

2023

Annual Report

Financial year ending
30 June 2023

nelmac
ENHANCING OUR ENVIRONMENT



kūmānu
ENVIRONMENTAL



Contents

Summary Highlights	4 – 5
CEO Message	6 – 7
Our Vision	8 – 9
Carbon Footprint	10 – 11
Sustainability Plan	12 – 13
Achievements – Our Environment	14 – 15
Achievements – Our Community	16 – 17
Achievements – Our People	18 – 20
Technology	21
Health and Safety	22 – 23
Project Case Study – Unsung Heroes of the August 2022 Weather Event	24 – 25
Statement of Performance	28
Greenhouse Gas Disclosure	29
Audit Report	30 – 33
Financial Statements	35 – 43
Notes to the Financial Statements	44 – 59
Statutory Information	60 – 62
Company Directory	63

Summary Highlights



Nelson Flood Response

Reprioritised resources to support the Nelson flood events, both in the immediate response and subsequent rebuild, enabling positive outcomes for our communities.



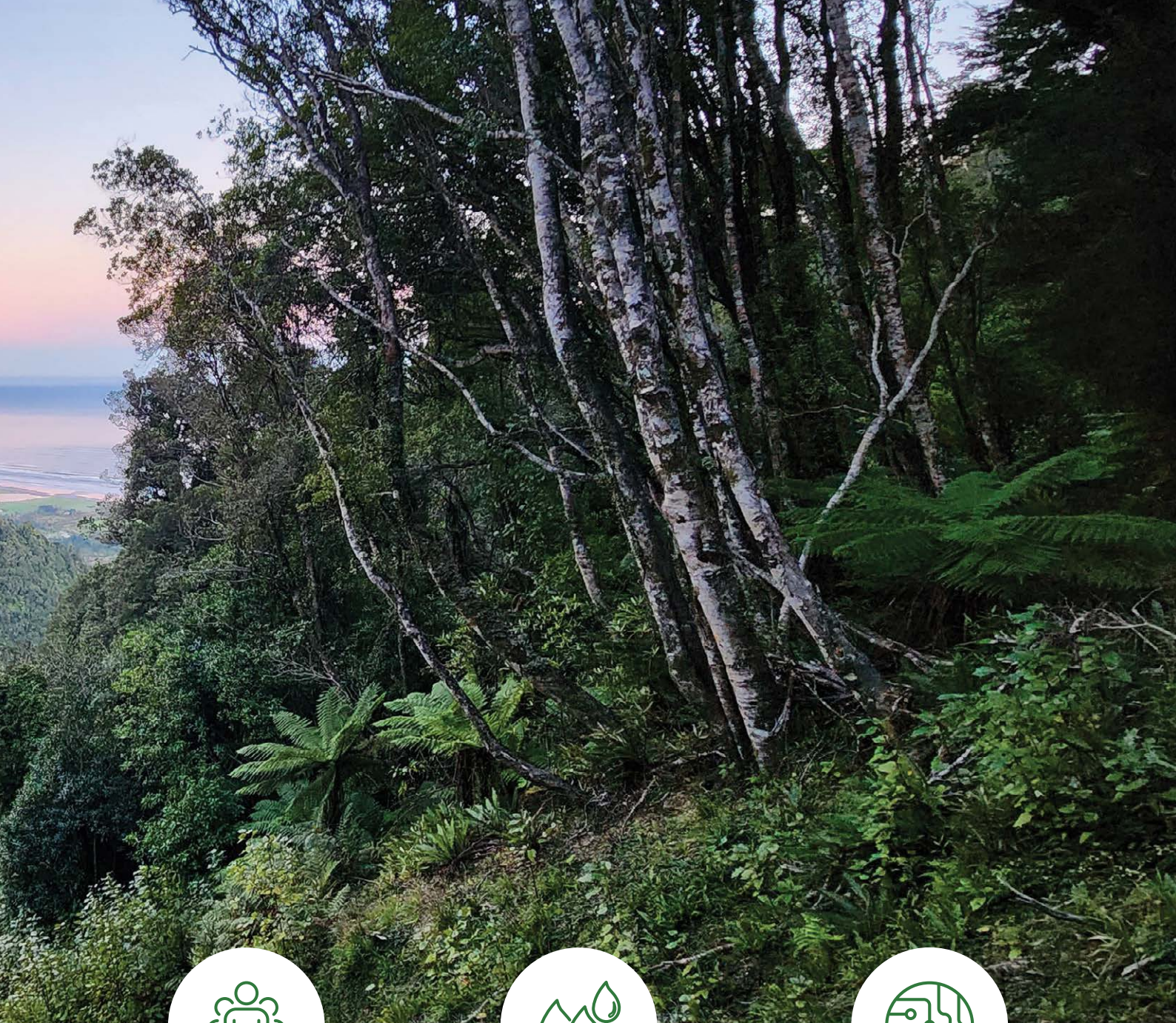
Health & Safety Focus

Increased focus on improving health and safety, and embedding a positive safety culture across the business. From the flood response and protecting our community, to critical risk management and keeping our people safe, to increased consultation and engagement with our workforce identifying areas for improvement, we continue to make strides towards exceeding international standards and best practice.



Improving Culture

Refocused and revitalised Nelmac Kūmānu values to help define our behaviours and culture across the business.



Key Appointments to SLT

Further strength added to the Senior Leadership Team (SLT), with the appointments of our Greenspaces Divisional Leader, and People and Culture Leader.



Water Reform

We worked collaboratively with Nelson City Council (NCC) in presenting to select committees at Parliament to address the transfer implications of our water delivery service assets in the proposed Water Reform legislation.

We were successful in our bid to retain our Three Waters business (CCTO's not being transferred).



Technology

NCC Openspaces GIS enabling improved contract delivery and cost efficiency.

New Finance System implemented to support efficiency and productivity initiatives.



Te Pā Harakeke Coastal Park

Completion: October 2022 | Client: Nelson City Council

CEO Message



Against a turbulent year of Three Waters Reform evolution, 2 major flood disasters, customers and communities struggling with inflationary pressures across New Zealand, our business has faced a relentless and demanding 12 months.

Our passion for our region, our 3 values of Respect, Responsibility and Guardianship alongside the pride in our role as its "First Responder", have been very much front and centre. By going above and beyond, our teams have managed to deliver our day-to-day commitments on contracts for customers as well as rising to the challenge of protecting lives, saving properties and helping the regions recovery. This was due to the whole business flexing to support the Water Division, who led the flood response, and we are proud as a business to have enabled the positive outcomes for our communities.

During this time, we have also retained and extended key council contracts across the region and are working on best value for the communities across all our service lines, while continuing our carbon reduction journey and retaining our coveted Toitū Enviromark Diamond certification.

This has meant that we have completed in depth reviews to minimise costs for our customers, challenging and revising as we progressed, including unsecured pipeline stretch, operational efficiencies, and improved productivity levels.

We have been actively involved in supporting presentations to select committees at Parliament to address the transfer implications of our water delivery service assets in the proposed Water Reform legislation (CCTO's not being transferred) and secured wins for Biosecurity (4 yrs.) and Building Services (9 yrs.) contracts, which have given some certainty for the future as we continue to invest in our systems and people. However, the overarching strategic issues of Water Entity efficiency pressures, alongside Greenspaces sector profitability must be a focus for the business as we look to the future.

This means, our continued vision statement of "Enhancing NZ Environment for Community Wellbeing" and passionately held values, will need to have investment in plans that drive up IP, attracting higher margins (Drones & GIS) and people's skill sets/training. For example, the Awa Enhancement approach will enable more specialist offerings to the market and will move us from front-line to consultant mode. This focus on the link between our Water and Kūmānu divisions will only grow stronger as we move forward.

It has been an incredibly hard year for the business, physically and mentally and I would like to thank our teams for all their hard work and efforts. The business can be proud of its vital contribution to our communities but must now focus on what lies ahead with a changing landscape and economic pressures we face.

Jane Sheard
Chief Executive

Vision

Enhancing New Zealand's environment for community wellbeing.

Respect

Kūmānu te Tāngata

We treat people with mutual respect and fairness



Responsibility

Kūmānu te Mahi

We take ownership for the work we do and the resources we use



Guardianship

Kūmānu te Taiao

We take care of the environment and each other



We are very grateful to Ngāti Kūia who helped us identify the Te Reo Māori that captures the essence of our values.

It was important to maintain the essence of 'kūmānu' rather than trying to do direct translations. The below are written as commands/Tohutohu structure sentences.

Respect **Kūmānu te Tāngata** – Care for/tend carefully to the people

Responsibility **Kūmānu te Mahi** – Implies caring/responsibility for the work we do

Guardianship **Kūmānu te Taiao** – Care for the natural world

Our refreshed values are being embedded and celebrated in 2023 and beyond.



Values Launch

Nelmac Kūmānu's core values were refreshed and defined by our people through a series of workshops. The data they provided was collated with common themes identified. The top 3 themes were:

- Value People (mutual respect & fairness).
- Take ownership for the work we do and resources we use.
- Care of the environment and each other (guardianship and safety).

From these core themes, the values were honed further, and Ngāti Kuia engaged in the co-design of the te reo language for our values, and images representing the values were created.

A values implementation plan was devised that included 4 key stages: **Lead, Align, Engage, and Sustain**. The implementation impacts all the key stages of an employee's life cycle.

LEAD

Leadership at all levels commit both to implementing and promoting the values, and to model them through their own behaviour.

ALIGN

Align operations with values by working through relevant policies, processes, and procedures to ensure the infrastructure supports the values.

ENGAGE

Make the core values "real" for everyone. Drive awareness by encouraging our people to bond with the values by identifying what they mean to them personally and as a team. Engaging further through a rewards and recognition programme that acknowledges and awards behaviours and mindsets befitting the values.

SUSTAIN

Ensure Respect, Responsibility, and Guardianship are top of mind by continuing with programmes that further acknowledge, reward, and measure our culture in the future.

Our Business

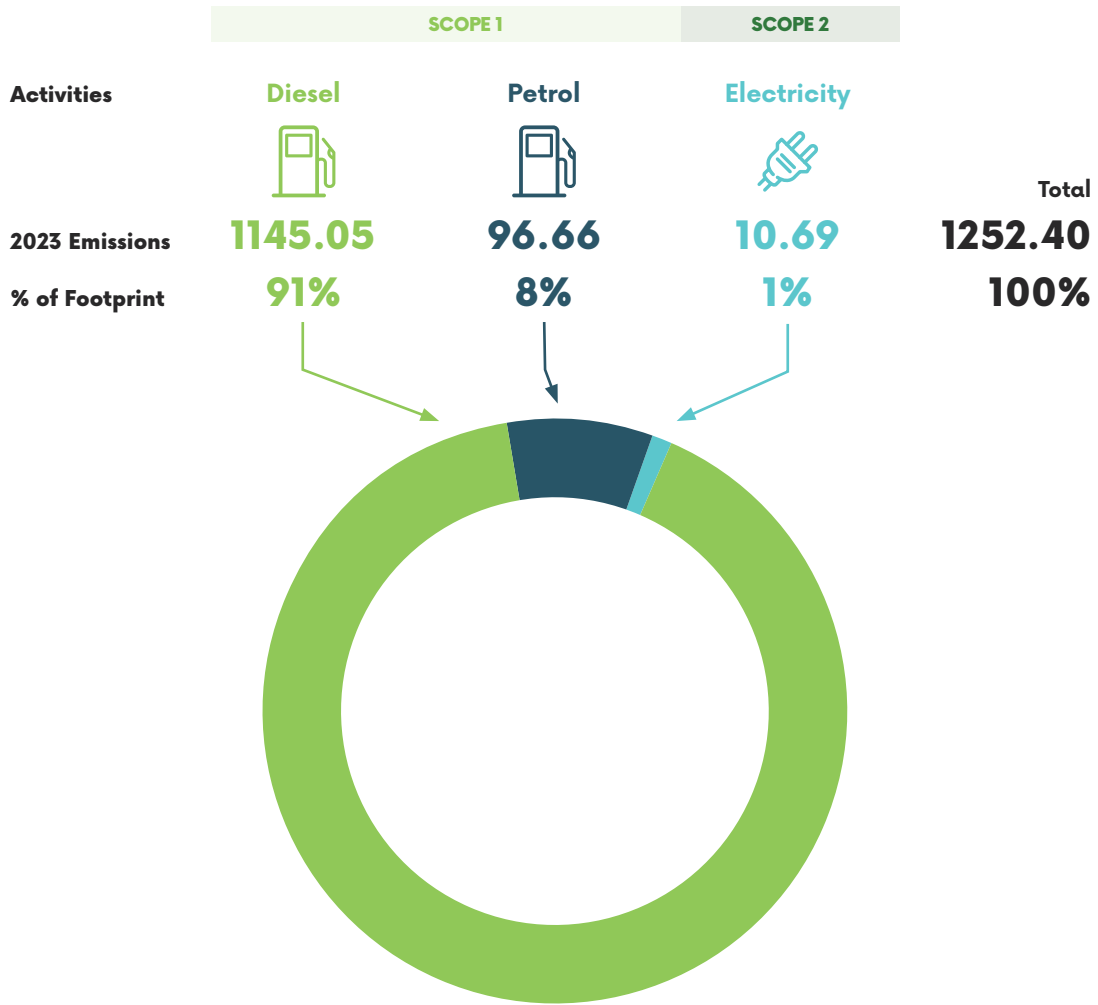
For over 25 years, Nelmac Kūmānu has enhanced the wellbeing of New Zealand communities by providing environmental asset management services in the core

areas of greenspaces, conservation, commercial projects and Three Waters, along with Landscape Architecture and Planning services.

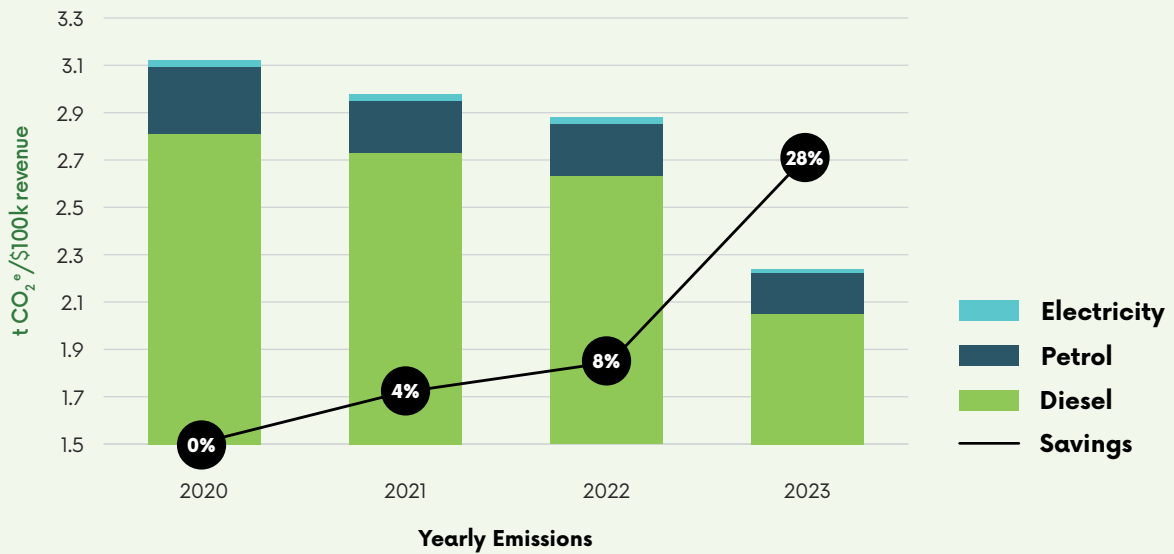
Carbon Footprint

Activities	2023 tCO ₂ °	2022 tCO ₂ °	2021 tCO ₂ °	Base Year 2020 tCO ₂ °
Scope 1 Diesel - Mobile & Stationary	1145.05	1138.71	1183.09	1031.74
Scope 1 Petrol - Mobile & Stationary	96.66	96.52	96.67	100.9
Scope 2 Electricity	10.69	14.22	14.78	12.8
Grand Total	1252.40	1249.45	1294.54	1145.44
CO ₂ /\$100,000 Revenue	2.24	2.88	2.99	3.12





Revenue Adjusted Comparison 2020 to 2023



Sustainability Plan

Nelmac Kūmānu have been making steady progress towards our key commitments to the environment, our community, and our people as we implement initiatives, tools, and resources that help us achieve our goals and targets. Highlights of improvements we have made towards our commitments over the past 12 months are detailed in the following section.

The Environment

1. Optimising our Environmental Management System (EMS)

A sustainability platform has been developed and made available to all employees on the internal Nelmac Kūmānu Hub site. The platform ensures that everyone is kept in the loop on sustainability news, and has access to key environmental tools and resources to support our EMS processes.

2. Reducing Greenhouse Gas (GHG) Emissions

A number of sustainability initiatives have been implemented across the organisation with the focus of reducing carbon emissions. These include; purchasing of Electric and Hybrid Vehicles; Smooth Operator Competition; Sustainable Commute Initiative; as well as more communication and better reporting.

3. Climate Change Responsiveness

We have updated our Environmental Aspects and Impacts Register to include potential climate change impacts across all operations and actions to reduce climate change risk to business continuity.

4. Reduce Agrichemical Usage

We have improved our agrichemical reporting capabilities with the implementation of spray diaries online using GIS. This will allow us to collect more accurate data for agrichemical usage.

5. Maximising Resource Efficiency

To reduce waste to landfill, we have implemented waste separation at our main sites including battery recycling and collection, and reuse of scrap metal, scrap wood and waste oil.





Our Community

6. Support Community Projects and Biodiversity

Committed 5% of our profit (in kind) to community projects, such as The Brook Waimārama Sanctuary and Kea Conservation Trust. Donating 100s of native plants and organising a number of community planting days.

7. Become a Leader in Sustainability

The 17 Sustainable Development Goals (SDGs) designed by the United Nations, provide a blueprint to achieve a better and more sustainable future for all, whilst addressing global challenges. Nelmac Kūmānu have aligned our sustainability plan and commitments to 8 of the 17 SDGs in support of our efforts to enhance Aotearoa's environment for community wellbeing.



Our People

8. Ensure a Healthy and Safe Working Environment

Nelmac Kūmānu have introduced a number of procedures, tools, and resources with the aim of improving workplace health and safety and protecting our workers. This includes updated and new Standard Operating Procedures (SOPs), creation of how-to-guides, improvements to Solar, internal and external training, and increased visibility and communication across the organisation.

9. Sustainability in the Workplace

Nelmac Kūmānu have placed a focus on improving workplace culture and employee engagement towards sustainability in the workplace, with a dedicated Environmental and Sustainability Advisor championing the business Sustainability Plan, and assisting with the development of sustainability strategy and initiatives to reduce our emissions, usage, impacts, and meet our sustainability objectives and targets.

ACHIEVEMENTS

Our Environment



Environmental Accreditation – Toitū Enviromark Diamond

Nelmac Kūmānu was re-awarded Toitū Enviromark Diamond certification in June 2023. This is the highest level that Toitū offers. Toitū Enviromark programme requirements meet and exceed international standards and best practice, including ISO 14001.

The key elements and achievements for Toitū Enviromark Diamond certification are that we have:

- a robust Environment Management System (EMS) in place
- senior leadership commitment to our EMS and its continuing stability
- a planned approach to managing environmental impacts arising from work carried out by Nelmac Kūmānu and plans to prevent or reduce those impacts
- internal systems to ensure that our plans and policies are followed
- processes to identify opportunities for change and improvement
- legislative compliance





Supporting our Electric First Approach

Nelmac Kūmānu adopt an electric first approach so that when fleet are being replaced, we first consider an electric or hybrid vehicle. Currently we have 7 electric and 7 hybrid vehicles as well as an electric motorbike, making up 6% of the total vehicle fleet. With the growing electric fleet, we have now installed 6 EV charging stations at our main site.

Additionally, in support of our electric first approach we have our first Hybrid Truck on the way which is expected to arrive at the end of October 2023. The first of its kind in the region. In comparison with an internal combustion engine vehicle, the Hino Hybrid is anticipated to result in 30% fuel savings, and 30% CO₂ emission reductions.

Across the business we have around 90 trucks making up for around 25% of our fuel related CO₂ emissions, so purchasing the Hybrid Truck is a game changer for helping Nelmac Kūmānu reduce emissions from our Truck Fleet.



Sustainable Commute Initiative

With the majority of Nelmac Kūmānu's CO₂ emissions a result of fuel, we ran a 3 month 'Sustainable Commute' initiative to help reduce emissions as well as congestion, and associated pollution created by vehicles, and promote the health and wellbeing of our employees.

The initiative encouraged employees to take a sustainable means of transport to and from work (i.e. walk, bike, and carpooling). 40 people took part in the initiative including carpool passengers, 1123 return journeys were made, 16,000km covered, and a total of 2.7 tonne CO₂ savings.

ACHIEVEMENTS

Our Community

By our nature, Nelmac Kūmānu is deeply connected to the communities where it operates. We protect and enhance the outdoor places we all live, work and play. 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.

Community Planting Day

To celebrate World Environment Day, Nelmac Kūmānu in partnership with Nelson City Council, organised and held a community planting day at Tāhunanui Beach. There was a big team effort from our Esplanades team in planning, coordinating and setting up the plants and organising the equipment, along with support from others throughout the organisation.

On the day, we had over 100 volunteers from the community, as well as a big turnout from Nelmac Kūmānu making up plant guards to protect the new plantings and planting 1600 plants, including 500 rushes in the dunes.

It was great to see many families, from Nelmac Kūmānu and the general community getting into action and enhancing our beautiful dunes at Tāhunanui Beach.

MoreFM UV Report

Nelmac Kūmānu sponsored the MoreFM UV Report, which ran throughout the summer months (December - February).

The UV report was played around the time of the weather reports each day. This safety report informs listeners of the UV index level for the day and reminds everyone to be SunSmart, so our community can ultimately enjoy the spaces we are creating, enhancing and caring for.

As the majority of our teams are working outdoors, we thought this a great positive sponsorship opportunity to create more brand awareness in the community of our guardianship value; caring for our environment and each other.



Reducing Lead Threat to our Kea

Kūmānu Environmental (Kūmānu) have proudly sponsored the Kea Conservation Trust since 2019, working with the trust over the years to protect endangered kea, our unique mountain parrot endemic to the Southern Alps. Kea are a national kaitiaki (guardian) and taonga (treasure). One of the ways we support the Trust and protect kea is to remove lead from buildings within kea habitat.

The Mt Roberts Ski buildings, in Nelson Lakes National Park, were identified as containing lead that needed removing to protect this species. On a crisp morning in May 2023, after 2 weeks of rain and a fresh dumping of snow, the heavens cleared just in time for the planned lead removal project. Dave Breeze, builder in the Tasman team, led the team of 3 volunteers from The Mt Roberts Foundation and conservation ranger Jo Taylor, from Nelmac Kūmānu to a successful day of lead removal. Collectively the team removed and replaced all lead nails and old iron from the ski locker. They also removed 24 metres of ridge capping with lead flashings from the main lodge building and replaced this with new non-lead ridge capping.



Gifting Wilding Pines

Project Mahitahi is a Kaimahi for Nature/ Jobs for Nature project which aims to restore the native ecosystems in the Maitai Valley. Wilding Conifers are a pest tree which can spread in these areas and rapidly overtake the native forest, so removing the wild trees helps to restore the ecological integrity of these special areas.

Kūmānu Environmental Field Rangers removed wilding conifers as part of the restoration project and over the Christmas period gifted these to the Victory Community Centre for families in the community to use as Christmas Trees.

Whilst Wilding Christmas trees might not be as pretty as a tinsel tree or a perfectly grown specimen, each tree removed from our environment is a gift to nature!



ACHIEVEMENTS

Our People

Nelmac Kūmānu is committed to its people, communities and environment. More than ever, we need confident and capable teams where our people thrive, and our business can flourish.

Our purpose and our “why” is connecting the needs and aspirations of our business with the dreams and aspirations of our people. For us, this means creating purpose-driven, values and people-focused teams where our employees are treated as individuals and not a human resource or number.

The drivers for this year are **leadership, values, learning & development** and **business enablers**. How we develop our leaders with the right knowledge and provide them with the tools to be able to succeed in their roles, teams and operations.

Leadership

Supporting leaders at all levels is key to our success. This year Nelmac Kūmānu has partnered with Catapult, to design, customise and implement a leadership programme for our Senior Leadership Team and front-line leaders. In order to deliver our strategic plan, engage our people and plan for growth we need to drive a shift in leadership thinking, beliefs, and practices.

Our proposed programme aims to introduce adaptive leadership skills, concepts and tools, and provide targeted support through training and individual leadership coaching sessions throughout the programme. We asked our people what they needed and where their gaps were and have used this to create a tailored programme.

The aim of this is to provide our leaders with the necessary skills and mindset to navigate the complex challenges we are now facing, and build a culture of engagement, high performance and innovation.

Our Senior Leadership Team (SLT) have completed a leadership session and are committed to supporting and mentoring from the top down. Leadership in Nelmac Kūmānu’s fundamental principle is to “walk the talk”. The front-line leadership programme is scheduled to kick off in September.



Values Refresh

Post 2022, our employee values workshops defined key themes and resulted in our 3 core values of: **Respect**; **Responsibility**; and **Guardianship**. Our people spoke and they told us what was important to them.

Moving on from this, we have continued to ensure that we live by them, celebrate them and ensure they continue to be part of our DNA. This is being supported by:

Making sure our foundations are right

- Our policies and processes updated.
- Making them visible – posters at all our sites, a dedicated values page on The Hub (Intranet), making them part of our everyday language and behaviours.

Engaging our people to define the good behaviour they want

- Our people talking about the right behaviours at their tailgates and meetings, calling out bad behaviours and defining what works for them and their teams.

Celebrating it, through different rewards and recognition programmes

- An annual values program called 'Good Sorts' where we celebrate our good sorts, share their stories to inspire others, and reward them.

Business Enablers

Business enablers are an essential part of our leader's toolbox. These tools have been designed to help leaders manage their operations, move at pace, minimise administration and provide opportunity for innovation and improvement.

Recruitment & Temporary Worker Modules

Both the Recruitment and Temporary Worker modules have been built in 'Work Solar' and implemented across our operations.

These customised system modules provide a streamlined, efficient and effective recruitment and on-boarding process across all divisions in Nelmac Kūmānu, for our joining employees and temporary workers.

Benefits have included:

- reduced administration, system amalgamation into 'Work Solar';
- improved recruitment productivity and processes now automated and streamlined;
- reduced time to hire due to quicker response times;
- better communication with candidates and agencies;
- an easier and simpler process for candidates;
- managers' recruitment experience improved;
- better storage and retrieval of information; and
- less time spent on manual tasks, administration and approvals.



Learning & Development

Nelmac Kūmānu has 4 main goals as part of the Learning & Development Road Map:

1. Ensure we have the ability to plan, pivot and respond to business, contract and client needs.
2. Improve performance and capability with targeted relevant learning
3. Create an autonomous and curious learning culture where knowledge is shared and standards are owned by those that undertake the work.
4. Provide our people with transparent clear training plans and define career progression up and across our business.

A key part of growing our workforce and delivering on our business objectives is to ensure our employees have a solid foundation of qualifications, basic knowledge and training requirements. This year our focus has been to define this for every role and provide visibility so that our leaders can proactively manage currency and compliance with their teams. Our goal was to ensure that everyone knows what they are required to hold to complete their work and do their job.

Using technical experts and competent staff within our operations we worked with them to define what qualifications and industry requirements needed to be held by their people. These requirements are driven by legislation, best practice, H&S standards, or our clients. We then built and customised a required training module in Work Solar so that our leaders and employees see what is required, by whom, when and how.

Connection with our Rangitahi (Youth)

For the second year in a row Nelmac Kūmānu has been represented at the annual Fantastic Futures Career Expo at Founders Heritage Park, which is organised by the Nelson Regional Development Agency.

Approximately 160 Year 12 & 13 students from 10 schools and colleges across the wider region, came together to learn more about employment and career opportunities in Nelson/Tasman. 30 local businesses, industry representatives, and training organisations, showcased various career pathways in Farming, Fishing, Forestry, Orchards, Healthcare, Infrastructure, and Ports.

This year we spotlighted our Horticulture and Conservation teams. Our people showcased the work we do in these areas, together with Primary ITO and talked about training options to get them into the industry.

Groups of 8–10 students visited the stands on rotation and carried out fun activities. Our interactive game asked the students to test their plant identification knowledge. There was healthy debate amongst the students where the plants would be best situated in order to classify them as a plant rather than a weed.

Our stand appealed to the attendees, showcasing a range of quality plants from the nursery, display board and recruitment videos representing all divisions.

ACHIEVEMENTS

Technology

Nelmac Kūmānu continues to explore how we can further add value for clients using smart technology and data. This investment strengthens our internal capabilities, allowing Nelmac Kūmānu to quickly identify and deploy new technologies, maintain sustainable efficiency and productivity, enhance data and infrastructure integrity and develop better transparency for internal and external stakeholders.

Geographic Information System (GIS) Platform

Nelmac Kūmānu had a need to improve the performance of the NCC Open Spaces Contract. The goal was to enhance compliance with completed works and achieve improved transparency and reporting for their client, Nelson City Council (NCC). To accomplish this, Nelmac Kūmānu planned to transition the job management of this contract from vWorks to the GIS platform supported by their integration platform (FME). Moving the job management of the contract to the GIS platform yielded the following benefits:

- Field workers used ArcGIS Field Maps to record job details and job completions. This was a forward-looking mobile app that could be configured for simplicity and ease of use for field workers, resulting in better capture of field data. ArcGIS Workforce was used to assign reactive jobs. This mobile app and browser-based dispatch application allowed for simple job assignment to individual field workers, thereby enhancing clarity regarding job status and priority. The spatial aspect of this app enabled dispatchers to assign jobs to the nearest available field worker, thus improving efficiency.
- Contract managers or team leaders were able to observe the work taking place in the field through an ArcGIS Experience Builder app. This customisable app enabled them to comment on tasks, adjust job frequencies for specific assets, and reassign jobs to other field workers. Additionally, they could create jobs for assets - these jobs could be either reactive or a result of completed inspection tasks that required further attention.
- The customer was provided with the necessary level of information to evaluate whether the work had been completed in accordance with the contract terms. This reporting was facilitated using the ArcGIS Operations Dashboard. The dashboard was configured to present assets alongside their associated job information, displaying both completed and ongoing jobs, with job details and any comments from the Contract Manager.





Health and Safety

Over the last year the Nelmac Kūmānu Health, Safety, Environment, and Quality (HSEQ) Team have increased focus on introducing practices that support our vision of fostering a safety culture where health and safety is embedded in the way we do business.

One of the key areas we have worked on is increasing health and safety visibility and communication throughout the organisation with the aim of keeping our employees informed. Some of the actions we have introduced:

- Our HSEQ Team has been attending department monthly tailgate meetings as well as getting out in the field to work closely with teams.
- Set monthly KPIs for the Senior Leadership to increase engagement with their teams.
- Continual collaboration with our Health and Safety Committee who consist of representatives from across the business.
- Documenting key processes used by teams through HSEQ how-to-guides and SOPs.
- Running quarterly health and safety leaders forums aimed at our team leaders and contract managers, so that we can keep them up to date on improvements and ongoing projects as well as get feedback from our key enablers.

Additionally, we have worked on improving our HSEQ Integrated Management System so that the processes and supporting tools/resources are user friendly and fit-for-purpose at the ground level. Not only have these improvements made it easier for our employees to use the system but have also helped us gain reaccreditation of our HSEQ Integrated Management System through Telarc for ISO 45001 - Occupational Health and Safety Management Systems and ISO 9001 - Quality Management Systems. Accreditation to these ISO standards demonstrates that Nelmac Kūmānu is committed to Health, Safety, and Quality and has systems and processes that meet international standards/ best practice throughout our operations.

Through our efforts and improvements to current practices and systems, we are starting to see positive changes in safety culture and the attitude and behaviours towards health and safety across the organisation. We are gaining good insight through feedback from teams into steps we can take to continue to promote this as we move forward.

PROJECT CASE STUDY

Unsung Heroes of the August 2022 Weather Event

The weather event in August 2022 brought widespread flooding and landslips causing damage to properties and heartache to our region. It left a trail of devastation in its wake, affecting residents, roading networks and critical infrastructure. A State of Emergency was declared across Te Taihū (Top of the South), as an “atmospheric river” bore down on the Nelson Tasman region, recording more than a metre of rainfall over a 4-day period, during an abnormally wet winter.

Recognising lessons from the 2021 floods, Nelmac Kūmānu took a pre-emptive stance by planning, allocating resources, and identifying potential issues ahead of the disaster. This proactive strategy aimed to minimise the anticipated damage and disruption. The company's in-house Crisis Management Team (CMT) played a pivotal role, collaborating closely with Nelson City Council (NCC), Civil Defence and other relevant entities.

Nelmac Kūmānu's experience in crisis management, supported by dedicated teams and technical expertise, enabled them to implement a coordinated flood response. The CMT effectively aligned the key business areas of Drainage, Wastewater, Treatment, Water Supply, Arboriculture, Parks and Reserves, and Electrical Services in response. The crisis response was supported with health and safety planning and delivery, traffic management, and additional work was facilitated by our Conservation, Landscape, and Projects Teams. The Contract Support Team were pivotal in the front-line triaging incoming phone-calls and service requests.

There were numerous sites across the city that Nelmac Kūmānu attended which stretched our resources. The stormwater drainage infrastructure was obviously under the greatest pressure, and we prioritised keeping it functioning as best we could. This meant identifying our critical intakes, culverts, and detention dams, and having our people onsite clearing floodwater and debris continuously while it rained. At some of these sites we literally moved mountains of mud, silt and debris to keep the water flowing.



1 metre
of rainfall
in 4 days



1200
people
evacuated from
their homes



6
wastewater +
reticulation
experts managing
the response



60+
team members
+ subcontractors
working around
the clock

1000+
working hours



They mobilised a large and effective workforce through the wider Nelmac team and their network of competent subcontractors not only during the event but also for the weeks afterwards. The team at Nelmac deserve to be acknowledged for their dedication and commitment in the city's hour of need.

Eddie Powick
Utilities Operations Manager, NCC



Their team were on the front line of the response, working night and day to keep our three waters infrastructure operating. Nelmac and their team of subcontractors made a significant difference in a very difficult and stressful environment.

Alec Louverdis
Group Manager Infrastructure, NCC

Nelmac Kūmānu helped to reduce the detrimental environmental impact of the weather event by reusing and reallocating the flood and slip debris



~2160m³ of debris & material transported to Azwood Energy in Brightwater during & post event. This was made into Biofuel and a subsequent 130m³ of logs for firewood.



~13,526m³ of gravel collected and relocated for future construction purposes.



Careful reuse of the onsite material during the event to assist with bunding to temporarily protect infrastructure.

A key priority was to keep the mains water supply running to households, which was a challenge as critical mains had been damaged in slips, and there were pipe breaks in parts of the system as they were placed under great pressure.

With the intensity of surface flooding, the wastewater system was inundated and struggled to keep up with demand. Our water crews kept the pump stations running, while also repairing pipeline breaks at multiple locations, and they attended, resolved, cleaned and disinfected countless overflows. Our water treatment operators were also challenged to cope with the deluge of water.

Our Arboriculture Team were called to numerous downed trees, often in dangerous locations affected by slips.

The health, safety and wellbeing of our people is paramount and the challenges of an ever-evolving working environment required extra vigilance. Plans were in place to manage fatigue, and teams were rostered round the clock. We communicated well with our people in the field, monitoring them for safety, and assigning tasks in pairs with designated drivers. When the weather made it possible, the teams were visited with food and hot drinks onsite.

Nelmac Kūmānu made the decision early in the response to engage with our subcontractors to assist with the workload. We had 8 main subcontractors assisting us, with an additional 8-10 excavators attending different storm water intakes. Nelmac Kūmānu could not have provided the service we did without the much-valued support of our subcontractors. They responded to our call for support immediately and together we managed to limit the flooding and protect the public, property and infrastructure assets as best as we could.

The quality of the planning, permanent and temporary measures and repairs put in place for this event were exceptional and constantly being tested. Individual expertise and the combined knowledge and experience of 150 years in our core water team was very visible during this emergency and the clean-up aftermath, and we are proud of what we achieved. Our people went above and beyond the call of duty at this time of crisis. Our Nelmac Kūmānu values and our role as Kaitiaki (guardians) of our environment, really took on a new meaning at the time of this weather event.





Statement of Performance

Objective Area	Performance Measures	Targets	Result
Quality of Service	Maintain AS/NZS ISO 9001 Quality Accreditation	ISO 9001 Accredited	Achieved
	Understand and strive to improve customer satisfaction	2023/24 Customer Satisfaction Survey for all Nelmac Customers - improving on 2021/22 score of 5.54 out of 7*	Not Measured
		2022/23 Pulse Survey for NCC Contract Managers (conducted June 2023) - improving on 2021 Net Promoter score of -27**	Achieved
	Reporting of planned initiatives and impact on reducing carbon emissions	Carbon emissions included in Annual Report and compared against 2020 baseline (normalised against revenue)	Achieved
	Reduced carbon emissions year on year (adjusted for COVID)	Reduce carbon emissions compared with 2022 (normalised against revenue) 2022 = 2.88t per \$100k Revenue 2023 = 2.24t per \$100k Revenue	Achieved
		25% carbon reduction by June 2025 compared to 2020 baseline (normalised against revenue)	On track to Achieve
Support community organisations/initiatives	Financial or in-kind contributions equivalent to 5% of net profit after tax	Achieved	
People & Safety	Employee Turnover comparable to industry average	Employee turnover within 5% of the national industry average	Not Achieved***
	Reduce average TRIFR	TRIFR reduction from 12% to under 10%	Achieved
	Maintain ISO 45001 accreditation for Health & Safety	ISO 45001 accredited	Achieved
Non-shareholder Business	Profitable growth in non-NCC work	Profitable year-on-year growth in non-NCC work from 2022 to 2023	Not 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

*Customer Satisfaction Survey is performed every 2 years.

** Administered internally, Pulse Survey response rate of 34% in 2023 (2021: 55%).

***Employee Turnover – this has significantly improved from 2022 with the implementation of our new Values and ongoing improving Culture.

****Non NCC Work – Company resources were reprioritised from other customers to support the NCC Flood response and clean-up efforts.

*****EBIT Return on Equity – the relatively high proportion of Capital invested in Land and Buildings reduces Nelmac Limited's overall Return on Equity compared with peers but provides the Company with long-term security to operate.

Greenhouse Gas (GHG) Emissions

Nelmac Limited (the company) is on a journey towards measuring company-wide emissions. We continue to be committed to reducing CO₂ emissions. Setting sustainability targets that will be measured on an annual basis.

In the reported information the company have included only Scope 1 and Scope 2 emissions sources. This has been defined because it includes the emissions for which sufficient and accurate measurement data is available, and the sources where there is the greatest ability to reduce emissions.

The Company uses the operational control approach to determine our organisational boundary. This means the reported results include 100% of emissions from sites we have operational control of. Emissions are included from all of the Company's depots under this approach.

Specific exclusions from within these sources have been noted below.

In addition, we have not reported Scope 3 emissions, this means we have excluded some potential significant emission sources such as: subcontractor emissions and emissions related to our supply chain, including purchased materials and the mining and transportation of fuels. The company is working with our suppliers and subcontractors to gather the required data and are developing our internal systems to ensure that we are able to document, collate, measure, and analyse our emissions more thoroughly.

The Company is reporting an intensity factor to ensure that we can compare the impact of our reduction initiatives over time without being influenced by increases or decreases in the overall size of the Company. This intensity factor is our normalised tonnes of emissions from the Scope 1 and Scope 2 emissions sources per \$100,000 of revenue, adjusted for the COVID-19 wage subsidy. This adjustment has been made because the receipt of the wage subsidy does not influence our carbon emissions, nor does it reflect the volume of our operations in the periods we received it.

	2023	2022	2021	BASELINE 2020
	CO ₂ ^o	CO ₂ ^o	CO ₂ ^o	CO ₂ ^o
Nelmac Limited Emissions (t emitted CO₂)				
Diesel Stationary and Mobile ^{1,2}	1145.05	1138.71	1183.09	1031.74
Petrol Stationary and Mobile ^{1,2}	96.66	96.52	96.67	100.9
Total Scope 1 Emissions ³	1241.71	1235.23	1279.76	1132.64
Purchased Electricity ⁴ (All Scope 2 Emissions)	10.69	14.22	14.78	12.8
Total Emissions	1252.40	1249.45	1294.54	1145.44
Normalised Emissions (t/\$100,000 Revenue)	2.24	2.88	2.99	3.12

1. Fuel emissions exclude rental car use.
2. The Company sold its commercial and residential refuse collection activity to Better Bins on 1 February 2022. The emissions presented above include the emissions of these activities until settlement date. Emissions relating to this activity have not been removed from absolute emissions reported because the Company does not consider the sale a significant structural change. Certain plant and vehicles were retained and continue to be used for other refuse and recycling activities, therefore the related emissions for the commercial and residential refuse activities cannot be easily disaggregated.
3. Scope 1 emissions exclude emissions from refrigerants.
4. Scope 2 Electricity emissions - the Marlborough depots electricity emissions are estimated by applying the electricity usage of a similar depot (Golden Bay). The level of uncertainty is not considered significant given the sources that have been included in the current year and the low level of estimation applied.

Note: There is a level of inherent uncertainty in reporting GHG emissions, this is due to a level of scientific uncertainty as well as estimation uncertainty involved in the measurement processes. The Company has used the published emissions factors from the MFE 2023 guidance document and obtained quantity data direct from suppliers (electricity invoice, fuel card).

Independent Auditor's Report

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

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 36 to 59, that comprise the statement of financial position as at 30 June 2023, 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 pages 28 to 29.

In our opinion:

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

Our audit was completed on 28 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

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

The company has chosen to include measures of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion, and considering the public interest in climate change related information, we draw attention to page 29 of the performance information, which outlines the inherent uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

Basis for our opinion

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

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

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

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

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors’ responsibilities arise from the Local Government Act 2002.

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 25 and 60 to 63, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand





Financial Statements

1. Reporting Entity

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

Nelmac Limited 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 principle 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 NZ IAS 1, additional information as requested by Directors, and in accordance with generally accepted accounting practice in New Zealand (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 28 September 2023.

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 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.

Cashflows are included in the cashflow statement on a gross basis. The GST component of cashflows arising from investing and financing activities is classified as operating cashflows.

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 & Equipment:	2 to 25 years (4% – 50%)
Motor Vehicles:	3 to 15 years (6.67% – 33%)
Furniture & Fitout:	2 to 33 years (3% – 50%)

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 12 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.

I. Capital Management

Nelmac Limited'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 Limited's equity is to ensure the company achieves its goals and objectives, whilst remaining a going concern.

m. IFRS 16 Leases

IFRS 16 "Leases" replaces IAS 17 "Leases" along with 3 interpretations.

The adoption of this new Standard has resulted in Nelmac Limited 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 Limited 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 Limited 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 IFRS 16, being 1 July 2019. At this date, Nelmac Limited has also elected to measure the right of use assets at an amount equal to the lease liability, adjusted from any prepaid or accrued lease payments that existed at the date of transition.

Nelmac Limited 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 Limited 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 IFRS 16 was 5%.

Nelmac Limited 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 coordinated 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

i. Revenue

Nelmac Limited 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.

ii. 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.

iii. 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 2023 year.

4. Future Changes to Accounting Standards

a. NZ IFRS 17 – Insurance Contracts

Nelmac Limited did not apply this new Standard as Nelmac Limited expects minimal impact from this Standard on the 2023 Financial Statements.

Statement of Comprehensive Income

For the year ended 30 June 2023

SOI TARGET	NOTES	2023 (NZD)	2022 (NZD)
47,000,000	Revenue	56,686,930	42,580,544
	Cost of Sales	(46,283,456)	(32,859,503)
	Gross Profit	10,403,474	9,721,041
	Other Income	53,069	7,011
	Finance Costs	(361,964)	(208,171)
	Operating Expenses	(9,571,924)	(8,608,762)
	Operating Profit/(Loss) of Continuing Operations	522,655	911,119
	Profit/(Loss) Related to Discontinued Operations	-	(73,524)
1,102,000	Operating Profit/(Loss) Before Distributions and Tax	522,655	837,594
(252,000)	Subvention Payments	418,797	514,016
	Operating Profit/(Loss) Before Tax	103,858	323,578
(252,000)	Income Tax Expense	(213,997)	(94,238)
598,000	Net Profit/(Loss) After Tax	(110,139)	229,340
OTHER COMPREHENSIVE INCOME			
	Asset Revaluation	-	965,000
598,000	Total Comprehensive Income	(110,139)	1,194,340

Refer to Note 19 for explanation on variance in actual Financial Position to SOI estimates.

The accompanying accounting policies and notes form part of these Financial Statements.



Director
Date: 28 September 2023



Director
Date: 28 September 2023

Statement of Changes in Equity

For the year ended 30 June 2023

SOI TARGET	NOTES	2023 (NZD)	2022 (NZD)
10,409,000	Equity at Beginning of Year	11,671,702	10,477,362
Adjustment from the Adoption of IFRS 16			
10,409,000	Adjusted Equity at Beginning of Year	11,671,702	10,477,362
598,000	Total Comprehensive Income for the Year	(110,139)	1,194,340
	Dividends Paid	4b	–
11,007,000	Equity at the End of the Year	11,561,563	11,671,702
Represented By:			
2,000,000	Share Capital	2,000,000	2,000,000
7,927,000	Retained Earnings	4b	7,516,563
1,080,000	Asset Revaluation Reserve	4c	2,045,000
11,007,000	Total	11,561,563	11,671,702

The accompanying accounting policies and notes form part of these Financial Statements.

Statement of Financial Position

As at 30 June 2023

SOI TARGET	EQUITY	NOTES	2023 (NZD)	2022 (NZD)
2,000,000	Share Capital		2,000,000	2,000,000
7,927,000	Retained Earnings		7,516,563	7,626,702
1,080,000	Asset Revaluation Reserve		2,045,000	2,045,000
11,007,000	Total	4	11,561,563	11,671,702
	Represented by:			
	Current Assets			
	Cash and Cash Equivalents	5	834,727	1,777,151
	Receivables and Prepayments	6	7,336,340	7,236,185
	Assets Held for Disposal	17	-	-
	Inventories	7	522,300	361,791
	Work in Progress/Contract Assets	8	1,140,193	484,875
	Taxation Receivable	3	-	46,864
8,286,000	Total Current Assets		9,833,560	9,906,865
	Non-Current Assets			
	Property, Plant and Equipment	9	12,906,563	12,675,003
	Intangible Assets	10	290,047	395,498
	Right-of-Use Assets	14	541,315	777,420
	Deferred Taxation	3	36,134	46,726
14,133,000	Total Non-Current Assets		13,774,059	13,894,647
22,419,000	Total Assets		23,607,618	23,801,512
	Current Liabilities			
	Borrowings	13	2,821,779	248,004
	Payables and Accruals	11	4,857,964	3,703,902
	Employee Entitlements	12	2,174,909	1,894,814
	Deferred Revenue – Contract Assets	8	697,874	1,099,193
	Lease Liabilities	14	200,990	266,998
	Taxation Payable	3	240,413	-
6,366,000	Total Current Liabilities		10,993,929	7,212,912
	Non-Current Liabilities			
	Borrowings	13	567,319	4,276,349
	Employee Entitlements	12	49,059	52,359
	Provision for Remediation		58,000	64,000
	Lease Liabilities	14	377,748	524,180
5,047,000	Total Non-Current Liabilities		1,052,126	4,916,888
11,413,000	Total Liabilities		12,046,055	12,129,800
11,006,000	Net Assets		11,561,563	11,671,702

The accompanying accounting policies and notes form part of these Financial Statements. Refer to Note 19 for explanation on variance in actual Financial Position to SOI estimates.

For and on Behalf of the Board who authorised the issue of these Financial Statements on 28 September 2023.



Director
Date: 28 September 2023



Director
Date: 28 September 2023

Statement of Cashflows

For the year ended 30 June 2023

SOI TARGET	CASHFLOWS FROM OPERATING ACTIVITIES	NOTES	2023 (NZD)	2022 (NZD)
	Cash was Provided from:			
	Receipts from Customers		55,399,813	42,916,873
	COVID-19 Wage Subsidy		–	331,880
	Other Income		53,069	7,011
46,909,000			55,452,882	43,255,764
	Cash was Disbursed to:			
	Payments to Suppliers and Employees		(52,334,519)	(41,003,268)
(252,000)	Subvention Payment		(418,797)	(514,016)
	Taxes Paid		83,870	(396,209)
	Interest on Leases		(54,559)	(69,746)
	Interest Paid		(262,997)	(136,510)
(44,600,000)			(52,987,002)	(42,119,749)
2,057,000	Net Cash Provided by/(Used in) Operating Activities	2	2,465,880	1,136,015
	Cashflows from Investing Activities			
	Cash was Provided from:			
	Proceeds from Sale of Property, Plant and Equipment		364,847	54,929
	Cash was Applied to:			
	Purchase of Property, Plant and Equipment		(2,298,665)	(1,596,273)
	Purchase of Intangible Assets		(72,228)	(256,934)
(2,689,000)			(2,370,893)	(1,853,207)
(2,689,000)	Net Cash (Used in)/Provided from Investing Activities	2	(2,006,046)	(1,798,278)
	Cashflows from Financing Activities			
	Cash was Provided from:			
	Borrowings – Drawdown		3,389,099	4,524,353
	Cash was Applied to:			
	Borrowings – Repayments		(4,524,353)	(3,085,890)
	Lease Liabilities		(266,998)	(316,726)
	Dividends Paid		–	–
			(4,791,351)	(3,402,615)
970,000	Net Cash (Used in)/Provided from Financing Activities		(1,402,258)	1,121,732
86,000	Net Increase/(Decrease) in Cash Held		(942,424)	459,468
1,429,000	Opening Cash Balance		1,777,151	1,317,683
1,515,000	Closing Cash Balance		834,726	1,777,151

The accompanying accounting policies and notes form part of these Financial Statements. Refer to Note 19 for explanation on variance in actual Financial Position to SOI estimates.

Notes to the Financial Statements

For the Year Ended 30 June 2023

1. (a) Revenues

	2023	2022
OPERATIONAL REVENUE		
– Revenue from Contracts with Customers	56,292,779	41,596,662
– Revenue from Sale of Goods	394,152	652,002
– Revenue from Divested Business	–	1,106,110
– COVID-19 Wage Subsidy	–	331,880
	56,686,930	43,686,655
FINANCE INCOME		
– Interest Revenue	53,069	7,011
	56,740,000	43,693,666

Nelmac Limited 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

	2023	2022
EXPENSES INCLUDE		
Audit Fee – Financial Statement	85,000	54,360
Audit Fee – 2022 Audit Fee Recovery	38,029	–
Advisory Services (Tax and Accounting)	13,702	6,440
Depreciation		
– Buildings	70,065	75,435
– Plant and Equipment	794,555	625,414
– Motor Vehicles	861,237	568,180
– Administration Furniture and Equipment	153,452	124,494
– Leased Assets	236,104	281,208
Rent	236,883	185,785
Amortisation		
– Software and Other	154,450	153,540
Employee benefit costs	22,121,228	18,805,065
Directors' Fees	160,067	146,356
Interest Expense		
– Bank (Including Loan Fees)	307,405	136,510
– Leased Assets	54,559	69,746
– Other	–	–
Changes in Provision for Doubtful Debts	41,282	7,514

2. Reconciliation of Net Profit/(Loss) After Taxation with Net Cashflow from Operating Activities

	2023	2022
Net Profit/(Loss) After Taxation	(110,139)	229,340
Add/(Deduct) Non-Cash Items		
Depreciation and Amortisation	2,269,863	1,828,272
Net (Gain)/Loss on Sale	(11,538)	(22,544)
Impairment of Assets relating to Discontinued Operations	-	-
Movement in Deferred Taxation	10,590	24,702
Total Non-Cash items	2,268,915	1,830,430
Add/(Deduct) Movements in Working Capital Items		
(Increase)/Decrease in Receivables and Prepayments	(100,155)	(1,018,062)
(Increase)/Decrease in Inventories	(160,509)	102,996
(Increase)/Decrease in WIP	(655,318)	83,894
Increase/(Decrease) in Payables and Accruals	1,154,062	(301,814)
(Increase)/Decrease in Revenue in Advance	(401,319)	353,462
Increase/(Decrease) in Employee Entitlements	280,094	167,263
Increase/(Decrease) in Provision for Taxation	193,549	(326,673)
Net Movement in Working Capital	310,404	(938,934)
Add/(Deduct) Movements in Non-Current Items		
Increase/(Decrease) in Employee Entitlements	(3,300)	15,179
Net Movement in Non-Current Items	(3,300)	15,179
Net Cash Inflow/(Outflow) from Operating Activities	2,465,880	1,136,015

Depreciation and amortisation expense

Depreciation and amortisation expense consists of the following:

	2023	2022
Depreciation of Property, Plant and Equipment (Note 9)	1,879,309	1,393,524
Depreciation of Right-of-Use Assets (Note 14)	236,104	281,208
Total Depreciation	2,115,413	1,674,732
Amortisation of Intangible Assets (Note 10)	154,450	153,540
	2,269,863	1,828,272

Finance Costs

Finance costs for the reporting periods consist of the following:

	2023	2022
Interest on Bank Borrowings	262,997	136,510
Fees on Bank Borrowings	44,408	-
Interest on Supplier Arrangements	-	-
Interest Expense for Leasing Arrangements	54,559	71,466
Total Interest Expense	361,964	207,976

3. Tax Expense

	2023	2022
Profit/(Loss) Before Taxation	522,655	626,584
Prima Facie Taxation at 28%	146,343	175,444
Plus/Less Taxation Effect of:		
Opening Balance Adjustment	(172,915)	(194,121)
Non-Deductible Expenditure	216	8,093
Deferred Tax Adjustment	240,353	104,823
Tax Expense	213,997	94,238
Taxation is Represented by:		
Current Taxation	376,322	263,657
Deferred Taxation	10,590	24,702
Prior Period Adjustment	(172,915)	(194,121)
Tax Expense	213,997	94,238
Taxation (Receivable)/Payable Account		
Balance as at 1 July	(46,864)	279,809
Opening Balance Adjustment	(172,915)	(194,121)
Current Taxation	376,322	263,657
(Net Taxes Paid)/Refunds Received	83,870	(396,209)
Closing Balance 30 June	240,413	(46,864)
Deferred Taxation (Asset)/Liability Account		
Balance as at 1 July	(46,726)	(71,428)
Opening Balance Adjustment	-	-
Current Year Charge	10,590	24,702
Closing Balance 30 June	(36,136)	(46,726)

Deferred Taxation Movements Statement	Property, Plant and Equipment	Provisions	Employee Entitlement	Other	Total
Balance as at 1 July 2021	165,775	76,620	(289,814)	(24,009)	(71,428)
Opening Balance Adjustment	-	-	-	-	-
Current Year Charge	43,161	10,526	(28,985)	-	24,702
Closing Balance 30 June 2022	208,936	87,146	(318,799)	(24,009)	(46,726)
Balance as at 1 July 2022	208,936	87,146	(318,799)	(24,009)	(46,726)
Opening Balance Adjustment	-	-	-	-	-
Current Year Charge	84,554	(41,764)	(32,200)	-	10,590
Closing Balance 30 June 2023	293,490	45,382	(350,999)	(24,009)	(36,136)

	2023	2022
Imputation Credit Account		
Imputation Credits Available for Use in Subsequent Periods	(2,457,349)	(2,548,774)

4. Equity

a) Share Capital

	2023	2022
Opening Balance	2,000,000	2,000,000
Balance at 30 June	2,000,000	2,000,000

At 30 June 2023 the company had a share capital of 2,000,000 shares (2022: 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

	2023	2022
Retained Earnings at 1 July	7,626,702	7,397,362
Adjustment from Adoption of IFRS 16	–	–
Net Profit After Tax	(110,139)	229,340
Dividend	–	–
Retained Earnings at 30 June	7,516,563	7,626,702

c) Asset Revaluation Reserve

	2023	2022
Asset Revaluation Reserve at 1 July	2,045,000	1,080,000
Revaluation	–	965,000
Asset Revaluation Reserve at 30 June	2,045,000	2,045,000

Included in the Asset Revaluation Reserve is a \$2,045,000 asset revaluation for land to Fair Value.

5. Cash and Cash Equivalents

	2023	2022
Cash at Bank and in Hand	783,172	1,726,507
Short-term Deposits	51,555	50,644
Closing Cash Balance	834,727	1,777,151

6. Receivables and Prepayments

	2023	2022
Trade/Contract Debtors	1,951,208	2,239,415
Trade/Contract Debtors (Related Parties)	4,887,180	4,390,024
Provision for Doubtful Debts	(48,796)	(7,514)
Retentions Receivable	181,613	280,331
Prepayments	365,136	333,929
Total Receivables and Prepayments	7,336,340	7,236,185

As at 30 June 2023 and 2022, all overdue receivables have been assessed for impairment and appropriate provisions applied as detailed below:

	2023			2022		
	Gross	Impairment	Net	Gross	Impairment	Net
Current	6,718,143	–	6,718,143	6,540,892	–	6,501,017
Past Due 30 Days	(648)	–	(648)	12,421	–	12,421
Past Due 60 Days	72,721	(624)	72,097	33,720	–	33,720
Past Due 90 Days and Over	48,172	(48,172)	–	27,195	(7,758)	19,437
Total	6,838,388	(48,796)	6,789,592	6,614,227	(7,758)	6,606,469

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

	2023	2022
Opening Balance	7,758	–
Plus Increase/(Decrease) of Provision	41,282	7,514
Less Receivables Written Off During Period	–	244
Balance at 30 June	49,040	7,758

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

	2023	2022
Nursery Plant Stock	150,954	114,197
Other Materials	391,346	267,594
Provision for Obsolescence	(20,000)	(20,000)
	522,300	361,791

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 & water) are for departments supplying essential services.

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.

	2023	2022
Contract Assets		
Work in Progress	1,140,193	484,875
Contract Set Up Costs	–	–
	1,140,193	484,875
Contract Liabilities		
Deferred Revenue	697,874	1,099,193
	697,874	1,099,193

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 Setup 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	Land and Buildings	Freehold Land Held at Fair Value	Buildings	Plant and Equipment	Motor Vehicles	Furniture and Fitout	Capital WIP	Total
Balance at 1 July 2022	–	3,195,000	2,463,352	6,450,792	9,989,420	1,096,579	82,801	23,277,945
Revaluations	–	–	–	–	–	–	–	–
Additions	–	–	8,037	582,760	1,652,544	180,712	11,011	2,435,063
Disposals	–	–	–	(302,729)	(846,209)	(66,876)	–	(1,215,814)
Transfers	–	–	–	–	–	82,801	(82,801)	–
Reclassification	–	–	–	17,445	(30,174)	12,729	–	–
Assets Held For Sale	–	–	–	–	–	–	–	–
Balance at 30 June 2023	–	3,195,000	2,471,389	6,748,268	10,765,581	1,305,945	11,011	24,497,194
Balance at 1 July 2021	–	2,230,000	2,563,272	10,891,897	3,940,513	1,094,325	–	20,720,008
Revaluations	–	965,000	–	–	–	–	–	965,000
Additions	–	–	5,903	651,056	825,561	190,170	82,801	1,755,490
Disposals	–	–	–	(66,538)	(34,931)	–	–	(101,469)
Transfers	–	–	–	–	(24,875)	–	–	(24,875)
Reclassification	–	–	(105,822)	(5,025,623)	5,283,152	(187,916)	–	(36,209)
Assets Held For Sale	–	–	–	–	–	–	–	–
Balance at 30 June 2022	–	3,195,000	2,463,352	6,450,792	9,989,420	1,096,579	82,801	23,277,945
Accumulated Depreciation and Impairment Losses								
Balance at 1 July 2022	–	–	778,664	3,789,348	5,280,401	754,528	–	10,602,941
Depreciation/Impairment	–	–	70,065	794,555	861,237	153,452	–	1,879,309
Disposals	–	–	–	(244,686)	(583,605)	(63,328)	–	(891,619)
Transfers	–	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–	–
Assets Held For Sale	–	–	–	–	–	–	–	–
Balance at 30 June 2023	–	–	848,729	4,339,217	5,558,033	844,652	–	11,590,631
Balance at 1 July 2021	–	–	708,410	6,153,602	1,798,717	620,761	–	9,281,491
Depreciation/Impairment	–	–	75,435	625,414	568,180	124,494	–	1,393,524
Disposals	–	–	–	(23,514)	(40,716)	–	–	(64,230)
Transfers	–	–	–	–	–	–	–	–
Reclassification	–	–	(5,181)	(2,966,154)	2,954,219	9,273	–	(7,843)
Assets Held For Sale	–	–	–	–	–	–	–	–
Balance at 30 June 2022	–	–	778,664	3,789,348	5,280,401	754,528	–	10,602,941
Carrying Amounts								
At 30 June 2021	–	2,230,000	1,854,862	4,738,295	2,141,795	473,565	–	11,438,517
At 30 June 2022	–	3,195,000	1,684,688	2,661,444	4,709,020	342,051	82,801	12,675,003
At 30 June 2023	–	3,195,000	1,622,660	2,409,050	5,207,548	461,294	11,011	12,906,563

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 Limited'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 2022 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 IAS 16: 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 \$373 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:

	2023	2022	2021
Freehold Land	1,150,000	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 2022	1,230,551	70,115	–	1,300,666
Additions	72,228	–	–	54,957
Disposals	(161,635)	–	–	(161,635)
Transfers	–	–	–	–
Reclassifications	–	–	–	–
Balance at 30 June 2023	1,141,144	70,115	–	1,193,988
Balance at 1 July 2021	936,270	119,712	14,215	1,070,197
Additions	256,934	–	–	256,934
Disposals	–	–	–	–
Transfers	–	–	(14,215)	(14,215)
Reclassifications	37,347	(49,597)	–	(12,250)
Balance at 30 June 2022	1,230,551	70,115	–	1,300,666
Accumulated Amortisation and Impairment Losses				
Balance at 1 July 2022	844,862	60,315	–	905,177
Amortisation	147,648	6,802	–	250,960
Disposals	(138,414)	–	–	(138,414)
Reclassifications	–	–	–	–
Balance at 30 June 2023	854,096	67,117	–	1,017,723
Balance at 1 July 2021	704,173	102,275	–	806,448
Amortisation	–	6,800	–	–
Disposals	146,740	–	–	153,540
Transfers	–	–	–	–
Reclassifications	(6,051)	(48,760)	–	(54,811)
Balance at 30 June 2022	844,862	60,315	–	905,177
Carrying Amounts				
At 30 June 2022	385,689	9,800	–	395,489
At 30 June 2023	287,048	2,998	–	176,265

11. Payables and Accruals

	2023	2022
Trade Creditors and Accruals	4,183,849	2,958,898
Trade Creditors and Accruals (Related Parties)	15,691	59,625
	4,199,540	3,018,523
GST Payable	658,424	685,379
Total Payables and Accruals	4,857,964	3,703,902

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.

	2023	2022
Provisions		
Accrued Payroll	770,736	598,829
Annual Leave	1,404,173	1,295,985
Long Service Leave Accrual	22,549	27,027
Retirement Gratuity	26,510	25,329
Total Employee Provisions	2,223,967	1,947,171
Comprising:		
Current	2,174,909	1,894,814
Non-Current	49,059	52,356
Total Employee Provisions	2,223,967	1,947,171

13. Borrowings

	2023	2022
Bank Short-term Facility	–	–
Bank Fixed Asset Facility – Current Portion	2,821,780	248,004
Bank Fixed Asset Facility – Non-Current Portion	567,319	526,349
Bank Loans Term Loans	–	3,750,000
Balance at 30 June	3,389,099	4,524,353

Nelmac Limited's banking facilities with Westpac includes a Visa facility of \$50,000 (2022: Westpac, \$50,000).

The company has Multi Option Credit Facility (MOCU) flexible borrowing facilities of \$5 million.

As at 30 June 2023, \$2,500,000 of the facility was drawn down (2022: \$3,750,000).

The interest cost including fees on this facility is 7.80% (2022: 4.30%).

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 Limited also has a FlexEquip Fixed Asset facility of \$1 million, secured by the Fleet Assets it funds. The interest rate on this facility is 9.25%.

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 Limited.

14. Leases

Nelmac Limited 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 Limited 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 Limited to sublet the asset to another party, the right-of-use asset can only be used by Nelmac Limited. 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 Limited is prohibited from selling or pledging the underlying leased assets as security. For leases of premises, Nelmac Limited must keep those properties in good state of repair and return the properties in such condition at the end of the lease. Nelmac Limited 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 Limited 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 2023.
- 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 2023.

The table below describes the nature of Nelmac Limited'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	3	24 to 52 months	42 months	3	3	–
Vehicles	22	7 to 35 months	28 months	–	–	–

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 30/06/23	Additions	2023 Depreciation	Impairment
Premises – Yard, Workshop and Office	–	305,386	–	134,788	–
Vehicles	–	235,929	–	101,316	–
Total	–	541,315	–	236,104	–

Lease Commitments	2023	2022	2021
Less Than One Year	200,990	266,998	45,464
One to 5 Years	377,748	524,180	946,192
Total	578,738	791,178	991,656

Lease Liabilities at 30 June	2023	2022	2021
Current	200,990	266,998	45,464
Non-Current	377,748	524,180	946,192
Total	578,738	791,178	991,656

Lease Payments not Recognised as a Liability:

Nelmac Limited 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:

	2023	2022	2021
Short-term leases	–	–	–
Leases of low value assets	45,798	18,640	16,811
Variable lease payments	–	–	–
Total	45,798	18,640	16,811

Amounts Recognised in the Statement of Comprehensive Income	2023	2022
Depreciation Charge on Right-of-Use Assets		
Land and Buildings	134,788	142,069
Vehicles	101,316	139,139
Total	236,104	281,208

Interest Expense on Lease Liabilities	2023	2022
Land and Buildings	26,224	32,740
Vehicles	28,335	38,726
Total	54,559	71,466

15. Related Parties Transactions

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

All transactions with NCC and its Subsidiaries are considered to be related party transactions and these are detailed below.

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

	2023	2022
Services Provided to/from Nelson City Council		
Services Provided to NCC (Including All Competitively Won Tenders)	40,269,700	26,226,029
Services Provided by NCC	245,805	640,672
Rates Paid to NCC	24,335	34,814
Accounts Payable to NCC	15,691	59,625
Accounts Receivable from NCC	4,873,482	4,379,777
Subvention Payment Paid to NCC	418,797	514,016
Services Provided to NCC Subsidiaries and Associates (Including All Competitively Won Tenders)		
Nelson Airport Limited	77,705	90,319
Port Nelson Limited	30,822	41,549
Accounts Receivable from Nelson Airport Limited	11,286	6,206
Accounts Receivable from Port Nelson Limited	2,412	4,041
Subvention Payment Paid to NCC		
Subvention Payment	418,797	514,016

The Services provided to NCC related to the maintenance of Parks, Gardens, Reserves, and Essential Services.

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

b) Key Management Personnel

Total remuneration paid to key management personnel during the year was \$1,532,337 (2022: \$1,272,881) 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 (2022: \$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:

	2023	2022
Financial Assets		
LOANS AND RECEIVABLES		
Cash and Cash Equivalents (Note 5)	834,727	1,777,151
Trade and Other Receivables (Note 6)	6,971,204	6,902,256
	7,805,931	8,679,407
Financial Liabilities		
OTHER FINANCIAL LIABILITIES		
Trade and Other Payables (Note 11)	3,882,182	2,472,718
Bank Borrowings (Note 13)	3,389,099	4,524,353
	7,271,281	6,997,071

17. Financial Instruments

Nelmac Limited 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 Limited 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 2023 are:

	2023	2022
MOCU Rates	7.80%	4.30%
FlexEquip Rates	9.25%	5.95%
Overdraft Interest Rates (to \$200,000)	–	–
Overdraft Interest Rates (over \$200,000)	–	–
Short-term Deposits	2.75%	0.55%

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 2023 (2022: 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 Limited 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 (NCC) accounts for 71% of Nelmac Limited's outstanding debtors as at 30 June 2023 (2022: 66%).

However, NCC 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. 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, NCC, 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 3 years.

18. Contingencies and Commitments

Nelmac Limited does not have any outstanding Contingent Assets or Contingent Liabilities as at 30 June 2023 (2022: \$nil).

At 30 June 2023 Nelmac Limited's Bankers held Contract Performance Bonds in favour of Clients totalling \$874,212 (2022: \$963,837).

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

19. Explanation of Major Variances against SOI Target

Explanations for major variances from the Company's original 2022/23 budget figures as contained within the Statement of Intent are as follows:

a) Comprehensive Income

Revenue

Revenue was \$9,799,230 favourable. This is due to the significant unbudgeted recovery work that arose due to the flood events of November 2022 and May 2023.

b) Statement of Financial Position

Current Assets

Current assets were \$1,547,560 favourable. This is due to the ongoing flood recovery projects ongoing through June 23 that weren't included in our SOI. These projects rely on material and subcontractor costs which require payment in advance of being claimed from our customers.

Non-Current Assets

Non-Current assets were \$358,941 unfavourable due to delays in the supply chain for PPE. This has resulted in asset purchases being delayed until Q1 2024 that were originally budgeted for in FY23.

Current Liabilities

Current liabilities were \$4,627,929 higher than our SOI target due to reclassing of our \$2.5M MOCU facility from Non-Current Liabilities. There is also ongoing flood recovery projects through to the end of 2023. These rely on external costs to deliver compared to usual projects which would average 60% labour.

Non-Current Liabilities

Non-Current liabilities were \$3,994,874 lower than SOI target mainly due to reclassing of our \$2.5M MOCU facility to Current Liabilities coupled with paying down our MOCU facility by \$1.25M during the FY.

c) Statement of Cashflows

Cashflow from Operating Activities

Cashflow from Operating Activities was \$408,880 favourable due to a higher than anticipated customer receipts.

Cashflow from Investing Activities

Cashflow from Investing Activities was \$682,954 favourable due to the aforementioned issues with acquiring new PPE along with unbudgeted proceeds from sale of PPE.

Cashflow from Financing Activities

Cashflow from Financing Activities was \$2,372,258 lower due to changes to our business and the economic environment capital expenditure plans were temporarily suspended during the financial year.

20. Post Balance Date Events

Nil.

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 2023 and the results of the operations and cashflows for the year ended 30 June 2023.

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 2023.

This Annual Report is dated 28 September 2023 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: 28 September 2023



Director

Date: 28 September 2023



The Directors of Nelmac Limited are (from left) Hugh Martyn, Robert Gunn (Chairman), Michael Playford, Jen Crawford & Ian Goldschmidt

Director's Interests

Interests in Transactions

The Directors of Nelmac Limited had no interest in any transactions of the Company except as Directors during the year ended 30 June 2023.

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 2023.

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 Limited during the year, are as follows:

Hugh Martyn	\$27,977
Michael Playford	\$27,977
Robert Gunn (Chairman)	\$49,386
Jen Crawford	\$27,977
Ian Goldschmidt	\$27,977

Attendance of Directors at Board Meetings - July 2022 to June 2023

	Meetings Held	Meetings Attended
Hugh Martyn	10	10
Michael Playford	10	10
Robert Gunn (Chairman)	10	10
Jen Crawford	10	10
Ian Goldschmidt	9	9

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 Limited 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

35 employees received remuneration in excess of \$100,000 during the period (2022: 20)

BAND	2023	2022
\$100,000 TO \$110,000	12	6
\$110,000 TO \$120,000	11	5
\$120,000 TO \$130,000	4	4
\$130,000 TO \$140,000	3	1
\$140,000 TO \$150,000	1	1
\$150,000 TO \$160,000	1	–
\$160,000 TO \$170,000	–	–
\$170,000 TO \$180,000	–	1
\$180,000 TO \$190,000	1	–
\$190,000 TO \$200,000	–	–
\$200,000 TO \$210,000	–	1
\$210,000 TO \$220,000	1	–
\$270,000 TO \$280,000	–	–
\$290,000 TO \$300,000	–	–
\$300,000 TO \$310,000	–	–
\$310,000 TO \$320,000	–	1
\$320,000 TO \$330,000	1	–
	35	20

Changes in Accounting Policies

See Statement of Accounting Policies.

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 \$85,000 has been expensed for audit fees. No other services were provided by Audit New Zealand.

Donations

The Company made no donations in the 2023 Financial Year.

Dividend

In lieu of a dividend, a subvention payment of \$418,797 in respect of the year ended 30 June 2022, was paid to the shareholders on 31 March 2023.

In lieu of a dividend, a subvention payment of \$261,328, is recommended for the 2022/23 year.

Company Directory

Directors

Hugh Martyn

Michael Playford

Robert Gunn (Chairman)

Jen Crawford

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 nelmac | 03 546 0910
E: service@nelmac.co.nz
2 Bullen Street | Tahunanui | Nelson 7011
nelmac.co.nz

greenspaces
conservation
water
commercial

