ECO CENTRAL

2019 annual report

for the year ended 30 June 2019


SORT
SHOP
DROP
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.
ECO DROP
Your local recycling centre
Transfer stations around Christchurch accepting recycling and waste for both domestic and commercial customers.

Contents

8,608 tonnes

recovered for resale by EcoCentral.

1,508 tonnes

diverted from waste to the EcoShop.

22,000 tonnes

of paper products recycled by EcoCentral.

300 tonnes

of milk bottles recycled.

89,975 tonnes

Everything we diverted from landfill.

Health & Safety

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


Hot
Warm
Cold
Eco
Option
Wash
Temp
Water

Our objective

To encourage sustainable resource use and provide facilities for the diversion of waste from landfill where that waste can be converted into reusable resources, in a commercially viable manner, with minimal environmental impact.

Financial statements

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

For the year ended 30 June 2019.

David William Kerr
Chairman
19 August 2019

Sinead Mary Horgan
Director
19 August 2019

Left: Whiteware at the EcoShop comes with a guarantee.

SORT


I love clean cans
Christchurch City Council
Waste Management
1728

Chairman's report

As Chair of the Board of Directors of EcoCentral Ltd, it is my pleasure to report on the financial year to 30 June 2019.

This has been another challenging year for the waste and recycling sector internationally.

New Zealand has not been spared any of those challenges as we have seen significant volatility, and indeed low prices, for recycled commodities. As a result of the good quality of the products that we bring to the market we have continued to be able to export these, but the prices have not been anywhere near the prices of two years ago.

With China adopting their National Sword initiative and not permitting importation of recyclable materials there has been a surplus of these materials arriving in markets such as India, Malaysia, and Indonesia. This has obviously depressed prices.

The initiation of a processing fee for recycled material management by Christchurch City Council has meant that the financial viability of EcoCentral has not been unduly threatened. However, the clear challenge is that if prices for commodities fall further or we are unable to find a buyer for the commodities the cost of transporting to Kate Valley landfill and consequent disposal in landfill is significantly greater than the current combination of the processing fee added to the revenue from the sale of commodities.

To that end a considerable amount of time, labour, and effort has been put into keeping the contamination of the exported materials as low as possible. This is a continued area of focus.

An additional area of concern is the media conveyed impression that recycling is either not being undertaken or is less important. This is clearly not correct and to that end EcoCentral have been engaging with Christchurch City Council with a view to further developing the education and marketing activity. The analysis we have undertaken indicates that attention to careful recycling has dropped in our communities and contamination has increased as a consequence.

The volumes from kerbside waste collection and Commercial and Residential EcoDrop presentations have decreased. This has been a trend for several years. One of the factors may be the competitive market that exists to attract commercial refuse tonnes, and as the time since the earthquakes has increased this is also likely to be an effect.

Health and safety has remained a strong focus for all of the organisation and a gap analysis has been undertaken between our current AS/NZS 4801 Health and Safety standard and the new ISO 45001:2018 Certification.

A plan was developed to transition our health and safety management system, and this is currently a work in progress. Each of the directors has participated in health and safety subcommittee meetings and have been impressed at the commitment that the staff representatives have displayed in these meetings.

The Board has functioned very well and have enjoyed the contribution made by Ben Read who has joined us during the year to grow his governance experience.

An area of concern to the Board of Directors is the absence of a contractual agreement between the Company and CCC with respect to the processing fee and the board is keen for this to be agreed and to be active contributors to the Waste Management and Minimisation Plan.

Craig Downie has been the Chief Executive during the year and has performed very well. This is a particularly challenging time and sector in which to be undertaking one's first Chief Executive position and he has worked extremely hard and been very successful in engaging and leading his team. The board are very grateful for his and all the staffs continued efforts over the year.

In addition, I am grateful of the support from my fellow Directors and wish to acknowledge the wonderful service that Sarah Smith has given this company over many years as well as while a Director of CCHL.

David Kerr *Chairman*

Left: Christchurch recycling being processed at the EcoDrop.


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Chief Executive Officer's report

EcoCentral has experienced a solid year in 2019. This has been my first full year as Chief Executive leading an exceptional team and it has proved challenging on many fronts. The poor international commodity prices for recycling created a storm that the company has weathered well. The high waste volumes attributed to post earthquake rebuild activity have gradually diminished to a new normal, which has been compounded by the opening of additional refuse transfer stations competing for limited volumes.

Health and Safety continues to be a core focus in our day to day activities. We retained our AS/NZS4801 accreditation and begun work on our transition to the new ISO45001 standard, with completion expected in late 2019.

The business completed several new improvement initiatives throughout the year, a new weighbridge system across all sites, improved recycling process for LPG gas cylinders and fire extinguishers, Bird control system upgrades and a battery recycling trial to name a few.

EcoDrops

A challenging year for the team as waste volumes dipped, in part due to the addition of competing transfer stations. A major upgrade project was completed in 2019 with the new weighbridge system being installed and commissioned late in the year. It provides the latest weighbridge technology with integrated reporting and improved processing capability. The EcoDrop team should be proud of how well they have adapted to the new technology.

EcoSort

The EcoSort performed efficiently throughout the year while maintaining a high quality standard. The team worked diligently to maintain and improve product quality, ensuring it met global market standards which have increasingly tightened throughout the year. Several smaller improvement projects were completed that improved Health and Safety and process efficiency. A major process upgrade project was initiated and approved. This is forecast to be completed in November and will improve quality and process efficiency.

Left: Bargains galore at the EcoShop.

EcoShop

Another consistent performance from the shop. The unique and eclectic items that continue to appear every day inspires new customers. The move to utilise Trade Me's online platform has increased the EcoShop's customer base, with sales being made to new customers across New Zealand and also into Australia. The EcoShop carried out a major redesign of its floor layout aimed at improving the customers shopping experience and stock control. The EcoShop's retail and resource recovery team continue to work hard to anticipate and adapt to changing customer demands.

The Team

I am fortunate to have a great management team that have worked diligently to deliver a solid result. The team operated for half of the year without an Operations Manager and shouldered the extra load admirably. In January we welcomed our new Operations Manager, Rob Wilson to the team. Rob's waste management and operational experience have been key in supporting the business and driving improvements. The team have worked tirelessly to ensure the new weighbridge system transition and training went as seamlessly as possible and the effort is greatly appreciated. I thank the team for their dedication, commitment and continuing support that enables EcoCentral to succeed.

Outlook

The continuing uncertainty in global recycling markets remains a constant risk and being able to identify new solutions remains a challenge. EcoCentral is currently scoping a number of short to medium term process solutions. These will require supportive contract agreements that align with these solutions and the capital investment needed. Additionally, we are working closely with other businesses to explore onshore recycling/reuse opportunities that would reduce our exposure to export market volatility and the associated risk of having to dump at landfill.

EcoCentral is committed to improvements in Health and Safety and will complete its transition to the ISO45001 Health and Safety standard in 2019/20. EcoCentral is committed to our customers and stakeholders and I extend my gratitude for their ongoing custom and support.

I thank the EcoCentral Board for supporting the business in a challenging year, and importantly their guidance and support of myself and the team.

Craig Downie *Chief Executive Officer*


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Corporate Governance statement

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

Role of the Board

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

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

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

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

Conduct of Directors

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

Left: Glass bottles collected for recycling at the EcoDrops.

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 2019 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.

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.

SORT

SHOP
DROP

EcoSort recycling processing in action.

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 June 19 $'000	30 June 18 $'000
Revenue			
Operating and other revenue	2	35,306	34,316
Finance income	3	61	70
Other gains	4	15	87
Total revenue		35,383	34,474
Expenditure			
Depreciation, amortisation and impairment	5	1,958	1,843
Finance costs	6	29	59
Personnel costs	7	6,779	6,711
Other expenses	8	25,046	25,344
Total expenditure		33,812	33,957
Surplus/(deficit) before tax		1,571	517
Income tax expense	10a	440	136
Surplus/(deficit) after tax		1,130	381
Other comprehensive income			
Cash flow hedges	21	24	(87)
Total comprehensive income		1,154	294

The accompanying notes form part of these financial statements

Statement of financial position

AS AT 30 JUNE 2019

	Note	30 June 19 $'000	30 June 18 $'000
Current assets			
Cash and cash equivalents	*11*	3,099	2,021
Trade and other receivables	*12a*	2,048	1,815
Prepayments		55	57
Inventories	*14*	475	387
Total current assets		5,677	4,280
Non-current assets			
Property, plant and equipment	*15*	8,296	9,512
Total non-current assets		8,296	9,512
Total assets		13,973	13,792
Current liabilities			
Trade and other payables	*16*	2,638	2,330
Provisions	*17*	218	254
Employee entitlements	*19*	1,077	976
Current tax liabilities	*10b*	660	260
Derivative financial instruments	*13*	1	24
Borrowings	*18*	-	1,250
Total current liabilities		4,593	5,094
Non-current liabilities			
Deferred tax liabilities	*10d*	18	239
Total non-current liabilities		18	239
Total liabilities		4,611	5,334
Net assets		9,362	8,458
Equity			
Capital and other equity instruments	*20*	6,100	6,100
Reserves	*21*	(1)	(24)
Retained earnings	*22*	3,263	2,382
Total equity		9,362	8,458

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 2019

	Note	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000
		20	21	22	
30 June 2019					
Balance at the beginning of the financial year		6,100	(24)	2,382	8,458
Net profit		-	-	1,130	1,130
Other comprehensive income		-	24	-	24
Total comprehensive income		-	24	1,130	1,154
Dividends paid		-	-	(250)	(250)
Balance at the end of the financial year		6,100	(1)	3,263	9,362
30 June 2018					
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)
Balance at the end of the financial year		6,100	(24)	2,382	8,458

The accompanying notes form part of these financial statements

Cash flow statement

FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 June 19 $'000	30 June 18 $'000
Cash flows from operating activities			
Receipts from customers and other sources		35,108	34,374
Interest received		61	70
Payments to suppliers and employees		(31,564)	(32,748)
Subvention payment made		(261)	(920)
Interest and other finance costs paid		(38)	(62)
Net cash flow from operating activities	23	3,306	714
Cash flows from investing activities			
Payment for property, plant and equipment		(743)	(1,614)
Proceeds from sale of property, plant and equipment		15	216
Net cash provided from investing activities		(728)	(1,398)
Cash flows from financing activities			
Repayment of borrowings		(1,250)	(750)
Dividends paid		(250)	(250)
Net cash flow from financing activities		(1,500)	(1,000)
Net increase in cash and cash equivalents		1,078	(1,684)
Cash and cash equivalents at beginning of year		2,021	3,704
Cash and cash equivalents at end of year	11	3,099	2,021

The accompanying notes form part of these financial statements

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

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 2019, and the financial position as at that date.

Functional and presentation currency

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

Significant Accounting Policies

Cash and cash equivalents

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

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

Foreign currency transactions

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

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

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

Trade and other receivables

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

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

Inventories

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

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

Raw materials – purchase cost on a first-in, first-out basis.

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

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

Notes to the financial statements CONT.

Derivative financial instruments and hedging

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.

Trade and other payables

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

Interest-bearing loans and borrowings

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

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

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

Notes to the financial statements CONT.

been determined after considering historical salary and wage inflation patterns.

Revenue recognition

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

(i) Processing of waste and recyclables

The company operates three refuse stations and a materials recovery facility for the processing of recyclable products. Revenue for the processing of waste and recyclables is recognised when the product or waste is received by the company. The company's performance obligations for each customer are satisfied at the time of delivery as no further work or processing is required, the quantity and quality of the goods has been determined and the price is fixed.

(ii) Sale of goods

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

The company runs a retail store that sells recycled goods that have been delivered by the public. Revenue is recognised when the company sells goods to the customer. Payment for each transaction is due immediately. The company offers a 60 day warranty for whiteware products over the value of $300. Based on accumulated experience, it is highly probably that a significant reversal in cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

(iii) Hazardous waste cost recoveries

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

Income tax

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

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

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

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

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

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

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

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.

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.

New standards and interpretations adopted

In the current year, the Company has applied NZ IFRS 15 Revenue from contracts with customers and NZ IFRS 9 Financial Instruments, both effective 1 July 2018.

(i) NZ IFRS 15 - Revenue from contracts with customers

NZ IFRS 15 Revenue from Contracts with Customers introduced a new revenue recognition model that recognizes revenue either at a point in time or over time. It is based on the principle that revenue is recognized when control of a good or service transfers to the customer and is based on the fulfilment of performance obligations.

The Company has applied the modified approach on transitioning to NZ IFRS 15 and has applied the standard on initial application being 1 July 2018. No material impact on these financial statements has been recognized as a result of adopting this standard.

As the Company has the right to consideration corresponding directly with the value of performance completed to date, customer contract revenue is recognised consistent with the amount that the Company has a right to invoice. The Company is therefore exercising the practical expedient not to explain transaction prices allocated to unsatisfied performance obligations at the end of the reporting period.

Note 2 sets out a numerical disaggregation of revenue in accordance with the disclosure requirements of the new standard. An explanation of the types of revenue included in the note is set out in the revenue recognition policy.

(ii) NZ IFRS 9 Financial Instruments

NZ IFRS 9 replaces NZ IAS 39 and introduces new requirements for:

- The classification and measurement of financial assets and liabilities,
- Impairment of financial assets.

Details of these new requirements as well as their impact on the Company's financial statements are summarised below:

(i) Classification and measurement

NZ IFRS 9 includes revised guidance on the classification and measurement of financial statements. The standard divides all financial assets that are currently in the scope of NZ IAS 39 into two classifications – those measured at amortised cost and those measured at fair value.

Notes to the financial statements CONT.

As a result of the adoption of this standard, financial assets previously classified as loans and receivable are now classified as financial assets at amortised cost. The Company has no financial assets measured at fair value other than derivative financial instruments for which hedge accounting is applied.

There is no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designed at fair value through profit or loss and the Company does not have such liabilities.

(ii) Impairment of financial assets

NZ IFRS 9 requires a new impairment model with impairment provisions based on expected credit losses rather than incurred credit losses under NZ IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The simplified approach has been applied to trade receivable to determine expected credit losses. The transitional increase/decrease in the impairment allowance as a result of this change in accounting policy is immaterial.

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, except for the changes relating to the adoption of NZ IFRS 9 & NZ IFRS 15 in the current 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 2019 are listed below:

	Effective
NZ IFRS 16 Leases	FY20

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.

2. Operating and other revenue

	30 June 19 $'000	30 June 18 $'000
Revenues from contracts with customers		
Processing of waste and recyclables	29,280	24,853
Sale of goods	5,409	8,924
Hazardous waste cost recoveries	414	401
Management services	177	138
	35,280	34,316
Other revenue		
Net foreign exchange gains	26	-
	26	-
Total operating and other revenue	35,306	34,316

3. Finance income

	30 June 19 $'000	30 June 18 $'000
Interest income - bank deposits	61	70
	61	70

4. Other gains and losses

	30 June 19 $'000	30 June 18 $'000
Other gains		
Gains on disposals of property, plant and equipment	15	87
	15	87

5. Depreciation, amortisation and impairment

	30 June 19 $'000	30 June 18 $'000
Depreciation of property, plant and equipment	1,958	1,843
Impairment of goodwill	-	-
	1,958	1,843

6. Finance Costs

	30 June 19 $'000	30 June 18 $'000
Loan interest expense	29	59
	29	59

Notes to the financial statements CONT.

7. Personnel costs

	30 June 19 $'000	30 June 18 $'000
Salaries and wages	6,431	6,423
KiwiSaver contributions	139	128
Other defined benefit contributions	13	14
Increase/(decrease) in employee entitlements	100	49
Other	97	97
	6,779	6,711

8. Other expenses

	30 June 19 $'000	30 June 18 $'000
Donations	1	2
Rental expenses	2,278	2,254
Net Foreign exchange losses	-	89
Other operating expenses	22,768	23,000
	25,046	25,344

9. Remuneration of auditors

	30 June 19 $'000	30 June 18 $'000
Audit New Zealand		
Audit of the financial statements	49	45
	49	45

10. Income taxes

	30 June 19 $'000	30 June 18 $'000
(a) Components of tax expense		
Taxation payable for current year	660	260
Adjustments to tax expense in prior years	-	(29)
Deferred tax expense/(income)	(220)	(95)
	440	136
Reconciliation of prima facie income tax:		
Net Profit before tax	1,571	517
Income tax expense calculated at 28%	440	145
Adjustments to tax expense in prior years	-	(29)
Expenses not deducted for income tax	0	20
Total tax expense/(income)	440	136
(b) Current tax payables		
Taxation payable	660	260
	660	260
(c) Imputation Credit Account		
Imputation credits available for use in subsequent periods	-	-
	-	-

Notes to the financial statements CONT.

10. Income taxes CONT.

	Opening balance $'000	Income $'000	Closing balance $'000
(d) Deferred tax balance			
30 June 2018			
Deferred tax liabilities:			
Property, plant and equipment	681	(141)	540
	681	(141)	540
Deferred tax assets:			
Provisions and employee entitlements	333	(32)	301
Doubtful debts and impairment losses	14	(14)	0
	347	(46)	301
Net deferred tax liability/(asset)	**334**	**(95)**	**239**
30 June 2019			
Deferred tax liabilities:			
Property, plant and equipment	540	(210)	329
	540	(210)	329
Deferred tax assets:			
Provisions and employee entitlements	301	10	310
Doubtful debts and impairment losses	0	1	1
	301	11	311
Net deferred tax liability/(asset)	**239**	**(220)**	**18**

11. Cash and cash equivalents

	30 June 19 $'000	30 June 18 $'000
NZD Balances	3,093	1,819
USD Balances	6	202
	3,099	2,021

12. Trade and other receivables

	30 June 19 $'000	30 June 18 $'000
(a) Current trade and other receivables		
Trade receivables (before impairment)	967	897
Other related parties	1,085	881
GST Receivable	-	37
	2,052	1,815
Provision for impairment - trade receivables	(4)	-
	2,048	1,815

(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 19 $'000	30 June 18 $'000
Gross receivables		
Not past due	1,867	1,666
Past due 0-30 days	189	163
Past due 31-60 days	(1)	(4)
Past due more than 60 days	(3)	(11)
	2,052	1,815
Impairment		
Past due more than 60 days	(4)	-
	(4)	-
Movements in provision for impairment of receivables:		
Balance at start of year	-	-
Provisions made during year	(4)	5
Receivables written off during year	-	(5)
	(4)	-

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. Derivatives

	30 June 19 $'000	30 June 18 $'000
Current liabilities		
Forward foreign exchange instruments	1	24
	1	24

14. Inventories

	30 June 19 $'000	30 June 18 $'000
Inventory – raw materials and maintenance items	394	342
Inventory - finished goods	81	45
	475	387

15. Property, plant and equipment

Reconciliation of movement in property, plant and equipment

Operational assets	**Buildings $'000**	**Plant & equipment $'000**	**Total $'000**
Cost			
Cost/valuation 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)
Balance at 30 June 2018	**3,838**	**18,001**	**21,839**
Cost/valuation at 1 July 2018	3,838	18,001	21,839
Additions	22	836	858
Disposals	-	(119)	(119)
Net movements in work in progress	-	(115)	(115)
Balance at 30 June 2019	**3,860**	**18,602**	**22,462**
Accumulated depreciation			
Balance at 1 July 2017	(2,061)	(9,475)	(11,536)
Disposals	-	1,051	1,051
Depreciation expense	(271)	(1,572)	(1,843)
Balance at 30 June 2018	**(2,332)**	**(9,996)**	**(12,327)**
Balance at 1 July 2018	(2,332)	(9,996)	(12,327)
Disposals	-	119	119
Depreciation expense	(275)	(1,683)	(1,958)
Balance at 30 June 2019	**(2,606)**	**(11,559)**	**(14,166)**
Carrying amount at 30 June 2018	1,507	8,005	9,512
Carrying amount at 30 June 2019	**1,254**	**7,042**	**8,296**

Notes to the financial statements CONT.

16. Trade and other payables

	30 June 19 $'000	30 June 18 $'000
Trade payables and accrued expenses	1,052	919
Amounts due to related parties	1,551	1,402
GST payable	35	-
Interest payable	-	9
	2,638	2,330

17. Provisions

	30 June 2019			30 June 2018		
	Other Provisions $'000	R&M Provisions $'000	Total Provisions $'000	Other Provisions $'000	R&M Provisions $'000	Total Provisions $'000
Balance at 1 July	32	222	254	-	386	386
Additional provisions made	-	479	479	32	699	731
Amounts used	-	(515)	(515)	-	(863)	(863)
Balance at 30 June	32	186	218	32	222	254

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

18. Borrowings

	30 June 19 $'000	30 June 18 $'000
Current portion		
Loan from group entities (Christchurch City Holdings Ltd)	-	1,250
Non-current portion		
Loan from group entities (Christchurch City Holdings Ltd)	-	-
	-	1,250

The loan from Christchurch City Holdings Ltd was repaid during the current year. Interest was charged on a quarterly basis at floating rates. Under the subordinated loan agreement EcoCentral provided certain general undertakings. These included 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 had other clauses that restricted 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.

19. Employee entitlements

	30 June 19 $'000	30 June 18 $'000
Current portion		
Accrued pay	153	126
Annual leave	835	769
Long service leave	16	30
Bonuses and redundancy provision	73	52
Total employee entitlements	**1,077**	**976**

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

20. Capital and other equity instruments

	30 June 19 $'000	30 June 18 $'000
Fully paid redeemable preference shares		
Balance at 1 July	6,100	6,100
Capital contribution	-	-
Balance at 30 June	**6,100**	**6,100**

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

Notes to the financial statements CONT.

21. Reserves

	30 June 19 $'000	30 June 18 $'000
Hedging Reserve	(1)	(24)
	(1)	(24)

Hedging reserve

	30 June 19 $'000	30 June 18 $'000
Balance at 1 July	(24)	63
Forward foreign exchange contracts	24	(87)
Balance at 30 June	-	-
	(1)	(24)

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

22. Retained earnings

	30 June 19 $'000	30 June 18 $'000
Balance at 1 July	2,382	2,251
Net profit for the period	1,130	381
Dividend paid	(250)	(250)
Balance at 30 June	3,263	2,382

Dividends

During the year ended 30 June 2019, EcoCentral Limited declared and paid a dividend of 4.098 cents per share, $250,000 (2018: $250,000), to the shareholder, Christchurch City Holdings Limited.

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

	30 June 19 $'000	30 June 18 $'000
Surplus for the period	1,130	381
Add/(less) non-cash items:		
Depreciation, amortisation and impairment expense	1,958	1,843
Deferred tax credited to income	(220)	(95)
Loss on derivatives	-	71
	1,737	1,819
Add/(less) items classified as investing or financing activities:		
Gain on disposal of property plant and equipment	(15)	(87)
	(15)	(87)
Add/(less) movement in working capital items:		
Trade and other receivables	(234)	75
Inventories	(88)	93
Prepayments	2	146
Trade and other payables	307	(937)
Provisions	(36)	(131)
Employee entitlements	100	49
Income tax payable	400	(690)
New changes in net assets and liabilities	453	(1,396)
Net cash from operating activities	3,306	715

24. Capital commitments and operating leases

	30 June 19 $'000	30 June 18 $'000
(a) Capital commitments		
Property, plant & equipment	548	294
	548	294
(b) Non-cancellable operating lease liabilities		
No later than one year	2,564	2,620
Later than one year and not later than five years	8,483	9,491
Greater than 5 years	-	1,599
	11,047	13,710

Notes to the financial statements CONT.

25. Contingent liabilities and contingent assets

	30 June 19 $'000	30 June 18 $'000
Contingent liabilities and contingent assets	-	-
	-	-

26. Financial instrument risks

Interest rate risk management

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

Risk exposures and responses

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

The board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the 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 2019			30 June 2018		
	Fixed $'000	Variable $'000	Non-interest $'000	Fixed $'000	Variable $'000	Non-interest $'000
Financial assets						
Cash and cash equivalents		3,099			2,021	
Trade and other receivables			963			934
Related party receivables			1,085			881
		3,099	2,056		2,021	1,815
Financial liabilities						
Loan – Christchurch City Holdings Ltd					(1,250)	
					(1,250)	

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 4% of sales are denominated in currencies other than the functional currency of the entity (2018: 13%), whilst almost 100% of costs are denominated in New Zealand dollars. As at 30 June 2019, 75% of forecast transactions were hedged (2018: 57%).

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.

Notes to the financial statements CONT.

26. Financial instrument risks CONT.

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 19 $'000	30 June 18 $'000
Maximum exposure to credit risk			
Cash at bank, term deposits and foreign currency		3,099	2,021
Trade and other receivables		2,048	1,815
		5,147	3,836
Counterparties			
Cash at bank, term deposits and foreign currency	AA-	3,099	2,021
		3,099	2,021

Liquidity risk

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

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

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

	Balance sheet $'000	Contractual cash flows $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5 years + $'000
30 June 2019						
Financial assets						
Cash and cash equivalents	3,099	3,099	3,099	-	-	-
Trade and other receivables	963	963	963	-	-	-
Related party receivables	1,085	1,085	1,085	-	-	-
Net settled derivative assets	-	-	-	-	-	-
	5,155	5,155	5,155	-	-	-
Financial liabilities						
Trade and other payables	2,638	2,638	2,638	-	-	-
	2,638	2,638	2,638	-	-	-
30 June 2018						
Financial assets						
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	-	-	-
Financial liabilities						
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	-	-	-

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.

Notes to the financial statements CONT.

26. Financial instrument risks CONT.

Classification of financial assets and liabilities

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

	30 June 19 $'000	30 June 18 $'000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	3,099	2,021
Trade and other receivables	2,048	1,815
Total cash and receivables	5,147	3,836
Total financial assets	5,147	3,836
Financial liabilities		
Derivatives that are hedged accounted:		
Derivative financial instruments liabilities	1	24
Financial liabilities at amortised cost		
Creditors and other payables	2,638	2,330
Borrowings	-	1,250
Total financial liabilities	2,638	3,580
Total financial liabilities	2,638	3,605

Fair value measurement basis

	Carrying value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
30 June 2019				
Derivatives that are hedged accounted:				
Derivative financial instruments	(1)	-	(1)	-
Net financial assets and liabilities	(1)	-	(1)	-
30 June 2018				
Derivatives that are hedged accounted:				
Derivative financial instruments	(24)	-	24	-
Net financial assets and liabilities	(24)	-	24	-

27. Related Parties

			30 June 19 $'000	30 June 18 $'000
1	**CCHL**			
	1(a)	***Transactions with CCHL***		
		Interest paid / payable to CCHL	29	59
		Dividend paid	250	250
	1(b)	***Balances with CCHL***		
		Loan balance owing to CCHL	-	1,250
		Other balances owing to CCHL	-	9
2.	**CCHL Subsidiaries**			
	2(a)	***Transactions with CCHL subsidiaries***		
		Services provided to CCHL Subsidiaries	491	528
		Services provided by CCHL Subsidiaries	-	-
	2(b)	***Balances with CCHL subsidiaries***		
		Other balances owing by CCHL Subsidiaries	38	74
		Other balances owing to CCHL Subsidiaries	-	-
3.	**CCC**			
	3(a)	***Transactions with CCC***		
		Services provided to CCC	12,282	8,796
		Services provided by CCC (includes rent and rates)	2,096	1,911
		Subvention payment	261	920
	3(b)	***Balances with CCC***		
		Other balances owing by CCC	1,047	807
		Other balances owing to CCC	222	-
4.	**Other group entities excluding CCHL and CCC**			
	4(a)	***Transactions with other group entities***		
		Services provided to group entities	-	-
		Services provided by group entities	16,234	16,051
	4(b)	***Balances with other group entities***		
		Other balances owing by group entities	-	-
		Other balances owing to group entities	1,329	1,402

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 fully paid the outstanding balance of its term loan to CCHL during the current year. Total repayments made during the year were $1,250,000 (2018: $750,000 repaid).

EcoCentral Limited incurred charges of $16,233,793 in 2019 (2018: $16,050,946) 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 (2018: Nil). During the year, EcoCentral Limited made subvention payments totaling $261,157 to CCC Group. There was an associated tax loss offset of $671,547. (2018: subvention payment of $920,324 was paid to Enable Services Limited; loss offset $2,366,546).

Notes to the financial statements CONT.

28. Remuneration

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

Salary bands

$'000	30 June 19 Number	30 June 18 Number
100-110	1	-
110-120	1	1
120-130	1	1
130-140	-	1
140-150	2	1
150-160	-	-
160-170	-	-
170-180	-	-
180-190	-	1
190-200	-	-
200-210	-	-
210-220	-	-
220-230	-	-
230-240	-	-
240-250	-	-
250-260	-	-
260-270	1	-
270-280	-	-
280-290	-	-
290-300	-	-
300-310	-	-
310-320	-	-
320-330	-	-
330-340	-	-
340-350	-	-
350-360	-	1

Directors' remuneration

Name of director	30 June 19 $'000	30 June 18 $'000
David William Kerr *(paid to D W Kerr Limited)*	63	63
Sarah Louise Smith *(paid to Sasco Holdings Limited)*	32	33
Sinead Mary Horgan *(paid to Morrison Horgan Limited)*	35	34
Mark Andrew Jordan	32	21
Gregory Shane Campbell	-	11

Key Management Personnel

Craig Downie	CEO
Rob Wilson	Operations Manager *(appointed December 2018)*
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 19 $'000	30 June 18 $'000
Salaries and short term Employee benefits	1,142	1,155

Statement of Service Performance

Financial performance targets

The financial performance targets for the Company were as follows:

	30 June 19 SOI $'000	30 June 19 Actual $'000
Sales	35,301	35,383
Net profit after tax	685	1,130
Equity	8,873	9,362
Return on equity	7.9%	12.7%
Debt to CCHL	-	-
Total assets	13,715	13,973

Key operational performance targets

Performance Target	Actual 2019	Actual 2018	SOI Target	Commentary
EcoDrop				
Waste Minimisation – Investigate at least 2 new initiatives for diversion from waste stream.				Achieved. The following investigations were initiated during the current year: 1. Tyre recycling alternatives to landfill. 2. Battery recycling trial 3. Mixed plastic – conversion to diesel & gasification
EcoSort				
MRF plant availability	77.6%	72.0%	75.0%	Achieved
Waste %	12.1%	12.9%	9.0%	Not achieved
EcoShop				
Number of customer sales	135,762	145,466	142,000	Not achieved
Total tonnes diverted from landfill	8,608	8,333	8,000	Achieved
Health and safety				
TRIFR (Total recordable incidents per 200,000 hours worked)	16.38	18.73	<20	Achieved
AS/NZS 4801 -Maintain AS/NZS4801 Health & Safety certification, while planning transition to ISO45001 *(currently in draft for public comment).*				Achieved
Sustainable Business Practices				
Reduced Kilowatt hours per tonne	13.73kWh	14.59kWh		Achieved
Develop a sustainability plan to further support the CCC's goal of becoming carbon neutral by 2030.				Achieved – sustainability plan has been developed.

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

Director - D.W Kerr Ltd
Director - Ryman Napier Ltd and related shelf companies
Director - Forte Health Ltd
Director - Forte Health Group Ltd
Director - Ngai Tahu Property Limited
Director - Ravenstonedale Developments Limited
Director - Ryman Health Care - related shelf companies
Director - Third Age Health Services Ltd
Chairman - Ryman Healthcare Ltd
Member - Advisory Board Alzheimer's New Zealand
Member - Facilities Advisory Committee CDHB *(Resigned 2019)*
Trustee - The Champion Centre *(Resigned 2019)*
Advisor - Medical Council of New Zealand

Sarah Louise Smith

Director - Sasco Holdings Limited
Director - S.L.I. Systems Limited *(Resigned 2019)*
Director - The Lion Foundation
Director - Wherescape Software Ltd
Director - Network Tasman Limited
Chair - Ngai Tahu Tourism
Chair - Ohinetahi Charitable Trust
Chair – World of Wearable Art
Trustee - Warren Architects Education Charitable Trust

Sinead Mary Horgan

Director - Morrison Horgan Limited
Director - Bank of China
Chair - Apollo Partners *(Resigned 2019)*
Chair - Taggart Earthmoving Limited
Advisory Chair – FuseIT
Trustee - Maia Foundation

Mark Andrew Jordan

Director – Taggart Earthmoving Limited
Director – Mark Jordan Limited
Director – Canterbury Medical Research Foundation
Advisory Board Chair – JPM Holdings Limited and related Companies

Remuneration of Directors

Remuneration was paid to four Directors totaling $160,650 during the 2019 year for services ($160,650 in 2018 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: Recycling used gas cylinders.


SORT
SHOP
DROP
ECO
CENTRAL
FLAMMABLE GAS
9Kg

Report of the Auditor-General

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of EcoCentral Limited's financial statements and performance information for the year ended 30 June 2019

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

Opinion

We have audited:

- the financial statements of the company on pages 11 to 38, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on page 39.

In our opinion:

- the financial statements of the company on pages 11 to 38:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information of the company on page 39 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 2019.

Our audit was completed on 19 August 2019. 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 AuditorGeneral'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 AuditorGeneral'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 AuditorGeneral's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the AuditorGeneral'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.

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 draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 5 to 9 and page 40, 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.

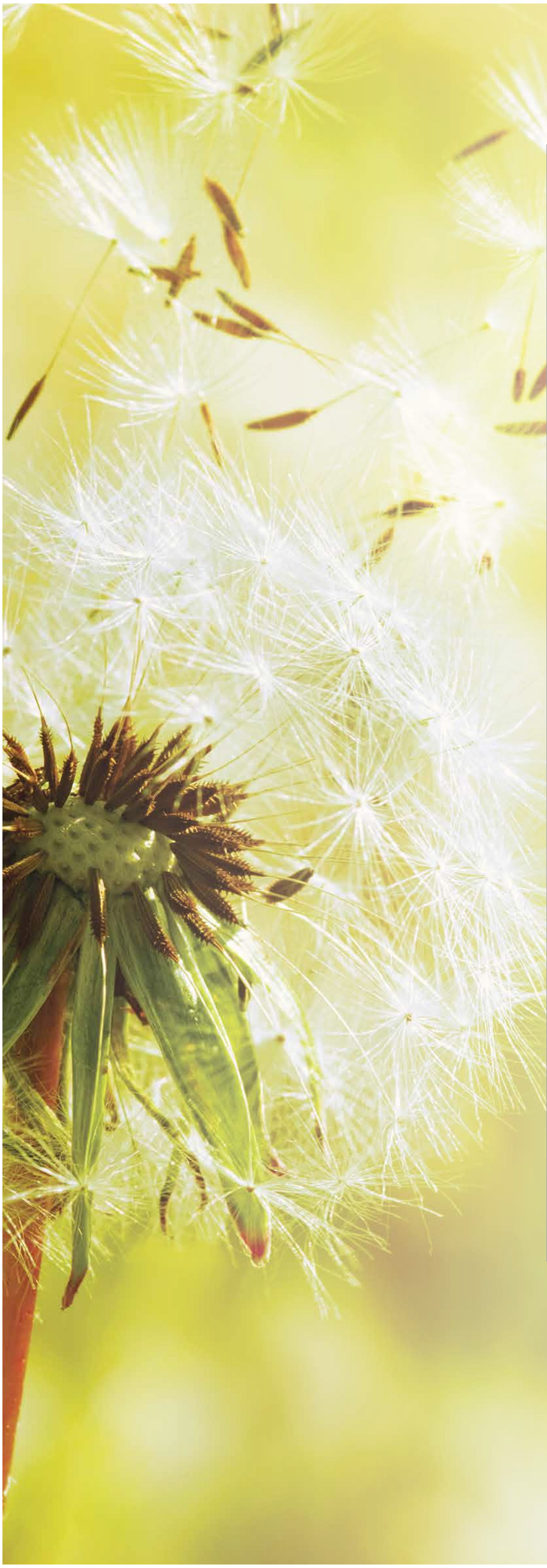
In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge 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 AuditorGeneral'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.

Chantelle Gernetzky
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand



Directory

Registered Office	Level 1, 9 Baigent Way Christchurch
Principal Place of Business	Level 1, 9 Baigent Way Middleton
Chairperson	David William Kerr
Directors	Sarah Louise Smith Sinead Mary Horgan Mark Andrew Jordan
Chief Executive Officer	Craig Downie
Bankers	ANZ National Bank Limited Christchurch
Solicitors	Lane Neave Christchurch
Auditors	Audit New Zealand (on behalf of the Controller and Auditor-General) Christchurch
Ownership	100% owned by Christchurch City Holdings Limited
Website	www.ecocentral.co.nz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