

Strada Corporation Limited
Annual report

for the year ended 30 June 2019

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Directors' report

The Directors present the Annual report and Financial statements for the year ended 30 June 2019.

Financial results

	\$\$
Gross income	241,850
Operating profit (loss) before tax	175,789
Total comprehensive income after tax	175,789
Retained earnings	418,626

Dividends and subventions

No dividends or subvention payments were paid or provided for.

Directors

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 \$10,000 (2018:\$19,167).

Insurance

The cost of liability insurance incurred during the year was \$11,980 (2018:\$12,890).

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 2019

	Note	2018/19 This year \$NZ	2017/18 Last year \$NZ
Revenue			
Finance revenue (interest on bank deposits)		6,200	5,070
Other revenue	2	235,650	3,563
Total revenue		241,850	8,633
Expenses			
Other expenses and losses	3	66,061	92,858
Total operating expenses		66,061	92,858
Operating profit(loss) before tax & share of equity accounted investment		175,789	(84,225)
Share of joint venture profit (loss)		-	(244)
Operating profit(loss) after tax		175,789	(84,469)
Income tax expense	4	-	-
Profit(loss) after tax		175,789	(84,469)
Other comprehensive revenue and expense		-	-
Total other comprehensive revenue and expense (net of tax)		-	-
Total comprehensive revenue and expense for the year		175,789	(84,469)

Statement of financial position as at 30 June 2019

	Note	2018/19 This year \$NZ	2017/18 Last year \$NZ
Assets			
Current assets			
Cash and cash equivalents	5	1,096,297	644,443
Trade and other receivables	6	17,968	296,567
Total current assets		1,114,265	941,010
Total non-current assets		-	-
Total assets		1,114,265	941,010
Liabilities			
Current liabilities			
Trade and other payables	9	3,639	6,173
Total current liabilities		3,639	6,173
Total liabilities		3,639	6,173
Net assets		1,110,626	934,837
Net assets/ equity			
Ordinary share capital		-	-
Capital contribution		700,000	700,000
Retained earnings		410,626	234,837
Total net assets/equity		1,110,626	934,837

On behalf of the Directors: dated _____

PM De Luca
Director

G Ion
Director

Statement of changes in net assets / equity for the year ended 30 June 2019

	2018/19 This year \$NZ	2017/18 Last year \$NZ
Balance at the beginning of the year		
Ordinary share capital	-	-
Capital contribution	700,000	700,000
Retained earnings	234,837	319,306
Balance at 1 July as previously reported	934,837	1,019,306
Movements during the period		
Profit (loss) after tax	175,789	(84,469)
Total movements during the period	175,789	(84,469)
Balance at 30 June	1,110,626	934,837
Represented by net assets/equity at the end of the year		
Ordinary share capital	-	-
Capital contribution	700,000	700,000
Retained earnings	410,626	234,837
Balance at 30 June	1,110,626	934,837

Statement of cash flows for the year ended 30 June 2018

	2018/19 This year \$NZ	2017/18 Last year \$NZ
Cash flows from operating activities		
Receipts		
Receipts from customers	14,938	-
Interest received	5,511	4,980
Goods and services tax	135	16,588
Income tax refund	-	-
	<u> </u>	<u>21,568</u>
Payments		
Payments to suppliers and employees	68,730	131,982
	<u>68,730</u>	<u>131,982</u>
Net cash from (used in) operating activities	(48,146)	(110,414)
Cash flows from investing activities		
Net cash flow from (used in) investing activities	<u> </u>	<u> </u>
Cash flows from financing activities		
Receipts		
Repayments from Waikato Quarries Limited	500,000	125,000
Net cash flow from (used in) financing activities	500,000	125,000
Net increase (decrease) in cash, cash equivalents and bank overdrafts	451,854	14,586
Cash, cash equivalents and bank overdrafts at the beginning of the year	644,443	629,857
Cash, cash equivalents and bank overdrafts at the end of the year	1,096,297	644,443

Notes to the financial statements

Note I 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 2019. The financial statements were authorised for issue by the Board of Directors on March 2020.

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.

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 2019 is 1 share with no par value (2018: 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.

	2018/19	2017/18
	This year	Last year
	\$NZ	\$NZ
Impairment recovered	105,468	-
Gain on cessation of joint venture	115,244	-
Sundry income	14,938	3,563
Total other revenue	235,650	3,563

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.

	2018/19	2017/18
	This year	Last year
	\$NZ	\$NZ
Operating expenses	66,061	74,645
Loss on disposal of assets	-	5,670
Bad debts	-	12,543
	66,061	92,858

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.

	2018/19 This year \$NZ	2017/18 Last year \$NZ
Operating profit (loss) before tax expense	175,789	(84,469)
Prima facie tax at 28%	49,221	(23,651)
Non-deductible expenditure and adjustment for reclassification	(29,599)	68
Tax losses not recognised	(19622)	23,471
Prior period adjustment	-	112
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 2017	-	-	(5,216)	5,216	-
Charged to profit (loss)	-	-	5,216	(5,216)	-
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2018	-	-	-	-	-
Balance at 1 July 2018					
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2019	-	-	-	-	-

Deferred tax is not recognised in the statement of financial position for tax losses of \$1,725,334 (\$483,094 at 28%). 2018: \$1,795,410 (\$502,715 at 28%).

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.

	2018/19 This year \$NZ	2017/18 Last year \$NZ
Cash at bank and on hand	303,293	356,254
Term deposits	793,004	288,189
Total cash and cash equivalents per statement of financial position	1,096,297	644,443
Bank overdrafts	-	-
Cash and cash equivalents per statement of cash flows	1,096,297	644,443

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.

	2018/19 This year \$NZ	2017/18 Last year \$NZ
Current receivables		
Trade receivables	17,968	17,279
Receivables from related parties	-	279,532
Retentions receivable	-	-
Total current receivables	17,968	296,567
Total non-current receivables	-	-

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 INVESTMENT IN WAIKATO QUARRIES LIMITED

Accounting policy

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

Strada's 50 per cent interest in the jointly controlled operation is as follows:

	2018/19 This year \$NZ	2017/18 Last year \$NZ
Current assets	-	9,061
Non-current assets	-	500,000
Non-current liabilities	-	279,532
Income	-	10
Expenses	-	254

Note 8 TRADE AND OTHER PAYABLES

Accounting policy

Short-term payables are recorded at their face value.

	2018/19 This year \$NZ	2017/18 Last year \$NZ
Trade payables	1,976	4,643
GST payable	1,663	1,528
Total trade and other payables	3,639	6,171

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.

	2018/19 This year \$NZ	2017/18 Last year \$NZ
Opening balance	-	6,500
Additional provision made during the year	-	-
Amounts used	-	(6,500)
Total provisions	-	-

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

Strada has no quantifiable contingent liabilities at 30 June 2019.

Guarantees

A contingent liability of \$ 95,106 did exist at 30 June 2018 for the bonds guaranteed by the ANZ National Bank Limited. Those guarantees were 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 (2018: nil).

The following transactions were carried out between related parties:

	2018/19 This year \$NZ	2017/18 Last year \$NZ
Between Strada and Council		
There were no transactions between Strada and Waikato District Council		
Between Strada and Waikato Quarries Limited (WQL)		
Deferred settlement receivable from WQL	-	279,532
Deferred settlement received from WQL	500,000	-

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 \$10,000 (2018: \$19,167).

Related party transactions requiring disclosure

During the year Strada Corporation Limited purchased \$136 (2018: \$136) of legal and employment advice from Tompkins Wake in which a Strada director is a partner. There was a balance payable at 30 June 2019 of \$nil (2018: \$156.40).

Note 13 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 14 FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS CATEGORIES

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

	2018/19	2017/18
	This year	Last year
	\$NZ	\$NZ
Financial assets		
Loans and receivables		
Cash and cash equivalents	1,096,297	644,443
Trade and other receivables	17,968	300,292
Deferred settlement receivable	-	-
Total loans and receivables	1,114,265	944,735
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	3,639	6,171
Total financial liabilities at amortised cost	3,639	6,171

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 (2018: \$nil).

Note 15 BREACH OF SECTION 69 OF THE LOCAL GOVERNMENT ACT 2002

The Company did not adopt financial statements within three months of balance date (30 September 2019) as required by section 69 of the Act.

