

Strada Corporation Limited

Annual report

for the year ended 30 June 2018

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Directors' report

The Directors present the Annual report and Financial statements for the year ended 30 June 2018.

Financial results

	\$\$
Gross income	8,643
Operating profit (loss) before tax	(84,469)
Total comprehensive income after tax	(84,469)
Retained earnings	234,837

Dividends and subventions

No dividends or subvention payments were paid or provided for.

Directors

July 2017 – March 2018

D Fisher

P De Luca

April – June 2018

P De Luca

G Ion

Auditors

Section 7 the Local Government Act 2002 (LGA) allows Waikato District Council to exempt the Company from classification as a council-controlled trading organisation. As an exempted organisation the Company is not subject to the audit requirements contained in the LGA. Consequently, no auditors are appointed for next year.

Statutory information

The shareholders have resolved that the Company is not required to report to the full extent of Section 211 (1) of the Companies Act 1993.

Use of Company information

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

Share dealing

No Director acquired or disposed of any interest in Company shares during the year.

Remuneration

Total Directors' remuneration paid during the financial year was \$19,167 (2017:\$46,666).

Insurance

The cost of liability insurance incurred during the year was \$12,890 (2017:\$14,750).

Signed for and on behalf of the Board of Directors:



PM De Luca
Director

Directory

Registered address and Company office

c/- Tompkins Wake
Westpac House
456 Victoria Street
Hamilton

Bankers

ANZ Bank New Zealand Limited
Ngaruawahia

Solicitors

Tompkins Wake
Hamilton

Tax advisors

Deloitte
Hamilton

Statement of comprehensive revenue and expense for the year ended 30 June 2018

	Note	2017/18 This year \$NZ	2016/17 Last year \$NZ
Revenue			
Finance revenue (interest on bank deposits)		5,070	12,398
Other revenue	2	3,563	871,767
Total revenue		8,633	884,165
Expenses			
Employee costs		-	280,701
Depreciation and amortisation expense		-	61,569
Impairment of receivable from joint venture		-	105,468
Other expenses and losses	3	92,858	420,013
Total operating expenses		92,858	867,751
Operating profit(loss) before tax & share of equity accounted investment		(84,225)	16,414
Share of joint venture profit (loss)	4	(244)	-
Operating profit(loss) before tax		(84,469)	16,414
Income tax expense	4	-	-
Profit(loss) after tax		(84,469)	16,414
Other comprehensive revenue and expense		-	-
Total other comprehensive revenue and expense (net of tax)		-	-
Total comprehensive revenue and expense for the year		(84,469)	16,414

Statement of financial position
as at 30 June 2018

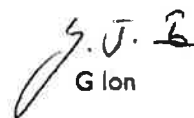
	Note	2017/18 This year \$NZ	2016/17 Last year \$NZ
Assets			
Current assets			
Cash and cash equivalents	5	644,443	629,857
Trade and other receivables	6	296,567	37,464
Non-current assets held for sale	7	-	5,670
Total current assets		941,010	672,990
Non-current assets			
Trade and other receivables	6	-	404,532
Total non-current assets		-	404,532
Total assets		941,010	1,077,522
Liabilities			
Current liabilities			
Trade and other payables	9	6,173	51,716
Provision for contract completion costs	10	-	6,500
Total current liabilities		6,173	58,216
Total liabilities		6,173	58,216
Net assets		934,837	1,019,306
Net assets/ equity			
Ordinary share capital		-	-
Capital contribution		700,000	700,000
Retained earnings		234,837	319,306
Asset revaluation reserve		-	-
Total net assets/equity		934,837	1,019,306

On behalf of the Directors: dated 16 APRIL 2019



M De Luca

Director



G Ion

Director

Statement of changes in net assets / equity for the year ended 30 June 2018

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Balance at the beginning of the year		
Ordinary share capital	-	2,500,000
Capital contribution	700,000	2,000,000
Retained earnings	319,306	891,633
Asset revaluation reserve	-	111,259
Balance at 1 July as previously reported	1,019,306	5,502,892
Movements during the period		
Profit (loss) after tax	(84,469)	16,414
Retained earnings - revaluation reserve realised	-	111,259
Repurchase of share capital	-	(2,500,000)
Return of capital contributions	-	(1,300,000)
Dividends paid	-	(700,000)
Revaluation reserve – transferred to retained earnings	-	(111,259)
Total movements during the period	(84,469)	(4,483,586)
Balance at 30 June	934,837	1,019,306
Represented by net assets/equity at the end of the year		
Ordinary share capital	-	-
Capital contribution	700,000	700,000
Retained earnings	234,837	319,306
Asset revaluation reserve	-	-
Balance at 30 June	934,837	1,019,306

Statement of cash flows

for the year ended 30 June 2018

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Cash flows from operating activities		
Receipts		
Receipts from customers	-	385,290
Interest received	4,980	12,398
Goods and services tax	16,588	-
Income tax refund	-	180
	21,568	397,868
Payments		
Payments to suppliers and employees	131,982	802,546
Interest paid	-	-
Goods and services tax (net)	-	42,752
	131,982	845,208
Net cash from (used in) operating activities	(110,414)	(447,340)
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	-	3,174,669
Asset revaluation reserve	-	57,833
Net cash flow from (used in) investing activities	-	3,232,502
Cash flows from financing activities		
Receipts		
Repayments from Waikato Quarries Limited	125,000	115,000
	125,000	115,000
Payments		
Share capital re-purchased	-	2,500,000
Capital. contribution repaid	-	1,300,000
Dividends paid	-	700,000
	-	4,500,000
Net cash flow from (used in) financing activities	125,000	(4,385,000)
Net increase (decrease) in cash, cash equivalents and bank overdrafts	14,586	(1,599,838)
Cash, cash equivalents and bank overdrafts at the beginning of the year	629,857	2,229,695
Cash, cash equivalents and bank overdrafts at the end of the year	644,443	629,857

Notes to the financial statements

Note 1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Strada Corporation Limited (Strada) is a profit-oriented company registered under the Companies Act 1993; it is 100% owned by Waikato District Council and is domiciled in New Zealand. Strada previously operated as a civil engineering and contracting services business until the Board of Directors' resolved to cease trading, sell all of its operational assets and extinguish all liabilities during the year ended 30 June 2017. As a result of this decision, Strada became a Council-Controlled Organisation rather than the Council-Controlled Trading organisation it had been previously (see s6 Local Government Act 2002).

Strada owns a 50% share of Waikato Quarries Limited (WQL) which has been equity accounted. WQL is a profit-oriented company also registered under the Companies Act 1993 and domiciled in New Zealand. WQL is a non-trading entity.

These financial statements of Strada are for the year ended 30 June 2018. The financial statements were authorised for issue by the Board of Directors on 16 APRIL 2019.

Basis of preparation and measurement basis

The financial statements of Strada have again been prepared on a realisation basis. During the year ended 30 June 2017 almost all of Strada's operational assets were sold and liabilities extinguished.

While Strada has remained open in order to receive the final settlement payments in relation to the disposal of its interest in the joint venture (Waikato Quarries Limited), it is no longer a going concern.

Statement of compliance

The financial statements of Strada have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP); Strada is a for-profit entity for that purpose. These financial statements comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

On the basis that Strada is not publically accountable and is not a large public sector entity, the Company is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR).

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. Strada's functional currency is the New Zealand dollar.

Changes in accounting policies

There have been no changes in accounting policies.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. The major assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the collectability of the amount receivable from Waikato Quarries Limited.

Goods and services tax

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Equity

Authorised, issued and paid-up capital at 1 July 2018 is 1 share with no par value (2017: 1 share \$nil).

The share carries voting rights, the right to receive dividends and the right to share in any surplus on the winding up of the Company.

Note 2 OTHER REVENUE

Accounting policy

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

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer.

Dividend income is recognised when the right to receive payment has been established.

Interest income is recognised using the effective interest method.

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Net profit on disposal of property, plant and equipment	-	813,934
Sundry income	3,563	57,833
Total other revenue	3,563	871,767

Note 3 OTHER EXPENSES AND LOSSES

Accounting policy

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Operating expenses	74,645	294,234
Audit fees – Audit NZ	-	19,395
Loss on disposal of assets	5,670	-
Bad debts	12,543	106,395
	92,858	420,013

During the current year no payments were made to Audit New Zealand as no audit is required. In the previous year no payments were made apart from those for audit of the annual report.

Note 4 INCOME TAX

Accounting policy

Income tax expense includes both current and deferred tax.

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

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

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

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

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

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

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Operating profit (loss) before tax expense	(84,469)	16,414
Prima facie tax at 28%	(23,651)	4,596
Non-deductible expenditure and adjustment for reclassification	68	30,210
Tax losses not recognised	23,471	(127,081)
Prior period adjustment	112	-
Reconcile movements in fixed assets for deferred tax	-	92,275
Total income tax expense	-	-
Made up of:		
Deferred tax	-	-
Prior period adjustment	-	-
Income tax expense	-	-

Deferred tax (assets) liabilities

	Plant and Equipment \$'000	Employee entitlements \$'000	Other provisions \$'000	Total tax loss \$'000	Total \$'000
Balance at 1 July 2016	(7,369)	12,800	(82,481)	77,049	-
Charged to profit (loss)	7,369	(12,800)	77,265	(71,833)	-
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2017	-	-	(5,216)	5,216	-
Balance at 1 July 2017	-	-	(5,216)	5,216	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2018	-	-	5,216	(5,216)	-

Note 5 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. The carrying value of cash and cash equivalents approximates their fair value.

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Cash at bank and on hand	356,254	345,792
Term deposits	288,189	284,065
Total cash and cash equivalents per statement of financial position	644,443	629,857
Bank overdrafts	-	-
Cash and cash equivalents per statement of cash flows	644,443	629,857

Note 6 TRADE AND OTHER RECEIVABLES

Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Current receivables		
Trade receivables	17,279	3,483
Receivables from related parties	279,532	-
Retentions receivable	-	33,981
Total current receivables	296,567	37,464
Non-current receivables		
Receivables from related parties	-	404,532
Total non-current receivables	-	404,532

Fair value

Receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value.

Note 7 NON-CURRENT ASSETS HELD FOR SALE

Accounting policy

Non-current assets no longer required in Strada's operations and therefore intended for sale have been measured at the lower of their carrying amount and their fair value, less costs to sell.

Any impairment losses for write-downs of such assets are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised.

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Land	-	-
Buildings	-	-
Plant and equipment	-	5,670
Total non-current assets held for sale	-	5,670

Note 8 INVESTMENT IN WAIKATO QUARRIES LIMITED

Accounting policy

Strada's interest in the Waikato Quarries Limited (WQL) investment is accounted for as a jointly controlled entity using the equity method.

Strada's interest in the jointly controlled operation is as follows:

	2017/18	2016/17
	This year	Last year
	\$NZ	\$NZ
Current assets	9,061	137,279
Non-current assets (Loan to Fulton Hogan)	500,000	500,000
Current liabilities	-	407,507
Non-current liabilities	279,532	-
Income	10	106
Expenses	254	4,176

WQL sold its business to Fulton Hogan in April 2016.

The Loan to Fulton Hogan represents the balance payable in deferred settlement for that transaction. Payment is due on 29 April 2019.

Note 9 TRADE AND OTHER PAYABLES

Accounting policy

Short-term payables are recorded at their face value.

	2017/18	2016/17
	This year	Last year
	\$NZ	\$NZ
Trade payables	4,643	3,413
Accrued expenses	-	48,303
GST payable	1,528	-
Total trade and other payables	6,171	51,716

Payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of payables approximates their fair value.

Note 10 PROVISION FOR CONTRACT COMPLETION COSTS

Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time (discount unwinding) is recognised as an interest expense and is included in finance costs.

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Opening balance	6,500	10,000
Additional provision made during the year	-	6,500
Amounts used	(6,500)	(10,000)
Total provisions	-	6,500

The provision for contract completion costs is estimated based on the likelihood of further construction work being required to rectify construction deficiencies.

Note 11 CONTINGENCIES

Contingent liabilities

Quantifiable contingent liabilities are as follows:

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Company's share of joint venture's contingent liabilities	2,500,000	2,500,000
Guarantees – ANZ bank	95,106	95,106

Joint venture

A contingent liability has arisen as a result of the Company's interest in its joint venture. The amount disclosed represents the maximum amount of the contingent liability (excluding legal or professional costs) for which the Company as an investor is liable. The extent to which an outflow of funds will be required is dependent on any claims being made by Fulton Hogan in relation to the sale of the business operations and assets of Waikato Quarries Limited. The Company is not contingently liable for the liabilities of other venturers in its joint venture.

Guarantees

A contingent liability of \$ 95,106 exists at balance date (2017: \$95,106) for the bonds guaranteed by the ANZ National Bank Limited. Those guarantees have been cancelled on 12 July 2018.

Note 12 RELATED PARTY TRANSACTIONS

All related party transactions and related payments are on normal commercial terms. There was no impairment of any of these transactions (2017: nil).

The following transactions were carried out between related parties:

	2017/18 This year \$NZ	2016/17 Last year \$NZ
Between Strada and Council		
Rates paid by Strada	-	872
Dividends paid by Strada	-	700,000
Share capital re-purchased by Strada	-	2,500,000
Capital contribution returned by Strada	-	1,300,000
Between Strada and Waikato Quarries Limited (WQL)		
Deferred settlement receivable from WQL	-	404,532
Related party receivable from WQL	279,532	-

Key management personnel compensation

Strada's key management personnel include the Directors.

Compensation paid to key management personnel comprised salaries and other short-term benefits and amounted to \$19,167 (2017:\$217,379).

Related party transactions requiring disclosure

During the year Strada Corporation Limited purchased \$136.00 (2017: \$8,914) of legal and employment advice from Tompkins Wake in which a Strada director is a partner. There was a balance payable at 30 June 2018 of \$156.40 (2017: \$160).

Note 13 SEVERANCE PAYMENTS

Strada made no severance payments to employees during the year (2017: \$nil).

Note 14 EVENTS AFTER BALANCE DATE

No events which provide evidence of conditions existing for Strada at balance date have occurred between then and the date these financial statements were authorised for issue.

Note 15 FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS CATEGORIES

The accounting policies for financial instruments have been applied to the line items below:

	2017/18	2016/17
	This year	Last year
	\$NZ	\$NZ
Financial assets		
Loans and receivables		
Cash and cash equivalents	644,443	629,857
Trade and other receivables	300,292	36,697
Deferred settlement receivable	-	404,532
Total loans and receivables	944,735	1,071,086
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	6,171	51,716
Total financial liabilities at amortised cost	6,171	51,716

The carrying values of all financial instruments approximate their fair values because all amounts are expected to be received within one year and are not impaired.

None of the instruments require hierarchy disclosures (2017: \$nil).

Note 16 BREACH OF SECTION 67 OF THE LOCAL GOVERNMENT ACT 2002

The Company did not this report on the operations of the organisation within three months of balance date (30 September 2018) as required by section 67 of the Act.