

2021

Annual Report



nelmac

ENHANCING OUR ENVIRONMENT



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Summary Highlights



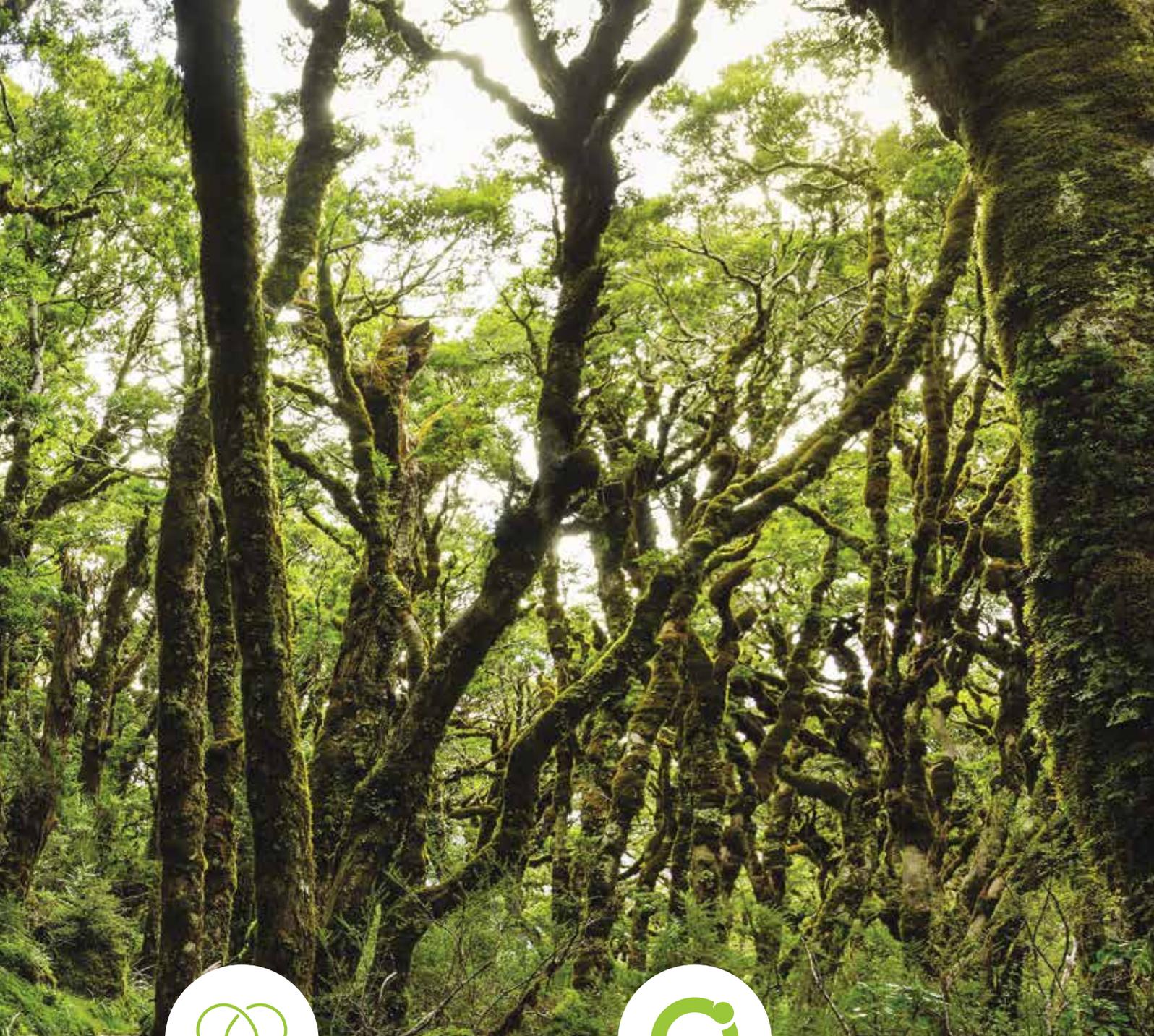
Growth in Kūmānu

- First to create the blueprint for a partnering model to support Kaimahi (jobs for nature), applied to the Maitai Planting Project
- Founded on collaboration and the strengthening relationships within the environmental space (Department of Conservation, Nelson City Council and Kūmānu)



Health and Safety Engagement and Systems

- Investment in our back-office systems and processes has seen our employees engaging more proactively with Health and Safety processes
- Wellness committee established
- Roll-out of Smartrak across our fleet



Sustainability Plan

- Action to reduce CO₂ emissions, utilisation of Smart Trackers in Fleet – improved driving and security, driver behaviours and idle time reporting aimed at fuel reductions
- Enviromark Diamond award achieved by Nelmac
- Annual carbon emissions being measured, with leaderboard established and increasing awareness



Brand Refresh

- We have updated the Nelmac brand and logo with a modern look. Brand rollout will commence over the year



Despite the uncertainty caused by COVID-19 over the past 12 months Nelmac Kūmānu has remained resilient, guided by our passion for the environment and the communities we live and work in.

We have continued to put people first, ensuring our employees, their families and our customers were kept safe as we travelled through the years financial and operational challenges together.

I am pleased to confirm that Nelmac Kūmānu delivered budget for last year despite the COVID-19 headwinds and as we start the new financial year with several exciting opportunities ahead of us, we are in a much stronger position to deal with future economic uncertainty, as well as pursuing our continued growth strategy.

As our strategy leads us towards our vision of being New Zealand's leading Environmental Guardians, its vital that our sustainability and environmental credentials continue to grow and mature. We have reviewed our carbon baseline and we have been actively managing our CO2 emissions throughout the year, developing reports to give us visibility and control, improving wellbeing and instilling a sense of pride through new committees and regular awards.

Working safely has remained a key focus for our business with increased investment in our Health and Safety teams and technology, strengthening our depth of experience and leadership in this area. Never content with the status quo, we are building an even stronger overall health and safety culture. Supported by new technology, we have empowered our workforce to not only work safer, but to look out for each other too.



CEO Message

We have been working hard on our partnerships and customer relationships, strengthening our delivery performance, and building our reputation. This is helping us in key areas such as the National 3 Waters Reform which is set to change ownership and procurement methods across New Zealand and with funding allocation in the conservation space, enabling us to capture opportunities and grow.

In such a difficult year, I would like to end my overview with comment on the commitment from our fantastic employees and their families. Everyone's unwavering professionalism, hard work and commitment to our core values has taken the business from strength to strength and carries us forward with confidence, in our future success and sustainable growth.

A handwritten signature in white ink that reads "Jane Sheard".

Jane Sheard
Chief Executive

Vision

Enhancing New Zealand's
environment for community
wellbeing

nelmac

ENHANCING OUR ENVIRONMENT



Values

- We are one team
- We have a positive impact
- We strive to do things differently
- We do as we say
- Relentless pursuit of zero harm



kūmānuTM

ENVIRONMENTAL

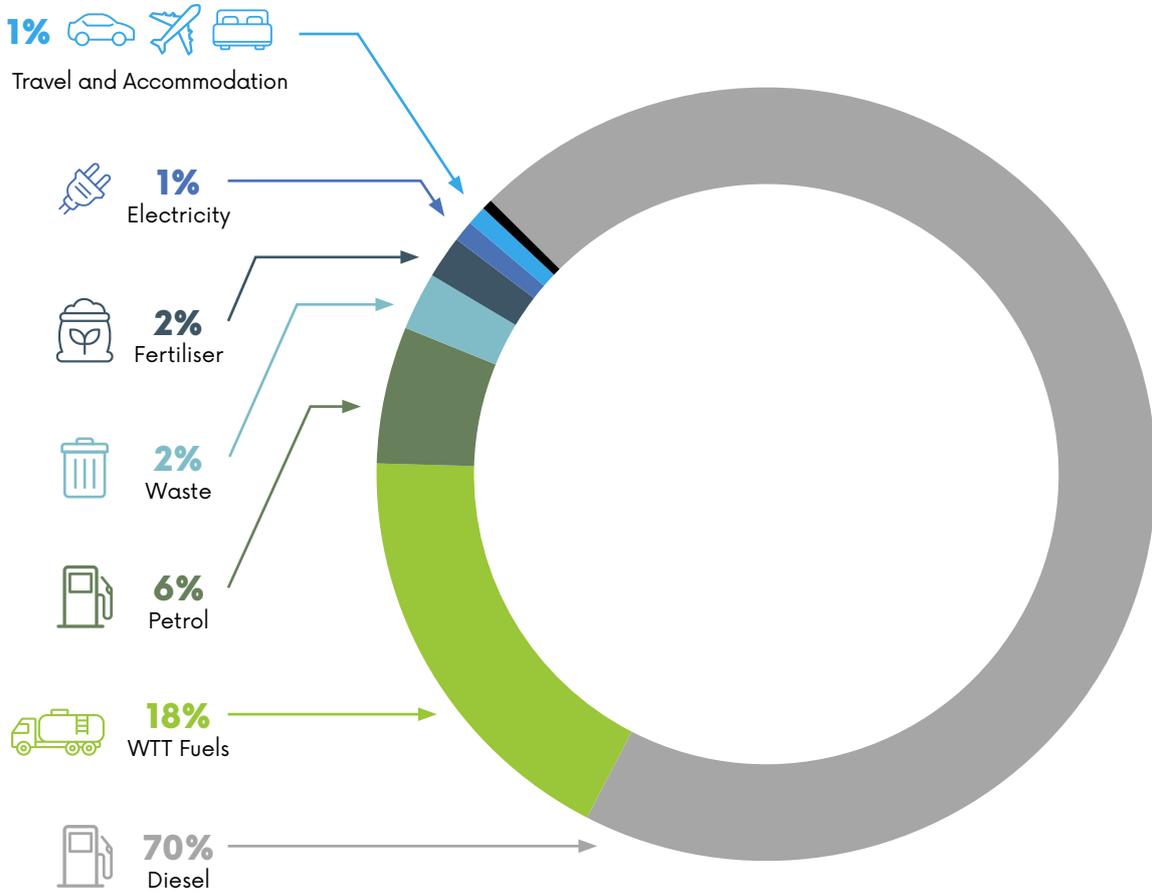
Our Business

For 25 years, Nelmac has enhanced the wellbeing of New Zealand communities by providing environmental asset management services in the core areas of Recreation, Conservation and Three Waters, along with Refuse and Recycling and Landscape Architecture and Planning services.

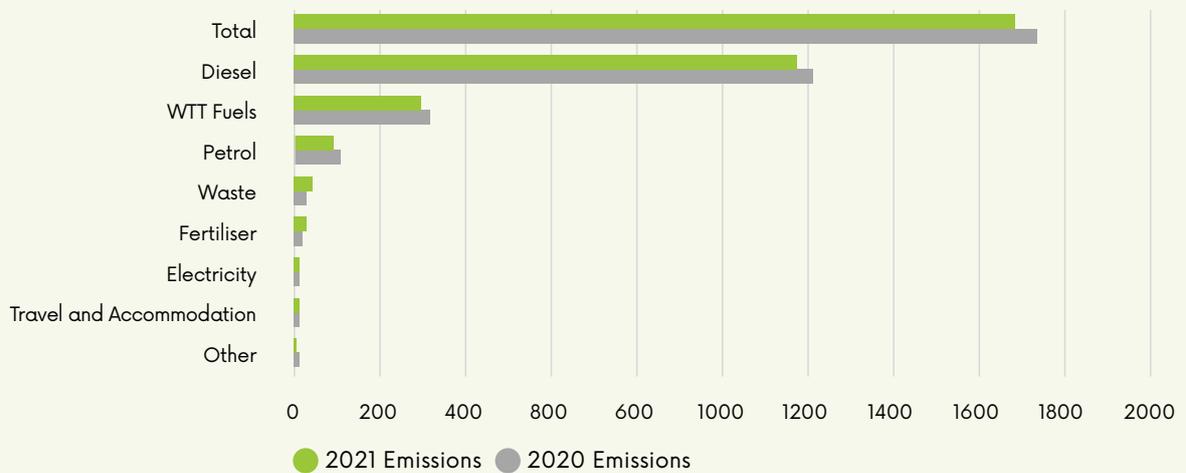
Carbon Footprint

Activities	Classification	Base Year tCO ₂ e	Revenue Adjusted Base	Current Year tCO ₂ e	% Change Against Base Year
Diesel - mobile	Diesel	433.96	511.98	1014.51	98%
WTT emissions	WTT Fuels	270.91	319.62	300.89	-6%
Diesel - stationary	Diesel	597.78	705.26	168.58	-76%
Petrol - mobile	Petrol	43.09	50.84	50.59	0%
Petrol - stationary	Petrol	51.81	61.13	46.08	-25%
Non-urea nitrogen fertiliser	Fertiliser	18.7	22.06	30.08	36%
Waste to landfill (with gas recovery)	Waste	21.8	25.72	25.77	0%
Waste to landfill (without gas recovery)	Waste	0.505	0.60	15.14	2423%
Electricity (purchased)	Electricity	12.8	15.10	14.78	-2%
Domestic air travel	Travel and Accommodation	7.95	9.38	7.43	-21%
Accommodation + country	Travel and Accommodation	6.46	7.62	6.21	-19%
Road freight	Other	11.2	13.21	5.6	-58%
Electricity T&D loss	Other	1.14	1.34	1.27	-5%
Water	Other		0.00	0.29	0%
Taxi Travel	Other	0.2	0.24	0.22	-8%
Emails Sent	Other		0.00	0.0011	0%
Total		1478	1744	1687	-3%

2021 Emissions



Revenue Adjusted Comparison 2021 to 2020



Sustainability Plan

Over the past year we have been ambitiously implementing our Sustainability Plan, with our key commitments to the Environment, the Community and Our People. This page gives the highlights. The next sections provide more detail on the achievements we have made under each of these three pillars.



The Environment

- 1. Optimising our Environmental Management System**
Attained Toitū Enviromark Diamond environmental accreditation.
- 2. Reducing Greenhouse Gas Emissions; and Climate Change Responsiveness**
Measuring our CO2 footprint with EKOS and taking action to make reductions, such as transitioning to a low carbon fleet.
- 3. Reducing Agrichemical Usage**
Exploring and employing alternatives to chemical spray and improving our practices.
- 4. Maximising Resource Efficiency**
Improving our recycling systems, finding opportunities to reduce and avoid waste.



The Communities we Operate in

- 5. Support Community Projects and Biodiversity**
Committing 5% of our profit (in kind) to community projects, such as The Brook Waimarama Sanctuary and Kea Conservation Trust. Donating 100s of native plants.
- 6. Become a Leader in Sustainability**
Building our credentials and expertise in conservation projects. Activator in Businesses for Climate Change.



Our People

- 7. Ensure a Healthy and Safe Working Environment**
ISO 45001.
- 8. Sustainability in the Workplace**
Improving employee engagement, flexibility, such as a work from home policy and transitioning to the living wage.

ACHIEVEMENTS

Our Environment



Environmental Accreditation – Toitū Enviro Mark Diamond

Nelmac achieved the Toitū Enviro Mark Diamond certification in May 2021. This is the highest level that Toitū offers. Toitū enviro mark programme requirements exceed international standards and best practice, including ISO 14001.

The key elements and achievements for Toitū enviro mark Diamond certification are that we have: a robust Environment Management System (EMS) in place; internal systems and processes to ensure that our plans and policies are followed; legislative compliance; senior management commitment to our EMS and its continuing stability; and are committed to and working toward continual improvement.



Climate Action

Recognising the climate emergency, we are committed to taking action. We have set an ambitious reduction target of 25% emission reductions by 2025, based on our 2020 baseline. Identifying that 95% of our emissions are fuel related we are transitioning to a low carbon fleet. We have adopted an electric first approach to purchasing vehicles and plant; rolled out Smartrak GPS in our fleet to support positive driver behaviour changes and help with route optimisation.

Our Electric Fleet currently includes 1 BeV Van; 4 BeV Cars; 1 Plugin Hybrid Car; 1 Hybrid Car, we also have a number of electric bikes and a considerable number of electric tools and equipment that has replaced fuel plant, such as leaf blowers, hedge trimmers, weed eaters and pole saws.

This last year Nelmac purchased three new Electric Bikes, the most popular of which has >750Km since January. We are also currently upgrading our oldest fleet vehicles to more fuel-efficient lower emitting vehicles.

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



Thousands of Trees

Each year Nelmac grows and plants tens of thousands of native plants, many of which are eco-sourced locally. Our nursery grew 116,000 new plants this last growing season.

Our Conservation team planted close to 40,000 plants across Tasman and Nelson in conservation and landscape reserves and for the revegetation of retired forestry. On top of this, thousands of additional plants (mostly natives) have been planted throughout the top of the south through the combined efforts of our Conservation and Greenspaces teams.



Reducing Agrichemical Usage

We are committed to the reduction of agrichemical sprays in our pest and vegetation control mix. Reducing agrichemicals is not only positive for the environment but also the health of our staff and the public.

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



Resource Efficiency and Waste Reduction

In a world of finite resources, increasing pressures and the strong link between resource use and carbon emissions, we are focused on using resources efficiently. A key focus is reducing our waste footprint and finding opportunities for waste minimisation.

Some examples of recent efforts include the Nelmac nursery selling 4,000 excess root trainer sleeves to another Nursery so that they could be reused. Our Biosecurity team using compostable re-usable bags for the collection of wax tags and re-using the unbitten wax tags. Our planting teams use compostable plant guards and collect plant containers for re-use.



Sustainability Committee

Nelmac's Sustainability Committee has been actively promoting Sustainability at Nelmac since 2019. The current themes in focus are CO2 reductions, waste minimisation and recycling, and improving sustainability in the workplace. The Sustainability Committee established the monthly environmental award which has been receiving an increasing number of submissions with time, reflecting an improved culture and interest among our staff in Sustainability. This past year the Committee established a quarterly interdepartmental competition to reduce fuel usage/CO2 emissions associated with unnecessary idling; promoted changes to our capex procedures to encourage purchase of electric vehicles; and are currently focused on improving the recycling rates from our main Nelmac depots.

ACHIEVEMENTS

Our Community

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

Kea Conservation Trust

Our Kūmānu team have been continuing their work with The Kea Conservation Trust and the Department of Conservation (DOC) to remove lead from DOC huts in the Nelson Lakes region. The conservation team have undertaken working at heights training so they can provide a greater variety of support.

Brook Waimārama Sanctuary

40 hectares of pest-fence protection surrounds a natural enclave for burgeoning native flora and fauna populations in Brook valley, Nelson. Over time Nelmac has supported development and improvements in the Sanctuary with Conservation Ranger time, spent on the eradication of weed species including pines by drilling and filling specialist arboriculture services, including dangerous tree removal and planting native plants from our nursery.

Department of Conservation Wasp Wipeout Program

Kūmānu supported the Wasp Wipeout program. The German wasp (*Vespula germanica*) and common wasp (*Vespula vulgaris*) have been described as New Zealand's most abundant and devastating invertebrate pests. Wasp Wipeout is a collaborative partnership between Conservation Volunteers New Zealand (CVNZ), the Department of Conservation, Stuff Media, the Tasman Environment Trust and councils with the aim of reducing *Vespula* wasp populations and to spread awareness of the threats caused by these species. Kūmānu manages wasp baiting projects around the Cable Bay Walkway and Hackett areas of the region, in conjunction with Department of Conservation.

Building Biodiversity

Tens of thousands of native plants are being planted, and tens of thousands of hectares of land are being managed of plant, mammalian and mustelid pests across the top of the south by Nelmac Kūmānu, such as through Project Maitai/Mahitahi, which will see 125,000 trees planted, the restoration of 1.3 hectares of wetlands, and pest plant control through the Maitai/Mahitahi and Brook Waimarama catchment (10,000 hectares) over five years.



Native Plant Donations

To support the local community and enhance biodiversity, Nelmac donates Native plants to the community from its Nursery each year. 30 plants were donated to Broadgreen School in June and 300 seedlings provided to the Nelson City Council library for their Matariki seed and plant swap event held 5-10 July.

Supporting Community Plantings

Our Conservation, Parks teams and other members of Nelmac support numerous community and school planting events in a professional and voluntary capacity. The Parks team supported 24 school planting days, five community planting days and the annual special tree planting ceremony at Marsden House. These planting events amounted to close to 10,000 trees. The coordination of the planting of thousands of plants through community plantings has also been achieved in connection with Project Mahitahi. Our Conservation team work alongside the “adopt a spot volunteers” to help build best practice and skill sharing.



Leader in Sustainability

As an activator of the local Businesses for Climate Action group, Nelmac established and has been leading the sub-group on Fleet Management since June 2020. Over this time, engagement and participation in the group has been growing to include participants from organisations such as Cawthron, Nelson City Council, Department of Conservation, Kiwibank and Fulton Hogan. The group have been exploring opportunities for reducing emissions through fleet management and sharing of experiences on themes, such as Hydrogen Technology, establishing charging infrastructure for electric vehicles, car share opportunities and route optimisation.

Fundraising for a Cause

At the end of each year Nelmac Staff come together to fundraise for a local cause. The last two years have resulted in substantial donations of pet supplies to the SPCA.



ACHIEVEMENTS

Our People

Wellbeing

Nelmac Kūmānu recognises the importance of investing in and providing a workplace that nourishes and improves overall mental and physical wellbeing. We have a long-standing relationship with Workplace Support who provide a 100% confidential and free (to employees and their whanau) Wellbeing Service.

In 2021 Nelmac Kūmānu engaged with Nelson Marlborough Health to work collaboratively toward improving the health and wellbeing of our employees through the implementation of WorkWell. The goals of this partnership are:

1. To offer a framework for developing health promotion in a way that supports and enhances existing structures and programmes/practices within the workplace.
2. To work in partnership to identify areas of need, set goals and evaluate health-related activities to further enhance wellbeing.
3. To maintain momentum towards the standards of accreditation while adhering to a best practice approach.
4. To achieve the WorkWell Standard of Accreditation.

The Wellbeing Committee consists of representatives from across the organisation with a shared vision to positively contribute to the wellbeing of all people at Nelmac Kūmānu.

Living Wage

Nelmac Kūmānu is committed to providing job security together with wages that, as a minimum, enable our people to provide the necessities of life for themselves and their families and to participate as active citizens in society. Having already paid above the minimum wage for some time, from July 2021 Nelmac has committed to transitioning to the living wage with an increase to our company minimum wage rate to \$22.10 (excluding traineeship and apprenticeship positions) and in July 2022 will lift that minimum again to the new '21/22 living wage rate of \$22.75.

Flexible Working Options

Workplace flexibility is an important consideration for Nelmac Kūmānu, enabling people to juggle work/life priorities whether it be for study, family, wellbeing, or other personal commitments. Following the success of working from home during the first COVID-19 lockdown, Nelmac Kūmānu implemented a working from home policy in late 2020 for office-based employees, enabling greater flexibility for people to balance the demands of personal and work life. Flexibility is extended to hours of work, with many people able to structure their hours around personal commitments or to work part time.



Essential Service Workers

Throughout lockdown, Nelmac Kūmānu's Crisis Management Team coordinated the response to COVID-19; ensuring all teams were kept up to date and appropriate Health and Safety infection control measures were in place.

During Lockdown Level 4, Nelmac's Water Treatment and Service teams continued to operate the Bells Island and Nelson North Treatment Plants. The teams carried out repairs to water leaks, sealed off public drinking taps and ensured essential 3 Waters infrastructure continued to operate. Refuse drivers and runners ensured rubbish was collected and taken for disposal. Nelmac's Recreational teams supported Nelson City Council by putting up signs and restricting access at community parks, beaches and playgrounds.



Employee Engagement Survey

Nelmac Kūmānu's 2020/21 Employee Survey achieved a 71% participation rate (with 179 of 252 employees responding). High favourable scores were seen in access to learning and development opportunities, being enabled to do a good job, being involved in decisions that affect the work, work providing a sense of personal achievement and being trusted to get the job done. Opportunities for improvement included a desire for improved two-way and regular communication, better balance of work pressures, and more investment in resources.

Health and Safety



Over the last year we have been working hard on our Safety Culture and strengthening our Health and Safety expertise inhouse. Our Team has had some changes, with a new appointment into the business partner role, the addition of a senior advisor role and extending the previously part-time coordinator role into a full-time position. These extra resources have aided us to place even greater emphasis on our vision for the health and safety of our people. As a result, we have been able to increase our visibility out in the workplace.

Our team are agile and always taking opportunities to increase their knowledge and push for better.

We have increased visits out to site, attended more on-site job risk analysis with job planners before work commencement, and conducted targeted workshops with a Health and Safety focus.

We have had more employees complete ICAM investigation training and are making improvements to bolster the way we run and record investigations within the business. We believe that we are surrounded by learnings and feel it is a must to share knowledge and outcomes throughout the business.

We have been excited to embed new technology systems which have been welcomed by the end users, as an easier aide to monitor, record and learn. These technology systems have taken a great deal of energy and thought, with much collaboration across the business.

We are placing a greater focus on Health and Safety within our procurement and contractor management processes, with comprehensive analysis and research undertaken to support the best decisions on who can work alongside us, delivering service excellence for our customers.



In the 2020 year, the COVID-19 Crisis Management Team (CMT) was set up as part of Nelmac's Health and Safety procedures and certification. This year, we further refined and aligned ourselves with the changing COVID-19 landscape, with thought put into the roles and experience of the team, which enabled a balanced and comprehensive representation from our business as employees rotate through the team as a development opportunity.

We carried out analysis of previous experiences adapting our work around COVID-19 and the nuances of each lockdown level. We also searched the market for suitable and available PPE and hygiene



equipment and were thrilled to source a continuous supply of world class protection for every operational employee, including temp workers and various contractors aligned with Nelmac.

Nelmac are well placed and enthusiastic about the coming year and opportunities in the Health and Safety area, and proud of the efforts over the previous year.

We are committed, agile and passionate about what we do, we will do anything we can to ensure our valued people return home from work to their whanau, happy and healthy.





Statement of Performance

Objective Area	Performance Measures	Targets	Result
Quality of Service	Quality assurance accreditation(s) maintained to industry standards	Maintain AS/NZS ISO 9001 Quality Accreditation	Achieved
	Improve on 2020 Net Promoter score in FY2022	Exceed score from 2020 of 5.5 (due June 2022)*	Not Measured
	Improve on 2019 Pulse survey	Exceed score of 4.16	Achieved
Sustainability and Community	Continually advance Nelmac's sustainability plan to deliver measurable value to the environment and community	Enhance the sustainability plan to incorporate climate change responsiveness	Achieved
		Carbon emissions included in annual report and compared against 2020 baseline	Achieved
		25% overall carbon reduction compared with 2020 (due June 2025)**	Not Measured
		Reduce overall carbon emission compared with 2020	Not Achieved
		Support community organisations/initiatives through financial or in-kind contributions equivalent to 5% of net profit after tax	Achieved
People and Safety	Employee morale/turnover within industry benchmarks, excluding retirement, redundancy and internal transfers	Employee turnover within 5% of the national industry average	Not Achieved
	Continue to actively promote employee Health and Safety in the workforce	TRIFR reduction from 12% to under 10%	Achieved
	Health and Safety accreditation(s) maintained to industry standards	Maintain ISO 45001 accreditation for Health and Safety	Achieved
Non-shareholder Business	Non-Nelson City Council work contributes to the profitability of the company	Profitable year on year growth in non-Nelson City Council work from 2020 to 2021	Achieved
Equity Ratios	Investment delivers a sustainable return at or above industry norms	EBIT Return on Equity is at or above industry benchmarks	Not Achieved
	Financial risk limited by maintaining appropriate balance sheet ratios	Bank Debt to Equity at or below 55%	Achieved

* Note 1 - Net Promoter survey is performed every two years.

** Note 2 - Nelmac's target for the year 2025 is to see a 25% overall reduction in carbon emissions compare to the year 2020. Carbon emissions increased in 2021 from 2020 as the emissions in 2020 were artificially reduced by the five week Level 4 lockdown in April/May 2020.

Independent Auditor's Report

To the readers of Nelmac Limited's financial statements and performance information for the year ended 30 June 2021

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

Opinion

We have audited:

- the financial statements of the company on pages 30 to 55, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on page 24.

In our opinion:

- the financial statements of the company on pages 30 to 55:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the company on page 24 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 2021.

Our audit was completed on 1 November 2021. 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 (the Board) and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Responsibilities of the Board for the financial statements and the performance information

The Board 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 is also responsible for preparing the performance information for the company.

The Board 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 is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board's responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

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

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

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board 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 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 is responsible for the other information. The other information comprises the information included on pages 3 to 21 and 56 to 59, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



Chris Genet

Audit New Zealand

On behalf of the Auditor-General Christchurch, New Zealand





Financial Statements

1. Reporting Entity

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

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

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

2. Summary of Significant Accounting Policies

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

Statement of Compliance

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

These Financial Statements were authorised for issue by the Directors on 1st November 2021

Basis of Preparation

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

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

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

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

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

Critical Accounting Judgements, Estimates and Assumptions

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

a. Goods and Services Tax

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

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

b. Taxation

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

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

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

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

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

c. Financial Instruments

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

i. Accounts Receivable

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

ii. Accounts Payable

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

iii. Cash/Cash Equivalents

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

d. Inventories

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

e. Property, plant and equipment

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

Land is not depreciated.

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

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

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

Buildings:	4 to 50 Years (2% - 25%)
Plant and Equipment:	1 to 25 Years (4% - 100%)
Motor Vehicles:	5 to 15 years (6.67% - 20%)
Furniture and Fitout:	1 to 10 years (10%- 100%)

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

f. Intangible assets

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

g. Impairment of assets

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

h. Borrowings

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

i. Employee Entitlements

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

j. Borrowing Costs

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

k. Work in Progress /Contract Assets and Contract Liabilities

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

l. Capital Management

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

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

m. IFRS16 LEASES

IFRS 16 "Leases" replaces IAS17 "Leases" along with three interpretations.

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

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

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

Nelmac has elected not to include initial direct costs in the measurement of the right of use asset for operating leases in existence at the date of initial application of IFRS16, being 1 July 2019. At this date Nelmac has also elected to measure the right of use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transaction.

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

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

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS16 was 5%.

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

n. Government Subsidies

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

o. Non-Current Assets held for sale and discontinued operations

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

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

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

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

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

p. Revenue

Revenue

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

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

The work performed by the Company maintains, creates, or enhances assets the customer controls and the customer receives and consumes the services at the same time. Much of the revenue

of the Company is covered by a monthly claim process, where the Company and the Customer agree the work fully performed, and the resulting value applying contract rates. These amounts are then due for payment in the next month.

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

Variable Consideration

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

Warranties and Defects Periods

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

3) Changes in Accounting Policies

No accounting policies have been updated in the 30 June 2021 year.

4) Future Changes to Accounting Standards

a. NZ IFRS17 - Insurance Contracts

Nelmac did not apply this new standard as. Nelmac expects minimal impact from this standard on the 2021 financial statements.

Statement of Comprehensive Income

For the year ended 30 June 2021

SOI TARGET	NOTES	2021 (NZD)	2020 (NZD)
38,286,000	Revenue	41,925,319	37,200,101
	Cost of Sales	(32,752,077)	(28,821,873)
	Gross Profit	9,173,242	8,378,228
	Other Income	2,552	34,776
	Finance Costs	(175,219)	(169,490)
	Operating Expenses	(7,907,143)	(7,065,003)
	Operating Profit/(Loss) of Continuing Operations	1,093,432	1,178,511
	Profit/(Loss) Related to Discontinued Operations	(65,299)	(384,792)
804,000	Operating Profit/(Loss) Before Distributions and Tax	1,028,133	793,719
(402,000)	Subvention Payments	396,860	
	Operating Profit/(Loss) Before Tax	631,273	793,719
(113,000)	Income Tax Expense	(302,199)	(236,261)
289,000	Net Profit/(Loss) After Tax	329,074	557,458
	Other Comprehensive Income		
	Asset Revaluation	-	1,080,000
289,000	Total Comprehensive Income	329,074	1,637,458

Refer to Note 18 for explanation on variance in actual Financial Position to SOI estimates.

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

For and on Behalf of the Board who authorised the issue of these financial statements on 1st November 2021.



Director

Date: 1st November 2021



Director

Date: 1st November 2021

Statement of Changes in Equity

For the year ended 30 June 2021

SOI TARGET	NOTES	2021 (NZD)	2020 (NZD)
8,772,000	Equity at Beginning of Year	10,148,288	8,725,756
	Adjustment from the Adoption of IFRS16		(4,659)
8,772,000	Adjusted Equity at Beginning of Year	10,148,288	8,721,097
289,000	Total Comprehensive Income for the Year	329,074	1,637,458
	Dividends Paid	4b -	(210,267)
9,061,000	Equity at the End of the Year	10,477,362	10,148,288
	Represented By:		
2,000,000	Share Capital	2,000,000	2,000,000
7,061,000	Retained Earnings	4b 7,397,362	7,068,288
	Asset Revaluation Reserve	4c 1,080,000	1,080,000
9,061,000	Total	10,477,362	10,148,288

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

Statement of Financial Position

As at 30 June 2021

SOI TARGET	EQUITY	NOTES	2021 (NZD)	2020 (NZD)
2,000,000	Share Capital		2,000,000	2,000,000
7,061,000	Retained Earnings		7,397,362	7,068,288
	Asset Revaluation Reserve		1,080,000	1,080,000
9,061,000	Total	4	10,477,362	10,148,288
	Represented by:			
	Current Assets			
	Cash and Cash Equivalents	5	1,317,683	655,952
	Receivables and Prepayments	6	6,178,248	5,137,582
	Assets Held for Disposal	17	195,000	228,000
	Inventories	7	464,786	704,270
	Work in Progress / Contract Assets	8	568,769	644,066
6,117,000	Total Current Assets		8,724,486	7,369,870
	Non Current Assets			
	Property, Plant and Equipment	9	11,438,517	10,171,525
	Intangible Assets	10	263,749	284,206
	Right-of-Use Assets	14	1,005,984	400,040
	Deferred Taxation	3	71,428	101,620
10,832,000	Total Non-Current Assets		12,779,678	10,957,391
16,949,000	Total Assets		21,504,163	18,327,261
	Current Liabilities			
	Borrowings	13	2,682,925	125,016
	Payables and Accruals	11	4,093,984	2,686,820
	Employee Entitlements	12	1,727,551	1,716,249
	Deferred Revenue - Contract Assets	8	745,731	193,922
	Lease Liabilities	14	45,464	108,544
	Taxation Payable	3	279,809	250,529
5,188,000	Total Current Liabilities		9,575,465	5,081,079
	Non Current Liabilities			
	Borrowings	13	402,964	2,749,215
	Employee Entitlements	12	37,180	39,472
	Provision for Remediation		65,000	19,000
	Lease Liabilities	14	946,192	290,208
2,700,000	Total Non-Current Liabilities		1,451,337	3,097,894
7,888,000	Total Liabilities		11,026,801	8,178,973
9,061,000	Net Assets		10,477,362	10,148,288

The accompanying accounting policies and notes form part of these financial statements.
Refer to Note 18 for explanation on variance in actual Financial Position to SOI estimates.

Statement of Cash Flows

For the year ended 30 June 2021

SOI TARGET	CASHFLOWS FROM OPERATING ACTIVITIES	NOTES	2021 (NZD)	2020 (NZD)
	Cash was Provided from:			
	Receipts From Customers		42,818,918	36,193,469
	COVID-19 Wage Subsidy		-	1,813,459
	Other Income		1,037	946
38,799,000			42,819,955	38,007,874
	Cash was Disbursed to:			
	Payments to Suppliers and Employees		(38,824,075)	(35,529,167)
(356,000)	Subvention Payment		(396,859)	-
	Taxes Paid		(242,727)	34,743
	Interest on Leases		(52,767)	(31,965)
	Interest Paid		(122,461)	(133,666)
(37,056,000)			(39,638,889)	(35,660,054)
1,387,000	Net Cash Provided by/(Used in) Operating Activities	2	3,181,066	2,347,820
	Cashflows from Investing Activities			
	Cash was Provided from:			
	Proceeds from Sale of Property, Plant and Equipment		73,113	88,229
	Cash was Applied to:			
	Purchase of Property, Plant and Equipment		(2,387,036)	(1,025,190)
	Purchase of Intangible Assets		(148,081)	(78,771)
(1,429,000)			(2,535,117)	(1,103,961)
(1,429,000)	Net Cash (Used in)/Provided from Investing Activities	2	(2,462,004)	(1,015,733)
	Cashflows from Financing Activities			
	Cash was Provided from:			
	Borrowings - Drawdown		3,085,890	2,874,231
	Cash was Applied to:			
	Borrowings - Repayments		(2,874,231)	(3,123,800)
	Lease Liabilities		(268,985)	(235,288)
	Dividends Paid			(210,267)
			(3,143,216)	(3,569,355)
-	Net Cash (Used in)/Provided from Financing Activities		(57,332)	(695,124)
(42,000)	Net Increase/Decrease in Cash Held		661,730	636,964
80,000	Opening Cash Balance		655,953	18,989
38,000	Closing Cash Balance		1,317,683	655,953

The accompanying accounting policies and notes form part of these financial statements.
Refer to Note 18 for explanation on variance in actual Financial Position to SOI estimates.

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 (a) Revenues

	2021	2020
OPERATIONAL REVENUE		
- Revenue from Contracts with Customers	41,517,513	35,058,138
- Revenue from Sale of Goods	407,806	328,504
- Revenue from Divested Business	1,343,351	1,287,610
- COVID-19 Wage Subsidy	-	1,813,459
	43,268,670	38,487,711
FINANCE INCOME		
Interest Revenue	1,037	949
	43,269,707	38,488,660

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

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

1 (b) Expenses

	2021	2020
EXPENSES INCLUDE		
Audit Fee - Financial Statement	52,604	57,705
Audit Fee - 2020 Audit Fee Recovery	15,000	-
Advisory Services (Tax and Accounting)	46,027	10,000
Depreciation		
- Buildings	78,876	248,271
- Plant and Equipment	739,124	731,146
- Motor Vehicles	260,925	201,198
- Administration Furniture and Equipment	108,190	79,237
- Leased Assets	224,089	203,776
Rent	184,626	172,335
Amortisation		
- Software and Other	167,538	258,261
Employee benefit costs	18,008,766	16,871,872
Directors' fees	146,398	144,695
Interest expense		
- Bank (including loan fees)	122,461	137,079
- Leased Assets	52,767	31,965
- Other	-	313
Changes in provision for doubtful debts	(8,298)	(37,658)

1 (c) Other Comprehensive Income

	2021	2020
Other Comprehensive Income		1,080,000

Other comprehensive income for the year is entirely comprised of land revaluation performed on 30th June 2020. Under New Zealand tax legislation this other comprehensive income is exempt from taxation.

No amounts previously recognised in other comprehensive income are reclassified to profit and loss in the 2021 financial year.

2 Reconciliation of Net Profit/(Loss) after Taxation with Net CashFlow from Operating Activities

	2021	2020
Net Profit/(Loss) after Taxation	725,934	557,458
Add/(deduct) non- cash items:		
Depreciation and Amortisation	1,578,742	1,721,889
Net (Gain)/Loss on Sale	(1,515)	(33,826)
Impairment of Assets relating to Discontinued Operations	-	217,085
Movement in Deferred Taxation	30,192	(111,097)
Total non-cash items	1,607,419	1,794,051
Add/(deduct) movements in working capital items:		
(Increase)/Decrease in Receivables and Prepayments	(1,040,666)	85,290
(Increase)/Decrease in Inventories	239,484	(101,594)
(Increase)/Decrease in WIP	75,297	(235,415)
Increase/(Decrease) in Payables and Accruals	1,535,307	(144,121)
Increase/(Decrease) in Employee Entitlements	11,302	8,177
Increase/(Decrease) in Provision for Taxation	29,280	382,089
Net Movement in Working Capital	850,004	(5,574)
Add/(deduct) movements in non-current items:		
Increase/(Decrease) in Employee Entitlements	(2,292)	1,885
Net Movement in non-current items	(2,292)	1,885
Net cash inflow/(outflow) from operating activities	3,181,066	2,347,819

Depreciation and amortisation expense

Depreciation and amortisation expense consists of the following:

	2021	2020
Depreciation of property, plant and equipment (Note 9)	1,187,115	1,259,852
Depreciation of right-of-use assets (Note 14)	224,088	203,776
Total Depreciation	1,411,203	1,463,628
Amortisation of intangible assets (Note10)	167,538	258,261
	1,578,741	1,721,889

Finance Costs

Finance costs for the reporting periods consist of the following:

	2021	2020
Interest and Fees on Bank Borrowings	122,461	137,079
Interest on Supplier arrangements	-	313
Interest expense for leasing arrangements	52,757	31,965
Total Interest Expense	175,218	169,357

3 Tax Expense

	2021	2020
Profit/(Loss) Before Taxation	1,028,133	793,719
Prima Facie Taxation at 28%	287,877	222,241
Plus/Less Taxation Effect of;		
Opening balance adjustment	(76,459)	(5,621)
Non-deductible expenditure	7,883	5,649
Deferred tax adjustment	82,898	13,992
Tax Expense	302,199	236,261
Taxation is Represented by:		
Current Taxation	348,466	352,979
Deferred Taxation	30,192	(111,097)
Prior Period Adjustment	(76,459)	(5,621)
Tax Expense	302,199	236,261
Taxation (Receivable)/Payable Account		
Balance as at 1 July	250,529	(131,571)
Opening balance adjustment	(76,459)	(5,621)
Current Taxation	348,466	352,979
(Net Taxes Paid) / Refunds Received	(242,727)	34,743
Closing Balance 30 June	279,809	250,529
Deferred Taxation (Asset)/Liability Account		
Balance as at 1 July	(101,620)	9,477
Opening balance adjustment	(9,477)	12,620
Current Year Charge	39,669	(123,717)
Closing Balance 30 June	(71,428)	(101,620)

Deferred Taxation Movements Statement	Property, Plant and Equipment	Provisions	Employee Entitlement	Other	Total
Balance as at 1 July 2019	270,003	52,018	(273,675)	(38,869)	9,477
Opening Balance adj			9,477	3,143	12,620
Current Year Charge	(112,565)	16,141	(39,010)	11,717	(123,717)
Closing Balance 30 June 20	157,438	68,159	(303,208)	(24,009)	(101,620)
Balance as at 1 July 2020	157,438	68,159	(303,208)	(24,009)	(101,620)
Opening Balance adj			(9,477)		(9,477)
Current Year Charge	8,337	8,461	22,871		39,669
Closing Balance 30 June 21	165,775	76,620	(289,814)	(24,009)	(71,428)

	2021	2020
Imputation Credit Account		
Imputation credits available for use in subsequent periods	(2,164,970)	(1,922,243)

4 Equity

a) Share Capital

	2021	2020
Opening balance	2,000,000	2,000,000
Balance at 30 June	2,000,000	2,000,000

At 30 June 2021 the company had a share capital of 2,000,000 shares (2020 2,000,000 shares).

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

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

None of the shares carry fixed dividend rights.

b) Retained Earnings

	2021	2020
Retained earnings at 1 July	7,068,288	6,725,756
Adjustment from Adoption of IFRS 16	-	(4,659)
Net Profit After Tax	329,074	557,458
Dividend	-	(210,267)
Retained earnings at 30 June	7,397,362	7,068,288

c) Asset Revaluation Reserve

	2021	2020
Asset Revaluation Reserve at 1 July	1,080,000	-
Revaluation	-	1,080,000
Asset Revaluation Reserve at 30 June	1,080,000	1,080,000

Included in the Asset Revaluation Reserve is a \$1,080,000 asset revaluation for land to Fair Value.

5 Cash and Cash Equivalents

	2021	2020
Cash at bank and in hand	1,267,095	103,624
Short Term Deposits	50,588	552,328
Closing Cash Balance	1,317,683	655,952

6 Receivables and Prepayments

	2021	2020
Trade/Contract Debtors	1,732,695	1,575,966
Trade/Contract Debtors (Related Parties)	3,921,245	3,247,464
Provision for Doubtful Debts	-	(8,298)
Retentions Receivable	253,334	243,427
Prepayments	270,974	79,022
Total Receivables and Prepayments	6,178,248	5,137,582

As at 30 June 2021 and 2020, all overdue receivables have been assessed for impairment and appropriate provisions applied as detailed below:

	2021			2020		
	Gross	Impairment	Net	Gross	Impairment	Net
Current	5,636,301		5,636,301	4,665,299		4,665,299
Past due 30 days	9,915		9,915	72,025		72,025
Past due 60 days	4,271		4,271	23,050		23,050
Past due 90 days and over	3,454		3,454	63,056	(8,298)	54,758
Total	5,653,940	-	5,653,940	4,823,430	(8,298)	4,815,132

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

	2021	2020
Opening balance	8,298	45,956
Plus Increase/(Decrease) of Provision	(8,298)	(37,658)
Less Receivables written off during period		
Balance at 30 June	-	8,298

The Company does not hold any collateral as security.

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

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

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

7 Inventories

	2021	2020
Nursery Plant Stock	129,286	187,361
Other Materials	355,500	516,909
Provision for Obsolescence	(20,000)	-
	464,786	704,270

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

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

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

8 Contract Assets and Contract Liabilities

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

	2021	2020
Contract Assets		
Work in Progress	568,769	644,066
Contract Set up Costs	-	-
	568,769	644,066
Contract Liabilities		
Deferred Revenue	745,731	193,922
	745,731	193,922

Maintenance Services

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

Construction Contracts

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

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

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

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

Contract Set Up Costs

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

9 Property, Plant and Equipment

COST	Freehold Land Held at Fair Value	Buildings	Plant and Equipment	Motor Vehicles	Furniture and Fitout	Capital WIP	Total
Balance at 1 July 2020	2,230,000	2,408,408	10,388,823	3,285,376	788,638	32,413	19,133,658
Revaluations							-
Additions		154,864	1,160,072	769,081	349,391		2,433,408
Disposals			(656,998)	(278,521)	(43,704)		(979,223)
Transfers				24,875		(32,413)	(7,538)
Reclassification							
Assets Held For Sale				139,702			139,702
Balance at 30 June 2021	2,230,000	2,563,272	10,891,897	3,940,513	1,094,325	-	20,720,007
Balance at 1 July 2019	1,150,000	2,356,642	10,475,541	3,734,041	894,612	4,488	18,615,324
Revaluations	1,080,000						1,080,000
Additions		51,766	570,955	212,712	172,193	32,413	1,040,039
Disposals			(535,924)	(30,779)	(278,166)		(844,869)
Transfers			4,488			(4,488)	-
Reclassification			(126,237)	126,237			-
Assets Held for Sale				(756,835)			(756,835)
Balance at 30 June 2020	2,230,000	2,408,408	10,388,823	3,285,376	788,639	32,413	19,133,659
Accumulated Depreciation and Impairment Losses							
Balance at 1 July 2020		629,534	6,160,855	1,643,779	527,965	-	8,962,134
Depreciation		78,876	739,124	260,925	108,190		1,187,115
Disposals		-	(746,377)	(123,717)	(15,394)		(885,488)
Transfers							-
Reclassification							-
Assets Held For Sale				17,730			17,730
Balance at 30 June 2021	-	708,410	6,153,602	1,798,717	620,761	-	9,281,491
Balance at 1 July 2019		381,263	5,971,017	1,726,329	723,757		8,522,397
Reclassification			(58,781)	58,781			-
Depreciation		248,271	731,146	201,198	79,237		1,259,852
Disposals			(482,526)	(30,779)	(275,029)		(788,334)
Transfers				(311,750)			(311,750)
Assets Held for Sale							-
Balance at 30 June 2020	-	629,534	6,160,856	1,643,779	527,965	-	8,962,134
Carrying Amounts							
At 30 June 2019	1,150,000	1,975,379	4,504,524	2,007,712	170,856	4,488	9,812,959
At 30 June 2020	2,230,000	1,778,874	4,227,968	1,641,596	260,674	32,413	10,171,525
At 30 June 2021	2,230,000	1,854,862	4,738,295	2,141,795	473,565	-	11,438,517

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

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

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

An independent valuations of the Company's land was performed on 30 June 2020 by independent registered valuer Ashley Stevens of Telfer Young (Nelson Marlborough) Limited, Nelson, to determine the value of the land. The valuation which conforms to NZ IAS16: Property, Plant and Equipment, NZ IFRS 13: Fair Value Measurement and International Valuation Standards IVS300: Valuations for Financial Reporting, was determined by reference to the asset's highest and best use, without deducting disposal costs. The valuation was on the estimated market value of the land at \$260 psm. If the psm rate moves by +/- \$10, the valuation would increase/(decrease) by \$85,780.

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

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

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

10 Intangible Assets - Software

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

Cost	Software	Other	Capital WIP	Total
Balance at 1 July 2020	821,309	98,832	2,975	923,116
Additions	112,986	20,880	14,215	148,081
Disposals	(1,000)			(1,000)
Transfers	2,975		(2,975)	-
Balance at 30 June 2021	936,270	119,712	14,215	1,070,197
Balance at 1 July 2019	745,998	71,911	72,362	890,270
Additions	72,598	3,198	2,975	78,771
Disposals	(37,290)	(8,635)		(45,925)
Transfers	40,004	32,359	(72,362)	-
Balance at 30 June 2020	821,309	98,832	2,975	923,116
Accumulated Amortisation and Impairment Losses				
Balance at 1 July 2020	541,716	97,194	-	638,910
Amortisation	162,457	5,081		167,538
Disposals	-			
Transfers				-
Balance at 30 June 2021	704,173	102,275	-	806,448
Balance at 1 July 2019	369,732	55,714	-	425,446
Amortisation	208,146	50,115		258,261
Disposals	(36,161)	(8,635)		(44,797)
Transfers				
Balance at 30 June 2020	541,716	97,194	-	638,910
Carrying Amounts				
At 30 June 2020	279,593	1,638	2,975	284,206
At 30 June 2021	232,097	17,437	14,215	263,749

11 Payables and Accruals

	2021	2020
Trade Creditors and Accruals	3,775,645	2,433,606
Trade Creditors and Accruals (Related Parties)	68,978	66,207
	3,844,623	2,499,813
GST Payable	249,361	187,007
Total Payables and Accruals	4,093,984	2,686,820

12 Employee Provisions

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

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

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

	2021	2020
Provisions		
Accrued Payroll	492,346	438,990
Annual Leave	1,235,205	1,277,259
Long Service Leave Accrual	18,563	14,078
Retirement Gratuity	18,617	25,394
Total Employee Provisions	1,764,732	1,755,721
Comprising:		
Current	1,727,551	1,716,249
Non Current	37,180	39,472
Total Employee Provisions	1,764,732	1,755,721

13 Borrowings

	2021	2020
Bank Short Term Facility	-	-
Bank Fixed Asset Facility - Current Portion	182,925	125,016
Bank Fixed Asset Facility - Non Current Portion	402,964	399,215
Bank Loans Term Loans	2,500,000	2,350,000
Balance at 30 June	3,085,890	2,874,231

Nelmac Ltd's banking facilities with Westpac includes a Visa facility of \$50,000 (2020: Westpac, \$50,000).

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

As at 30 June 2021, \$2,500,000 of the facility was drawn down (2020: \$2,350,000).

The interest cost including fees on this facility is 2.35% (2020: 2.35%).

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

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

Nelmac also has a FlexEquip Fixed Asset facility of \$1 million, secured by the Fleet Assets it funds. The interest rate on this facility is 4.2%.

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

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

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

14 Leases

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

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

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

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

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

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

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

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

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

Practical Expedients Applied

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

Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 30 June 2021.

Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Measurement of Right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2021.

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

Right-of-Use Asset	Number of right-of-use assets	Range of remaining terms	Average remaining lease term	Number of leases with extension options	Number of leases with variable payments linked to market or index	Number of leases with termination options
Premises – Depots	4	2 to 52 months	39 months	4	3	0
Vehicles	23	12 to 59 months	50 months	0	0	0

Right-of-use assets

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

Right-of-Use Asset	Asset	Carrying Amount as at 30/06/21	Additions	2021 Depreciation	Impairment
Premises – yard, workshop and office		529,590	418,308	138,712	
Vehicles		476,385	411,715	85,376	
TOTAL	-	1,005,975	830,023	224,088	-

Lease Commitments	2021	2020
Less Than One Year	45,464	108,544
One to Five Years	946,192	290,208
TOTAL	991,656	398,752

Lease Liabilities at 30 June	2021	2020
Current	45,464	108,544
Non-Current	946,192	290,208
TOTAL	991,656	398,752

Lease payments not recognised as a liability:

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

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

	2021	2020
Short term leases		-
Leases of low value assets	16,811	8,639
Variable lease payments		-
TOTAL	16,811	8,639

Amounts Recognised in the Statement of Comprehensive Income	2021	2020
Depreciation Charge on Right of Use Assets		
Land and Buildings	138,712	152,042
Vehicles	85,376	51,734
Total	224,088	203,776

Interest Expense on Lease Liabilities	2021	2020
Land and Buildings	28,071	16,984
Vehicles	24,687	14,981
Total	52,757	31,965

15 Related Parties Transactions

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

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

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

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

a) Transactions and Balances

	2021	2020
Services Provided to/from Nelson City Council		
Services provided to Nelson City Council (including all competitively won tenders)	27,145,672	20,741,843
Services provided by Nelson City Council	835,304	771,261
Rates paid to Nelson City Council	50,442	40,897
Accounts payable to Nelson City Council	68,978	66,207
Accounts receivable from Nelson City Council	4,498,703	3,613,575
Subvention Payment Paid to Nelson City Council	396,860	-
Services provided to Nelson City Council Subsidiaries and Associates (including all competitively won tenders)		
Nelson Airport Ltd	123,581	68,314
Port Nelson Ltd	27,611	28,435
Accounts receivable from Nelson Airport Ltd	7,410	5,718
Accounts receivable from Port Nelson Ltd	1,919	1,919
Subvention Payment Paid to Nelson City Council		
Subvention Payment	396,860	-

The Services provided to the Nelson City Council (NCC) related to the maintenance of Parks, Gardens, Reserves, and Essential Services.

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

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

Lease payments for fiscal year to June 30th 2021 were \$27,000 (2020: \$27,000).

b) Key Management Personnel

Total remuneration paid to key management personnel during the year was \$1,230,242 (2020 \$1,156,294) and consisted only of short term benefits.

No purchases or services of a material amount were provided to, or made from, Key Management Personnel or companies where Key Management Personnel were directors of those companies, during the year (2020: \$nil).

c) Other Related Parties

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

16 Categories of Financial Assets and Liabilities

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

	2021	2020
Financial Assets		
<i>LOANS AND RECEIVABLES</i>		
Cash and Cash equivalents (note 5)	1,317,683	655,952
Trade and other receivables (note 6)	5,907,274	5,058,960
	7,224,957	5,714,912
Financial Liabilities		
<i>OTHER FINANCIAL LIABILITIES</i>		
Trade and other payables (note 11)	3,283,911	2,134,811
Bank Borrowings (note 13)	3,085,890	2,874,231
	6,369,800	5,009,042

17 Non-current Assets Held for Sale and Discontinued Operations

Nelmac Ltd are in the process of divesting their Refuse business. This includes residential refuse, greenwaste and commercial collections, but excludes rubbish collection relating to Nelson City Council contracts.

Nelmac completed a Tender process in October 2020 with multiple parties submitting offers.

Management is still confident that Nelmac will recover the market value of the Fleet assets less any disposal costs, and that stock will be recovered at the net carrying cost and the timing of the transaction is expected to occur within the first 6 months of the 2022 Financial Year.

Impact of Divested Business on Operations	2021	2020
Revenue	1,343,351	1,287,610
Cost of Sales	(1,408,650)	(1,455,317)
Profit or Loss before tax	(65,299)	(167,707)
Impairment Loss recognised on re-measurement to fair value less costs to sell		(217,085)
Profit/(Loss) for the year from discontinued operation	(65,299)	(384,792)
Assets Held for Sale	As at 30 June	As at 30 June
Book Value of Fixed Assets	319,600	445,085
Current Market Value	195,000	268,000
Less Costs of Disposal	-	40,000
Net Carrying Value of Assets held for Sale	195,000	228,000

The assets held for sale at 30 June 2020 included a vehicle that Nelmac have subsequently decided to retain. This accounts for the reduction in the market value of assets held for sale.

Cashflow Impact from Discontinued Operations	2021 Actual	2020 Actual
Operating Cashflow	65,299	324,061
Financing	-	-
Investing (reinvesting depreciation in fleet)	-	60,731
Total Cash Impact from Discontinued Operations (Favourable)	65,299	384,792

18 Financial Instruments

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

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

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

a) Interest Rate Risk

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

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

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

	2021	2020
MOCU Rates	2.35%	2.35%
FlexEquip Rates	4.20%	4.10%
Overdraft Interest Rates (to \$200,000)		
Overdraft Interest Rates (over \$200,000)		
Short Term Deposits	0.50%	

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

There are no interest rate options or interest rate swap agreements in place as at 30 June 2021. (2020 Nil).

b) Currency Risk

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

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

c) Credit Risk

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

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

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

Nelson City Council accounts for 69.4% of Nelmac Ltd's outstanding debtors as at 30 June 2021 (2020, 67.1%).

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

Capital Management Strategy

The capital of the Company is its equity which is comprised of subscribed capital, asset revaluation reserve and retained earnings. Asset revaluation reserves are new and are a result of the change to accounting policy and fair value of land at 30 June 2021. Equity is represented by the net assets. The Company manages its capital to ensure that it will be able to continue to operate as a going concern and optimise the balance of debt to equity on a prudent basis in consultation with its Shareholder.

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

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

19 Contingencies and Commitments

Nelmac Ltd does not have any outstanding Contingent Assets or Contingent Liabilities as at 30 June 2021 (2020 \$nil).

At 30 June 2021 Nelmac Ltd's Bankers held Contract Performance Bonds in favour of Clients totalling \$621,429 (2020, \$924,016).

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

20 Explanation of Major Variances against SOI Target

Explanations for major variances from the Company's original 2020/21 budget figures as contained within the Statement of Intent are as follows:

a) Comprehensive Income

The year has seen the growth of the business reflected in higher Revenue exceeding the SOI target, particularly within our projects business areas. This increase in Revenue has driven a Net Profit After Tax above the SOI Target.

Revenue

Revenue was higher than forecast over the year due to a combination of additional projects in Water Projects along with Conservation Projects.

b) Statement of Financial Position

Current-Assets

Current assets were \$2,607,486 favourable due to the increase in Cash and Receivables driven by the increase in Project work, while also holding Refuse Assets pending the sale of this business.

Non-Current Assets

Non-Current assets were \$1,947,678 favourable due to significant investment in our Property, Plant and Equipment to replace older equipment with modern and more efficient equipment in line with our commitment to reduce our CO2 emissions.

Current Liabilities

Current liabilities were \$4,387,465 higher than SOI target, due to higher activity levels in the last two months of the year related to our increase in Project work. There is also a \$2,500,000 reclassification of Debt from Non-Current to Current liabilities due to timing of debt renewals. We don't anticipate any issues with renewing this facility in the coming FY.

Non-Current Liabilities

Non-Current liabilities were \$1,248,663 lower than SOI target, due to the reclassification of Debt mentioned above which was partially offset by an increase in our Lease Liabilities related to the investment in our fleet.

c) Statement of Cashflows

Cashflow from Operating Activities

Cashflow from Operating Activities was \$1,397,206 favourable due to cash impacts on working capital in Q4 2020 caused by the COVID-19 lockdown.

Cashflow from Investing Activities

Cashflow from Investing Activities was \$636,143 unfavourable primarily due to the timing of Capex purchases that were planned for purchase in FY19/20 but were delayed due to COVID-19 related supply chain disruptions.

Net Increase in Cash Held

As a result of the favourable Cashflow from Operating Activities, Net Increase in Cash Held was favourable \$1,279,683.

21 Post Balance Date Events

The effects of COVID-19 on Nelmac

In response to the arrival of the COVID-19 Delta variant in New Zealand, on Tuesday the 17th August 2021 the New Zealand Government declared an immediate move to Alert Level 4 lockdown, and remained in lockdown at Alert Level 4 until 31 August. From 1 September, for areas outside of Auckland, the Alert Level has reduced and remains at Level 2 at the start of October.

During Alert Level 4, one third of Nelmac's staff were deemed to be providing an essential service and continued to work albeit with additional Health and Safety precautions and PPE. Volunteers from other teams were recruited to be on standby if there was an outbreak to ensure our supply of essential services was able to continue as to serve our customers and community. A register of staff who were vulnerable or had vulnerable family members was established, and additional steps were taken to protect these employees. Those employees whose roles allowed them to work from home did work from home.

Under Level 3, all but those vulnerable staff were able to return to work, practising safe work practices including social distancing and remaining within region. Operationally Nelmac redeployed some of the Kūmānu teams so that they didn't travel outside of the region that they reside. All staff who were able to work from home continued to work from home.

Under Level 2, Nelmac continues to follow best practice Health and Safety procedures and followed the guidance of the Ministry of Health guidelines, while also continuing with extra protection for vulnerable workers.

At this time, it is difficult to determine the full on going effect of COVID-19 and therefore some material uncertainties remain with respect to 2022 profit guidance. There could also be other matters that affect Nelmac in future, of which we are not yet aware.

Nelmac applied for the COVID-19 Wage Subsidy post year end and received \$331,888.

Statutory Information

Financial Statements

Directors' Responsibility Statement

The Directors are responsible, in accordance with New Zealand law and Generally Accepted Accounting Practice, for the preparation of financial statements which present fairly the financial position of Nelmac Limited as at 30 June 2021 and the results of the operations and cash flows for the year ended 30 June 2021.

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

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

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

The Directors are pleased to present the financial statements of Nelmac Limited for the year ended 30 June 2021.

This Annual Report is dated 1st November 2021 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1) (k) of the Companies Act 1993.

For and on behalf of the Board of Directors:



Director

Date: 1st November 2021



Director

Date: 1st November 2021



The Directors of Nelmac Ltd are (from top left) Ian Goldschmidt, Michael Playford, Agnieszka Grudzinska, Robert Gunn (Chairman), Hugh Martyn

Director's Interests

Interests in Transactions

The Directors of Nelmac Ltd had no interest in any transactions of the company except as Directors during the year ended 30 June 2021.

Use of Company Information by Directors

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

Shareholding by Directors

No Directors held shares in the Company during the year ended 30 June 2021.

Director's Fees and Other Benefits

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

Agnieszka Grudzinska	\$25,360
Hugh Martyn	\$25,360
Michael Playford	\$25,360
Robert Gunn (Chairman)	\$46,000
Sarah - Jane Weir	\$6,810
Ian Goldschmidt	\$15,801

Attendance of Directors at Board Meetings - July 2020 to June 2021

	Meetings Held	Meetings Attended
Agnieszka Grudzinska	8	8
Hugh Martyn	10	10
Michael Playford	10	10
Robert Gunn (Chairman)	10	10
Sarah - Jane Weir	3	3
Ian Goldschmidt	6	6

Board Subcommittees and Safety Walk Arounds

All Directors attend subcommittee meetings:

- Health and Safety
- Remuneration
- Audit and Risk

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

Indemnity Insurance: Directors and Officers

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

Employees' Remuneration

Seventeen employees received remuneration in excess of \$100,000 during the period (2020: Fifteen)

Band	2021	2020
\$100,000 to \$110,000	4	4
\$110,000 to \$120,000	6	5
\$120,000 to \$130,000	2	1
\$130,000 to \$140,000	2	1
\$140,000 to \$150,000	-	1
\$150,000 to \$160,000	-	-
\$160,000 to \$170,000	-	2
\$170,000 to \$180,000	2	-
\$270,000 to \$280,000	-	1
\$290,000 to \$300,000	1	-
	17	15

Changes in Accounting Policies

See statement of accounting policy.

Auditor's Remuneration

Section 15 of the Public Audit Act 2001 and Part 5 Section 70 of the Local Government Act 2002 requires the Office of the Auditor-General to audit the financial statements and performance information presented by the Board. Audit New Zealand has been appointed to act as auditor and \$69,600 has been expensed for audit fees. No other services were provided by Audit New Zealand.

Donations

The Company made no donations.

Dividend

In lieu of a dividend, a subvention payment of \$396,860, in respect of the year ended 30 June 2020, was paid to the shareholders on 31 March 2021.

In lieu of a dividend, a subvention payment of \$514,016, is recommended for the 2021/22 year.

Company Directory

Directors

Agnieszka Grudzinska
Hugh Martyn
Michael Playford
Robert Gunn (Chairman)
Ian Goldschmidt

Chief Executive

Jane Sheard

Registered Office

2 Bullen St, Tahunanui, Nelson, New Zealand

Postal Address

2 Bullen St, Tahunanui, Nelson, New Zealand

Telephone: (03) 546-0910

Email: service@nelmac.co.nz

Auditor

Audit New Zealand
On behalf of the Auditor-General

Solicitors

Duncan Cotterill

Bankers

Westpac, Nelson

P: 0800 635 622 | 03 546 0910
E: service@nelmac.co.nz

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