

NEIL CORPORATION LIMITED

STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

These financial statements are for Neil Corporation Limited (the Company) and its subsidiaries (together the Group).

The Company is registered under the Companies Act 1993 and these financial statements have been prepared in accordance with the Companies Act 1993.

These financial statements were authorised for issue by the Board of Directors on 26 August 2022.

The entity's owners do not have the power to amend these financial statements once issued.

BASIS OF PREPARATION

Statement of Compliance

These Group financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR) and other applicable Financial Reporting Standards, as appropriate to for-profit entities. The Group is a for-profit entity for financial reporting purposes.

The Group is eligible to apply Tier 2 For-profit Accounting Standards (NZ IFRS RDR) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

Functional and presentation currency

The financial statements are presented in New Zealand Dollars (NZD) which is the functional currency for the Group. All financial information has been presented to the nearest dollar, unless stated otherwise.

Basis of measurement

The financial statements are prepared on the historical cost basis, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(1) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Neil Corporation Limited as at 30 June 2022 and the results of all subsidiaries for the year then ended. Neil Corporation Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's

share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint Operations

The Group applies NZ IFRS 11 to all joint operations. Under NZ IFRS 11 investments in joint operations are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations. Refer to note 18. Joint operations are accounted for using the proportionate consolidation method, in which the proportionate share of assets and liabilities are recognised by the Group.

(2) Revenue

Revenue comprises the sale of goods and services, excluding Goods and Services Tax and after eliminating sales within the Group. Revenue is recognised (where appropriate, in accordance with NZ IFRS 15 Revenue from Contracts with Customers) as follows:

(i) Sale of property

Sale of property is recognised where the sale contract is unconditional and the performance obligation per the contract has been satisfied.

(ii) Interest income on extended settlements

Where purchasers of property are provided with extended payment terms (more than 3 months), the sale price includes implied interest income which is recognised on a time-proportion basis. Interest not recognised at year end is offset against Trade and other receivables. Current market interest rates are used to assess the implied interest.

(iii) Other interest income

Interest income is recognised on an accrual basis, using the effective interest method.

(iv) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements. Where lease incentives are provided to customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

(v) Dividend income

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

(vi) Membership Subscriptions

Membership subscriptions are recognised in the accounting period in which they are earned.

(vii) Sale of good and services

Revenue from the sale of goods and services is recognised in the accounting period in which the transaction occurred.

(3) Property, plant and equipment

All property, plant and equipment is stated at original cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment, except fitness equipment and fittings, is calculated on a straight line basis so as to expense the cost of the assets over the following approximate useful lives:

Vehicles	4 – 7	years
Plant	8 – 10	years
Office Equipment	3 – 7	years
Office Furniture & Fittings	5 – 12	years

Depreciation of fitness equipment and fittings is calculated on a diminishing value basis using rates permitted by the Income Tax Act 2007.

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each balance date.

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 (refer to accounting policy 11 below).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

(4) **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in current liabilities on the consolidated balance sheet.

(5) **Inventory**

Land stocks are stated at the lower of cost and net realisable value. Cost comprises the present value of the original purchase price plus development costs to date and implied interest costs on deferred purchase price consideration (where applicable). Holding costs (e.g. rates and interest (other than the implied interest as explained in (6) below)) are not capitalised but expensed through the consolidated statement of comprehensive income in the year in which they occur. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Where the cost exceeds the net realisable value, the difference is recognised as an expense in the year in which the loss is incurred.

(6) **Land purchase liabilities**

Land and buildings, purchased either under Agreement for Sale and Purchase, or by taking title subject to a mortgage, is taken up in the Group's books, once unconditional, at cost and any liability is shown as 'Land purchase liabilities'. Where the liability is payable beyond 1 year, the purchase price includes implied interest expense which is initially deducted from land purchase liabilities and inventory. This implied interest is capitalised on a time-proportion basis and a corresponding land purchase liability is recognised. Current market interest rates are used to assess the implied interest.

(7) **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment, and is offset by interest income on extended settlements not recognised at year end (as stated in accounting policy (2) (ii) above).

The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9 Financial Instruments, which permits the use of lifetime expected loss provisions for all trade and other receivables. Collectability of trade and other receivables is reviewed on an ongoing basis and a provision for doubtful debts is made when there is evidence that the Group will not be able to collect the receivable. Trade and other receivables are written off when recovery is no longer anticipated. There are no overdue receivables considered impaired that have not been provided for.

(8) **Other financial assets**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and at amortised cost. The classification depends on the purpose for which the investments

were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss listed and unlisted

Management has designated that investments held by the Group are stated at fair value, with any resulting gain or loss recognised in the consolidated statement of comprehensive income.

Financial assets at amortised cost

Financial assets at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Recognition and measurement

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired in accordance with NZ IFRS 9. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

(9) **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

(10) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(11) **Impairment of non-financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(12) **Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Valuation of inventories

In applying the Group's accounting policy for the valuation of inventories the Directors, with the use of external valuers, are required to assess the expected selling price and costs to develop and sell each of the lots or units that constitute the Group's land, sections and work in progress, in order to determine that stock is valued in the consolidated financial statements at the lower of cost or net realisable value. Cost includes the purchase of sites, the cost of infrastructure and construction works, planning consents and legal and professional fees incurred during development prior to sale. Estimation of the selling price is subject to cyclical uncertainties, in particular the prediction of the future market value of land.

Income taxes

The Group recognises tax/deferred tax assets and liabilities for anticipated tax based on estimates of when the tax/deferred tax will be paid or recovered. When the final outcome of these matters is different from the amounts initially recorded, such differences impact the period in which the determination is made.

There are no further significant accounting estimates and judgements other than those discussed above.

(13) Taxation

The charge for taxation is the estimate of total liability in respect of the profit for the year, after taking full advantage of all deductions and concessions. Deferred tax is provided using the balance sheet liability method, providing for 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 or settlement of the carrying amounts of assets and liabilities, using tax rates at the consolidated balance sheet date. 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.

(14) Goods and Services Tax (GST)

All amounts are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

(15) Leases

Leases in which the Group has the right to control the use of the underlying asset for a period of time in exchange for consideration are recognised initially at the present value of the future lease payments as right-of-use assets on the consolidated balance sheet. The depreciation on these right-of-use assets and the interest on the corresponding lease liability is recognised in the consolidated statement of comprehensive income.

(16) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(17) Advance from Oregon Group Limited

Advance from Oregon Group Limited is recognised initially at fair value and is subsequently stated at amortised cost. The Advance from Oregon Group Limited is classified as current liability as it is repayable on demand. Borrowing costs are expensed as incurred.

(18) Employee benefits

Liabilities for salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for long service leave is carried at the present value of the estimated future cash flows.

(19) **Joint Operations**

A Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The company as a joint operator recognises in relation to its interests in a joint operation its share of assets, liabilities, revenue and expenses. The company accounts for these, relating to its interest, in accordance with the NZ IFRS applicable to the particular assets, liabilities, revenues and expenses. Refer to note 18.

(20) **Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(21) **Dividends**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Company's shareholder is recognised as a liability in the Group's financial statements on the period in which the dividends are approved by the Company's shareholder.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to accounting policies. All accounting policies have been applied consistently throughout the period.



Independent auditor's report

To the shareholder of Neil Corporation Limited

Our opinion

In our opinion, the accompanying financial statements of Neil Corporation Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

What we have audited

The Group's financial statements comprise:

- the consolidated balance sheet as at 30 June 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with 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 and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of tax compliance and general training services. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and relationships has not impaired our independence as auditor of the Group.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS RDR, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, 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 conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Richard Day.

For and on behalf of:

A handwritten signature in cursive script, appearing to read 'Richard Day'.

Chartered Accountants
26 August 2022

Auckland