### Provisions and employee benefits

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

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

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

### Employee leave benefits

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

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

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

#### (ii) Long service leave

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

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

### Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*(i) Sale of goods*

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer (through the execution of a sales agreement at the time of delivery of the goods to the customer), no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the free on board date).

*(ii) Rendering of services*

Revenue from the disposing of product or dropping off materials is recognised at the time of completion of the contract and billing to the customer.

*(iii) Interest revenue*

Revenue is recognised as interest accrues using the effective interest method.

#### **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.

#### **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.

## Notes to the financial statements CONT.

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

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

(i) *Classification of leases*

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

### Changes in accounting policy and disclosures

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

The accounting policies adopted are consistent with those of the previous financial year.

NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ending 30 June 2018 are listed below:

	Effective
NZ IFRS 9 Financial Instruments – Classification and Measurement	FY19
NZ IFRS 15 Revenue from Contracts with customers	FY19
NZ IFRS 16 Leases	FY19

The Company expects to adopt these new or amended standards and interpretations in the period that application of the standard is required; however they are not expected to have a significant impact on the group's operations.

Under NZ IFRS 16 – Leases, all leases (including operating) will be recorded on the balance sheet. An asset for the right to use the leased item will be recognised and presented in the property plant and equipment category, but separately from the assets the Company owns. A liability for its obligation to pay rental will be recognised, and interest expense is recognised on the lease liability. The asset will be amortised through the statement of comprehensive income and tested for impairment.



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**2. Operating and other revenue**

	30 June 18 \$'000	30 June 17 \$'000
Sale of goods	8,997	10,837
Rendering of services	24,855	26,582
Hazardous waste cost recoveries	401	411
Management services	62	48
	34,316	37,878

**3. Finance income**

	30 June 18 \$'000	30 June 17 \$'000
Interest income - bank deposits	70	46
	70	46

**4. Other gains and losses**

	30 June 18 \$'000	30 June 17 \$'000
Other gains		
Gains on disposals of property, plant and equipment	87	10
	87	10

**5. Depreciation, amortisation and impairment**

	30 June 18 \$'000	30 June 17 \$'000
Depreciation of property, plant and equipment	1,843	1,724
Impairment of goodwill	-	1,034
	1,843	2,758

**6. Finance Costs**

	30 June 18 \$'000	30 June 17 \$'000
Loan interest expense	59	79
	59	79

## Notes to the financial statements CONT.

### 7. Personnel costs

	30 June 18 \$'000	30 June 17 \$'000
Salaries and wages	6,423	6,430
KiwiSaver plan employer contributions	128	111
Defined benefit plan employer contributions	14	22
Increase/(decrease) in employee entitlements/liabilities	49	(16)
Other	97	66
	6,711	6,613

### 8. Other expenses

	30 June 18 \$'000	30 June 17 \$'000
Donations	2	2
Rental expenses	2,254	2,207
Net Foreign exchange losses	89	525
Other operating expenses	23,000	24,125
	25,344	26,859

### 9. Remuneration of auditors

	30 June 18 \$'000	30 June 17 \$'000
<b>Audit New Zealand</b>		
Audit of the financial statements	45	49
	45	49

**10. Income taxes**

	30 June 18 \$'000	30 June 17 \$'000
<b>(a) Components of tax expense</b>		
Current tax expense	260	950
Adjustments to current tax of prior years	(29)	(22)
Current tax on movement in other comprehensive income	-	7
Deferred tax expense/(income)	(95)	(211)
	136	724
<b>Reconciliation of prima facie income tax:</b>		
Profit before tax	517	1,626
Income tax expense calculated at 28%	145	455
Net over provision of income tax in previous year	(29)	(22)
Expenses not deductible for income tax	20	290
	136	724
	<b>30 June 18</b> \$'000	<b>30 June 17</b> \$'000
<b>(b) Current tax payables</b>		
Subvention payable	260	950
	260	950

**(c) Imputation Credit Account**

There are no Imputation credits available for use in subsequent periods. (2017: Nil).

## Notes to the financial statements CONT.

### 10. Income taxes CONT.

	Opening balance \$'000	Income \$'000	Closing balance \$'000
<b>(d) Deferred tax balance</b>			
<b>30 June 2018</b>			
<b>Deferred tax liabilities:</b>			
Property, plant and equipment	681	(141)	540
	681	(141)	540
<b>Deferred tax assets:</b>			
Provisions and employee entitlements	333	(32)	301
Doubtful debts and impairment losses	14	(14)	0
	347	(46)	301
<b>Net deferred tax liability/(asset)</b>	<b>334</b>	<b>(95)</b>	<b>239</b>
<b>30 June 2017</b>			
<b>Deferred tax liabilities:</b>			
Property, plant and equipment	827	(146)	681
	827	(146)	681
<b>Deferred tax assets:</b>			
Provisions and employee entitlements	266	67	333
Doubtful debts and impairment losses	16	(2)	14
	282	65	347
<b>Net deferred tax liability/(asset)</b>	<b>545</b>	<b>(211)</b>	<b>334</b>

### 11. Cash and cash equivalents

	30 June 18 \$'000	30 June 17 \$'000
Cash and cash equivalents (NZD)	1,819	3,652
Cash and cash equivalents (USD)	202	52
	2,021	3,704

## 12. Trade and other receivables

	30 June 18 \$'000	30 June 17 \$'000
<b>(a) Current trade and other receivables</b>		
Trade receivables (before impairment)	897	1,044
Other related parties	881	845
GST Receivable	37	-
	1,815	1,889
Provision for impairment - trade receivables	-	-
	1,815	1,889

### **(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 18 \$'000	30 June 17 \$'000
<b>Gross receivables</b>		
Not past due	1,666	1,883
Past due 0-30 days	163	10
Past due 31-60 days	(4)	1
Past due more than 60 days	(11)	(6)
	1,815	1,889
<b>Impairment</b>		
Past due 31-60 days	-	-
Past due more than 60 days	-	-
	-	-
<b>Movements in provision for impairment of receivables:</b>		
Balance at start of year	-	7
Provisions made during year	5	-
Receivables written off during year	(5)	(7)
	-	-
Balance at 30 June	-	-

EcoCentral holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

## Notes to the financial statements CONT.

### 13. Derivative financial instruments

	30 June 18 \$'000	30 June 17 \$'000
<b>(a) Current assets</b>		
Forward foreign exchange instruments	-	134
Total derivative financial instrument assets	-	134
<b>(b) Current liabilities</b>		
Forward foreign exchange instruments	24	-
Total derivative financial instrument liabilities	24	-

#### Fair value

##### Forward foreign exchange instruments

The fair values of forward foreign exchange instruments have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from instrument prices.

### 14. Inventories

	30 June 18 \$'000	30 June 17 \$'000
Inventory – raw materials and maintenance items	342	370
Inventory - finished goods	45	110
	387	480

## 15. Property, plant and equipment

	Buildings \$'000	Plant & equipment \$'000	Total \$'000
<b>Cost</b>			
Balance at 1 July 2016	3,748	17,105	20,853
Additions	46	900	946
Disposals	-	(261)	(261)
Net movements in work in progress	-	(128)	(128)
Transfers and other	-	(6)	(6)
<b>Balance at 30 June 2017</b>	<b>3,794</b>	<b>17,610</b>	<b>21,405</b>
Balance at 1 July 2017	3,794	17,610	21,405
Additions	44	1,681	1,725
Disposals	-	(1,180)	(1,180)
Net movements in work in progress	-	(110)	(110)
<b>Balance at 30 June 2018</b>	<b>3,838</b>	<b>18,001</b>	<b>21,839</b>
<b>Accumulated depreciation</b>			
Balance at 1 July 2016	(1,883)	(8,171)	(10,054)
Disposals	-	236	236
Depreciation expense	(178)	(1,547)	(1,724)
Transfers and other	-	6	6
<b>Balance at 30 June 2017</b>	<b>(2,061)</b>	<b>(9,475)</b>	<b>(11,536)</b>
Balance at 1 July 2017	(2,061)	(9,475)	(11,536)
Disposals	-	1,051	1,051
Depreciation expense	(271)	(1,572)	(1,843)
<b>Balance at 30 June 2018</b>	<b>(2,332)</b>	<b>(9,996)</b>	<b>(12,327)</b>
Carrying amount at 30 June 2017	1,734	8,135	9,869
<b>Carrying amount at 30 June 2018</b>	<b>1,507</b>	<b>8,005</b>	<b>9,512</b>

Work in progress at 30 June 2018 was valued at \$326,000 (2017: \$436,000).

There are no restrictions over the title of the Company's property, plant, and equipment; nor is any pledged as security for liabilities.

## Notes to the financial statements CONT.

### 16. Intangible Assets

	30 June 18 \$'000	30 June 17 \$'000
<b>Cost</b>		
Balance at beginning of financial year	118	118
Additions	-	-
<b>Balance at end of financial year</b>	<b>118</b>	<b>118</b>
<b>Accumulated amortisation and impairment</b>		
Balance at beginning of financial year	(118)	(118)
Amortisation expense	-	-
<b>Balance at end of financial year</b>	<b>(118)</b>	<b>(118)</b>
<b>Carrying amount</b>		
Carrying amount at beginning of financial year	-	-
<b>Carrying amount at end of financial year</b>	<b>-</b>	<b>-</b>

### 17. Goodwill

	30 June 18 \$'000	30 June 17 \$'000
<b>Cost</b>		
Balance at beginning of financial year	-	4,129
Additions	-	-
Goodwill written off	-	(4,129)
<b>Balance at end of financial year</b>	<b>-</b>	<b>-</b>
<b>Accumulated amortisation and impairment</b>		
Balance at beginning of financial year	-	(3,095)
Impairment	-	(1,034)
Goodwill written off	-	4,129
<b>Balance at end of financial year</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>		
Carrying amount at beginning of financial year	-	1,034
Impairment	-	(1,034)
<b>Carrying amount at end of financial year</b>	<b>-</b>	<b>-</b>

On 4 August 2009 the Company purchased certain assets and liabilities of Meta Processing Limited, including goodwill of \$4.1 million. During the 2012 financial year the Directors of the Company reviewed the trading performance of the EcoSort business unit and determined due to the market conditions that the goodwill attributed to this business combination was fully impaired and wrote it down from \$3,095,000 to zero. In 2017 the Board conducted an impairment review and concluded that, at balance date, the remaining goodwill was fully impaired.



### 18. Trade and other payables

	30 June 18 \$'000	30 June 17 \$'000
Trade payables and accrued expenses	919	1,316
Amounts due to related parties	1,402	1,925
GST payable	-	14
Interest payable	9	12
	2,330	3,267

### 19. Provisions

	30 June 2018			30 June 2017		
	Other Provisions \$'000	R&M Provisions \$'000	Total Provisions \$'000	Other Provisions \$'000	R&M Provisions \$'000	Total Provisions \$'000
Balance at 1 July	-	386	386	-	-	-
Additional provisions made	32	699	731	-	386	386
Amounts used	-	(863)	(863)	-	-	-
Balance at 30 June	32	222	254	-	386	386

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. Borrowings

	30 June 18 \$'000	30 June 17 \$'000
<b>Current portion</b>		
Loan from Christchurch City Holdings Ltd – floating interest	1,250	-
<b>Non-current portion</b>		
Loan from Christchurch City Holdings Ltd – floating interest	-	2,000
	1,250	2,000

The loan from Christchurch City Holdings Ltd is due to be repaid on 30 June 2019. Interest is charged on a quarterly basis at floating rates. Under the subordinated loan agreement EcoCentral provides certain general undertakings. These include a commitment not to 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.

## Notes to the financial statements CONT.

### 21. Employee entitlements

	30 June 18 \$'000	30 June 17 \$'000
<b><u>Current portion</u></b>		
Accrued pay	126	133
Annual leave	769	652
Long service leave	30	33
Bonuses and redundancy provision	52	110
<b>Total employee entitlements</b>	<b>976</b>	<b>927</b>

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.

### 22. Capital and other equity instruments

	30 June 18 \$'000	30 June 17 \$'000
<b><u>Fully paid redeemable preference shares</u></b>		
Balance at 1 July	6,100	6,100
Capital contribution	-	-
<b>Balance at 30 June</b>	<b>6,100</b>	<b>6,100</b>

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 Christchurch City Holdings Limited. These are the same as the authorised share capital. There were no changes to the number of issued shares during the year ended 30 June 2018 (2017: Nil).

**23. Reserves**

	30 June 18 \$'000	30 June 17 \$'000
Hedging Reserve	(24)	63
	(24)	63
<b>Hedging Reserve</b>		
Balance at 1 July	63	80
Forward foreign exchange contracts	(87)	(24)
Income tax	-	7
Balance at 30 June	(24)	63

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

**24. Retained earnings**

	30 June 18 \$'000	30 June 17 \$'000
Balance at 1 July	2,251	1,599
Net profit for the period	381	902
Dividends paid	(250)	(250)
Balance at 30 June	2,382	2,251

**Dividends**

During the year ended 30 June 2018, the Company declared and paid a dividend of 4.098 cents per share, \$250,000 (2017: \$250,000), to the shareholder, Christchurch City Holdings Limited.

## Notes to the financial statements CONT.

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

	30 June 18 \$'000	30 June 17 \$'000
Profit / (loss) for the period	381	902
<b>Add/(less) non-cash items:</b>		
Depreciation, amortisation and impairment expense	1,843	2,758
Deferred tax charged/(credited) to income	(95)	(211)
Tax adjustments within hedging reserve	-	7
Loss on derivatives	71	-
	1,819	2,553
<b>Add/(less) items classified as investing or financing activities:</b>		
(Gain)/loss on disposal of property plant & equipment	(87)	(10)
	(87)	(10)
<b>Add/(less) movement in working capital items:</b>		
Trade and other receivables	75	30
Inventories	93	(91)
Prepayments	146	(118)
Trade and other payables	(937)	249
Provisions	(131)	386
Employee entitlements	49	(16)
Income tax payable	(690)	322
	(1,396)	762
<b>Net cash from operating activities</b>	715	4,207

### 26. Capital commitments and operating leases

	30 June 18 \$'000	30 June 17 \$'000
<b>Capital commitments</b>		
Property, plant & equipment	294	1,079
	294	1,079
<b>Non-cancellable operating lease liabilities</b>		
No later than one year	2,620	2,504
Later than one year and not later than five years	9,491	9,099
Greater than 5 years	1,599	3,510
	13,710	15,113

**27. Contingent liabilities and contingent assets**

As at balance date the Company had no contingent assets or contingent liabilities (2017: 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 identification and control of financial risks rests with the Financial Controller under the authority of the board. The board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections..

**Interest rate risk**

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

	30 June 2018			30 June 2017		
	Fixed \$'000	Variable \$'000	Non-interest \$'000	Fixed \$'000	Variable \$'000	Non-interest \$'000
<b>Financial assets</b>						
Cash and cash equivalents		2,021			3,704	
Debtors and other receivables			934			1,044
Related party receivables			881			845
		2,021	1,815		3,704	1,889
<b>Financial liabilities</b>						
Loan – Christchurch City Holdings Ltd		(1,250)			(2,000)	
		(1,250)			(2,000)	

## Notes to the financial statements CONT.

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### Foreign currency risk management

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

The Company seeks to mitigate the effect of its foreign currency exposure through the use of cash flow hedges or options, and forward currency purchases where there is a firm commitment for a sale or purchase. Approximately 13% of sales are denominated in currencies other than the functional currency of the entity (2017: 18%), whilst almost 100% of costs are denominated in New Zealand dollars. As at 30 June 2018, 57% of forecast transactions were hedged (2017: 63%).

### Capital management

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

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

**Credit risk management**

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

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

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

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

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

	30 June 18 \$'000	30 June 17 \$'000
<b>Maximum exposure to credit risk</b>		
Cash at bank, term deposits and foreign currency	2,021	3,704
Trade and other receivables	1,815	1,889
	3,836	5,593
<b>Counterparties</b>		
Cash at bank, term deposits and foreign currency	2,021	3,704
AA-	2,021	3,704

## Notes to the financial statements CONT.

### 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
<b>30 June 2018</b>						
<i>Financial assets</i>						
Cash and cash equivalents	2,021	2,021	2,021	-	-	-
Trade and other receivables	934	934	934	-	-	-
Related party receivables	881	881	881	-	-	-
Net settled derivative assets	-	-	-	-	-	-
	3,836	3,836	3,836	-	-	-
<i>Financial liabilities</i>						
Trade and other payables	2,330	2,330	2,330	-	-	-
Loans from group entities	1,250	1,270	1,270	-	-	-
Net settled derivative liabilities	24	24	24	-	-	-
	3,605	3,625	3,625	-	-	-
<b>30 June 2017</b>						
<i>Financial assets</i>						
Cash and cash equivalents	3,704	3,704	3,704	-	-	-
Trade and other receivables	1,044	1,044	1,044	-	-	-
Related party receivables	845	845	845	-	-	-
Net settled derivative assets	134	134	134	-	-	-
	5,727	5,727	5,727	-	-	-
<i>Financial liabilities</i>						
Trade and other payables	3,267	3,267	3,267	-	-	-
Loans from group entities	2,000	2,046	1,538	508	-	-
	5,267	5,313	4,806	508	-	-



### **Commodity price and demand risk**

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

### **Classification of financial assets and liabilities**

The following tables classify the group's financial assets and liabilities between the various categories set out in NZ IAS 39 and NZ IFRS 7:

	<b>30 June 18</b>	<b>30 June 17</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>		
<i>Derivatives that are hedged accounted:</i>		
Derivative financial instruments	-	134
<i>Loans and receivables</i>		
Cash and cash equivalents	2,021	3,704
Debtors and other receivables	1,815	1,889
Subtotal Cash & Receivables	<u>3,836</u>	<u>5,593</u>
Total financial assets	<u>3,836</u>	<u>5,727</u>
<b>Financial liabilities</b>		
<i>Derivatives that are hedged accounted:</i>		
Derivative financial instruments	24	-
<i>Financial liabilities at amortised cost</i>		
Creditors and other payables	2,330	3,267
Borrowings	1,250	2,000
Subtotal Loans & Payables	<u>3,580</u>	<u>5,267</u>
Total financial liabilities	<u>3,605</u>	<u>5,267</u>

## Notes to the financial statements CONT.

### Fair value measurement basis

	Carrying value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>30 June 2018</b>				
<i>Derivatives that are hedge accounted:</i>				
Derivative financial instruments	(24)	-	(24)	-
Net financial assets and liabilities	(24)	-	(24)	-
<b>30 June 2017</b>				
<i>Derivatives that are hedge accounted:</i>				
Derivative financial instruments	134	-	134	-
	134	-	134	-

### 29. Related Parties

	30 June 18 \$'000	30 June 17 \$'000
<b>1 Christchurch City Holdings Ltd (CCHL)</b>		
<b>1 (a) Transactions with CCHL</b>		
Interest expense paid to CCHL	59	79
Dividend paid to CCHL	250	250
<b>1 (b) Balances with CCHL</b>		
Loan balance owing to CCHL	1,250	2,000
Other balances owing to CCHL	9	-
<b>2 CCHL Subsidiaries</b>		
<b>2 (a) Transactions with CCHL Subsidiaries</b>		
Services provided to CCHL Subsidiaries	528	495
Services provided by CCHL Subsidiaries	-	4
<b>2 (b) Balances with CCHL Subsidiaries</b>		
Other balances owing by CCHL Subsidiaries	74	44
Other balances owing to CCHL Subsidiaries	-	-
<b>3 Christchurch City Council (CCC)</b>		
<b>3 (a) Transactions with CCC</b>		
Services provided to CCC	8,796	9,511
Services provided by CCC (includes rent & rates)	1,911	2,106
<b>3 (b) Balances with CCC</b>		
Other balances owing by CCC	807	801
Other balances owing to CCC	-	401

	30 June 18 \$'000	30 June 17 \$'000
<b>4 Other group entities excluding CCHL and CCC</b>		
<b>4 (a) Transactions with other group entities</b>		
Services provided to group entities	-	-
Services provided by group entities	16,051	17,350
<b>4 (b) Balances with other group entities</b>		
Other balances owing by group entities	-	-
Other balances owing to group entities	1,402	1,524
<b>5 Subvention payment to the CCC group</b>	920	606

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

EcoCentral Limited has a loan with CCHL with an outstanding balance of \$1,250,000 (2017: \$2,000,000). The loan is due to be repaid by 30 June 2019, or as such later day as maybe agreed. In 2014 EcoCentral repaid \$5,000,000 of debt owing to CCHL by issuing \$5,000,000 of redeemable preference shares to CCHL. During the 2018 financial year EcoCentral repaid \$750,000 of debt owing to CCHL (2017: \$1,000,000 repaid).

EcoCentral Limited incurred charges of \$16,050,946 in 2018 (2017: \$17,350,267) in relation to the disposal of waste, to Transwaste Canterbury Ltd, a company in which the ultimate shareholder, CCC, has a material shareholding.

No provision has been required, nor any expense recognised for impairment of receivables or other receivables to related parties (2017: Nil). During the year, EcoCentral Limited made subvention payments totaling \$920,324 to CCC Group. There was an associated tax loss offset of \$2,366,546. (2017: subvention payment of \$606,089 was paid to Enable Services Limited; loss offset \$1,558,516).

## Notes to the financial statements CONT.

### 30. Remuneration

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

#### Salary bands

	30 June 18 Number	30 June 17 Number
100-110	-	1
110-120	1	1
120-130	1	-
130-140	1	1
140-150	1	-
150-160	-	-
160-170	-	-
170-180	-	1
180-190	1	-
190-200	-	-
200-210	-	-
210-220	-	-
220-230	-	-
230-240	-	-
240-250	-	-
250-260	-	-
260-270	-	-
270-280	-	-
280-290	-	-
290-300	-	-
300-310	-	-
310-320	-	-
320-330	-	-
330-340	-	1
340-350	-	-
350-360	1	-

#### Directors' remuneration

	30 June 18 \$'000	30 June 17 \$'000
<b>Name of director</b>		
Mark Andrew Jordan	21	-
Sarah Louise Smith <i>(paid to Sasco Holdings Limited)</i>	33	32
David William Kerr <i>(paid to D W Kerr Limited)</i>	63	63
Gregory Shane Campbell	11	32
Sinead Mary Horgan <i>(paid to Morrison Horgan Limited)</i>	34	32

#### Key Management Personnel

Judi Sefton	CEO <i>(resigned 20/04/2018)</i>
Craig Downie	Acting CEO <i>(appt 21/04/2018)</i> Operations Manager <i>(to 20/4/18)</i>
Vaughan Whitehead	Financial Controller
Averil Stevenson	Commercial & Compliance Manager
John Ross	EcoDrop & Transport Manager
Julie Radcliffe	Retail Manager
Wayne Hocking	EcoSort Manager

#### Key Management Remuneration

	30 June 18 \$'000	30 June 17 \$'000
Salaries and short term		
Employee benefits	1,155	1,047

## Statement of Service Performance

### Financial performance targets

The financial performance targets for the Company were as follows:

	30 June 18	
	SOI \$'000	Actual \$'000
Sales	36,138	34,474
Net profit after tax	680	381
Equity	9,765	8,458
Return on equity	7.1%	4.5%
Debt to CCHL	500	1,250
Total assets	16,081	13,792

### Key operational performance targets

Performance Target	Actual 2018	Actual 2017	SOI Target	Commentary
<b>EcoDrop</b>				
Waste Minimisation – New initiative for diversion from waste stream				Achieved. The addition of pit face operators provide improved control of customer movements at the EcoDrops and identify reusable items, redirecting customers to the Recycling Centres thereby minimising waste to landfill and saving customers money.
<b>EcoSort</b>				
MRF plant availability	90.3%	89.8%	75.00%	Achieved
Waste %	12.9%	9.11%	9.00%	Not achieved
<b>EcoShop</b>				
Customer numbers	145,466	144,965	148,000	Not achieved
<b>Sustainable Business Practices</b>				
Reduced Kilowatt hours per tonne	14.59kWh	14.99kWh		Achieved
Consider Introduction of electric or hybrid vehicles and plant part of replacement programme.				One hybrid vehicle purchased June 2017 No other vehicle purchased during 2018.
<b>Health and safety</b>				
Maintain ISO certification AS/NZS 4801				Achieved (2017: Achieved)
LTIFR (LTI per 200,000 hrs worked)	4.93	8.12	< 6	Achieved

There were no reported breaches of legislative or contractual requirements.

## Statutory Disclosures

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

### Directors' Interests

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

#### **David William Kerr**

Chairman - Ryman Health Care Limited  
 Board Member - Health Workforce NZ  
 Member - Advisory Board Alzheimer's New Zealand  
 Member - Facilities Advisory Committee - Canterbury District Health Board  
 Trustee - The Champion Centre  
 Director - Ravenstonedale Developments Limited  
 Director - Ryman Healthcare related shelf companies  
 Director - D.W Kerr Limited  
 Director - Forte Health Group Limited  
 Director - Forte Health Limited  
 Director - Ngai Tahu Property  
 Advisory - Medical Council of New Zealand

#### **Gregory Shane Campbell**

*Resigned as Director 16 October 2017*  
 Chief Executive - Ravensdown Fertiliser Co-operative Ltd  
 Director - Ravensdown Australian Holdings Limited  
 Director - Ravensdown Aerowork Limited  
 Director - Soil Fertility Services Limited  
 Director - GreenGro Resources Limited  
 Director - Ravensdown Fertiliser Australia Limited  
 Director - Ravensdown Australia Properties Pty Limited  
 Director - New Zealand Phosphate Company Limited  
 Director - Overseer Limited

#### **Sarah Louise Smith**

Director - Christchurch City Holdings Ltd  
*to 16 November 2017*  
 Chair - Ngai Tahu Tourism  
 Chair - Ohinetahi Charitable Trust  
 Director - S.L.I. Systems Limited  
 Director - The Lion Foundation  
 Director - Wherescape Software Limited  
 Director - Sasco Holdings Limited  
 Director - Network Tasman Limited  
 Trustee - Warren Architects Education Charitable Trust

#### **Sinead Mary Horgan**

Director - Morrison Horgan Limited  
 Trustee - Maia Health Foundation  
 Chair - Apollo Projects  
 Chair - Taggart Earthmoving Limited  
 Chair - Assistance Dogs New Zealand Trust  
 Advisory Chair - FuseIT

#### **Mark Andrew Jordan**

*Appointed Director 16 October 2017*  
 Director - Taggart Earthmoving Limited  
 Director - Mark Jordan Limited  
 Director - Canterbury Medical Research Foundation  
 Advisory Board Chair - JPM Holdings Limited and related Companies  
 Advisory Board Chair - Greenfuels (division of Fulton Hogan Limited)

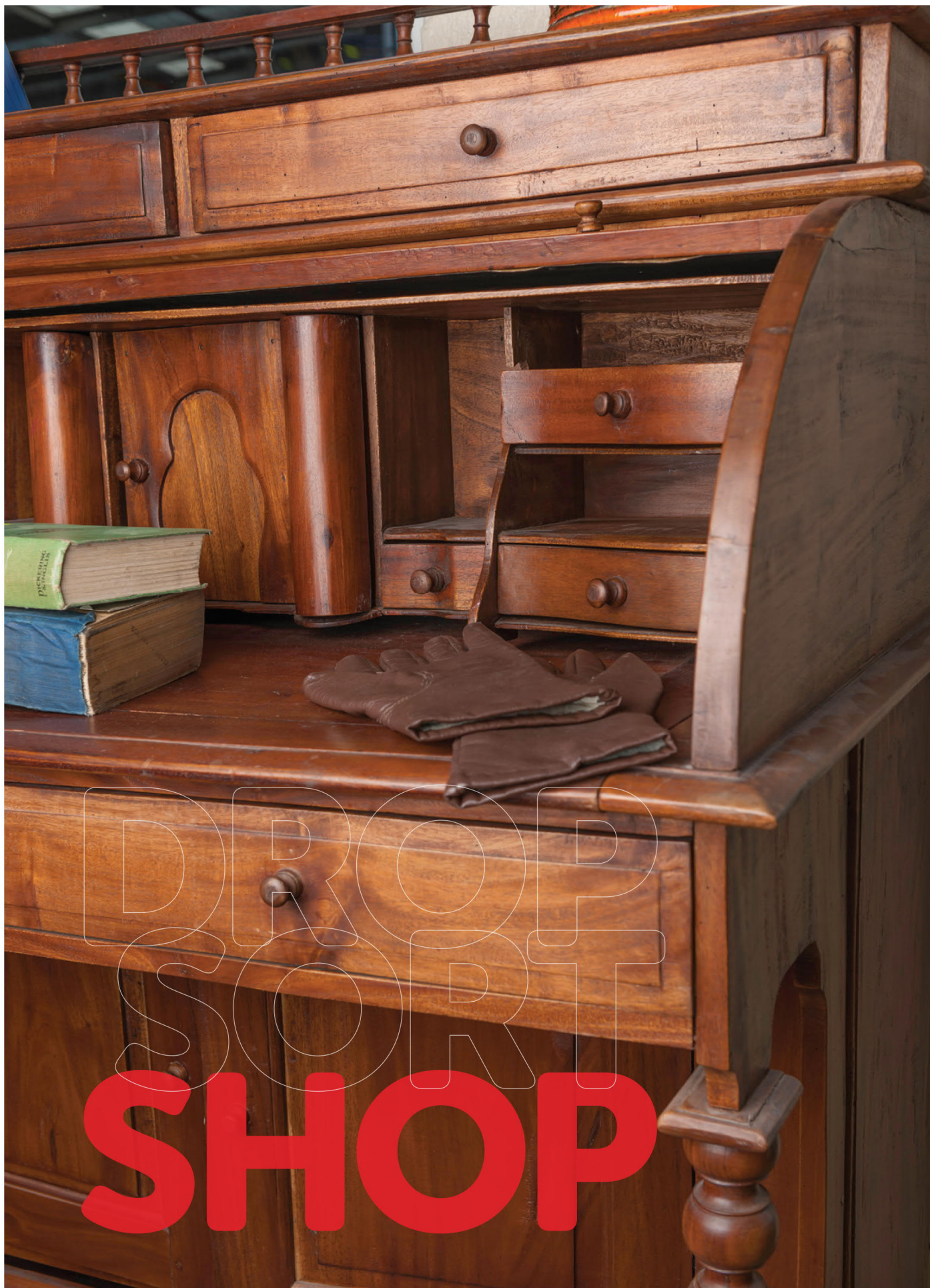
### Remuneration of Directors

Remuneration was paid to five Directors totaling \$160,650 during the 2018 year for services (\$157,500 in 2017 year); there were no other benefits paid or due to directors for services as a director or in any other capacity during the year.

### Use of Company Information

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

*Right: Some real treasures to be found at the EcoShop.*



DROPT  
SORT  
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# Report of the Auditor-General

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of EcoCentral Limited's financial statements and statement of service performance for the year ended 30 June 2018

The Auditor-General used the staff and resources of Audit New Zealand to audit the financial statements and statement of service performance of the company.

I, Julian Tan, Auditor-General, certify that the statement of service performance is true and correct.

#### Opinion

We have audited:

- the financial statements for the year ended 30 June 2017, the statement of service performance on that date and the statement of service performance for the year ended 30 June 2018;

- the statement of service performance for the year ended 30 June 2018.

In our opinion:

- the financial statements for the year ended 30 June 2017, the statement of service performance on that date and the statement of service performance for the year ended 30 June 2018:
  - present fairly and accurately the financial position of the company as at 30 June 2017, the results of its operations and its financial performance for the year ended 30 June 2017, the results of its operations and its financial performance for the year ended 30 June 2018;
  - comply with the International Financial Reporting Standards as applied in New Zealand;
- the statement of service performance for the year ended 30 June 2018:
  - is true and correct.

Our audit was completed on 21 August 2017. This is the date at which our opinion is expressed.

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ce was judged in

Our audit was completed on 21 August 2017. 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 statement of service performance, and we explain our independence.

#### Basis for 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.

to be updated



**Responsibilities of the Board of Directors for the financial statements and the statement of service performance**

The Board of Directors is responsible on behalf of the company for preparing the 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 statement of service performance for the company.

The Board of Directors is responsible for preparing the financial statements and the statement of service performance. The Board of Directors is also responsible for ensuring that the financial statements and the statement of service performance are free from fraud or error.

In preparing the financial statements and the statement of service performance on behalf of the company, the Board of Directors is responsible for ensuring that the financial statements and the statement of service performance are prepared in accordance with generally accepted accounting practice in New Zealand, unless the Board of Directors is satisfied that it is appropriate to use an alternative but to the generally accepted accounting practice in New Zealand.

The Board of Directors

**Responsibilities of the Board of Directors for the financial statements and the statement of service performance**

Our objectives are to provide an independent and objective statement of service performance, as a view on the financial statements and the statement of service performance that includes our conclusions on the financial statements and the statement of service performance. Our objectives are to be achieved by carrying out an audit in accordance with the Auditor-General's Auditing Standards. Misstatements are errors or omissions in the financial statements and the statement of service performance that are considered material to the financial statements and the statement of service performance, taken on the basis of the information available to us at the time of our audit.

For the budget information, we are responsible for checking that the information agreed with the Board of Directors.

We did not evaluate the financial statements and the statement of service performance.

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 statement and the statement of service performance, 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 statement of service performance within the company's framework for reporting its performance.

to be updated

## Report of the Auditor-General CONT.

- 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 include a statement of service performance in our report. Our conclusions are based on the audit evidence obtained. Material uncertainties may cause the company to cease operations.

- We evaluate the performance, in our opinion, of the Board of Directors and the company's management of service performance. We communicate via our report the results of the audit and significant audit findings. Our responsibilities are set out in our report.

### Other Information

The Board of Directors is responsible for the preparation of the financial statements. Our report does not include the results of our audit of the financial statements.

Our opinion on the financial statements is based on the audit evidence obtained. We do not express an opinion on the other information.

In connection with our audit, we have read the other information. If we believe that the other information is materially misstated, we are required to report this in our report. Our responsibility is to report on the other information with the financial statements. If we believe that the other information appears to be materially misstated, we are required to report this in our report.



### Independence

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

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

**Julian Tan**  
 Audit New Zealand  
 On behalf of the Auditor-General  
 Christchurch, New Zealand

## Directory



**Registered Office** Level 1, 9 Baigent Way  
Christchurch

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**Principal Place of Business** Level 1, 9 Baigent Way  
Middleton

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**Chairperson** David William Kerr

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**Directors** Sarah Louise Smith  
Sinead Mary Horgan  
Mark Andrew Jordan  
*(Appointed 16 October 2017)*  
Gregory Shane Campbell  
*(Resigned 16 October 2017)*

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**Chief Executive Officer** Craig Downie  
*(Appointed Acting CEO - 21 April 2018) and (CEO - 1 July 2018)*  
Judi Sefton  
*(Resigned 20 April 2018)*

**Bankers** ANZ National Bank Limited  
Christchurch

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**Solicitors** Lane Neave  
Christchurch

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**Auditors** Audit New Zealand (on behalf of the Controller and Auditor-General) Christchurch

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**Ownership** 100% owned by Christchurch City Holdings Limited

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**Website** [www.ecocentral.co.nz](http://www.ecocentral.co.nz)



**TIP 8** Gas bottles can be recycled at your nearest EcoDrop.



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[www.ecocentral.co.nz](http://www.ecocentral.co.nz)

