WESTLAND HOLDINGS LIMITED

Destination Westland Limited
Westroads Limited

STATEMENT OF INTENT FOR THE THREE YEARS COMMENCING 1 JULY 2021

Content

1. INTRODUCTION

This Statement of Intent ("SOI") for Westland Holdings Limited ("WHL" or "the Company") is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

This SOI specifies the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of WHL and its subsidiaries Destination Westland Limited and Westroads Limited (collectively referred to as "the Group") may be judged in relation to its objectives, amongst other requirements.

The negotiation and determination of an accepted SOI is a public and legally required expression of the accountability relationship between the Company and its sole shareholder, the Westland District Council ("WDC" or "the Council"). The SOI is reviewed annually with the Council and covers a three-year period commencing 1 July 2021.

WHL supports the vision of the Westland District Council, expressed as:

"We work with the people of Westland to grow and protect our communities, our economy and our unique natural environment."

2. COMPANY MISSION

Westland Holdings Limited primary mission is to support the Council's Vision for Westland as outlined above.

3 THE OBJECTIVES OF THE COMPANY

In addition to the requirements of section 59 of the Local Government Act 2002, the principal objectives of WHL are to:

- To ensure that the strategic plan of the Company is followed and that the plan is reviewed annually;

- Monitor the performance of each of its subsidiary companies;

- Ensure that each subsidiary company has in place active and effective health and safety policies and procedures which provide a safe operating environment for all employees, contractors and affected parties;

- Ensure that each subsidiary company operates economically and efficiently, in accordance with an agreed SOI, to optimize the returns from each subsidiary as well as the value of each subsidiary within the operating parameters determined by the Council;

- Ensure, within any legal or commercial constraints, that the SOI of each of the subsidiary companies reflect the policies and objectives of the Council;

- Keep the WDC informed of matters of substance affecting WHL and the subsidiary companies and, as much as is considered practical and reasonable in the opinion of the directors of WHL, to provide the WDC an opportunity for comment on such matters prior to taking any action;

- Ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WHL and the subsidiary companies;

- Report to WDC on establishment opportunities for the subsidiary companies, and other investment opportunities that have the potential to enhance the economic well-being of the region and to provide an adequate return;

- Maintain and improve good governance by regularly and constructively appraising the performance of the subsidiary company directorates, maintaining an appropriate monitoring framework and informing WDC prior to the appointment of new directors and,

- Support the Council in reviewing or creating policies relevant to the Company, or to the Group.

4. GOVERNANCE APPROACH

WHL seeks to govern the Group in a way that will ensure it:

- Achieves the objectives of its shareholder, both commercial and non-commercial, as detailed specifically in Section 3;

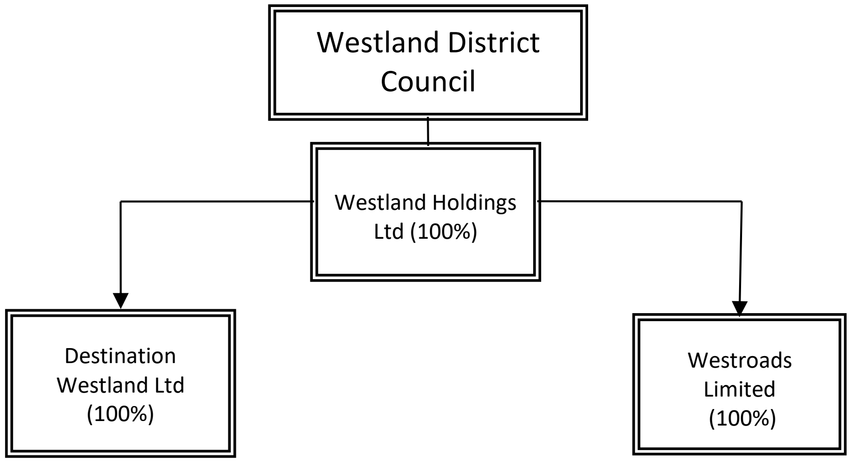
- Is a good employer in accordance with S:36(2) of schedule 7 of the Local Government Act 2002;

- Exhibits a sense of social responsibility by having regard to the interests of the community in which it operates; and

- Exhibits a sense of environmental responsibility by having regard to the interests of the community in which it operates.

5. NATURE AND SCOPE OF ACTIVITIES

WHL is a wholly-owned, council-controlled organization ("CCO") of WDC, which was formed on 24 July 2002. WHL is the controlling entity that provides objective governance of the various operating subsidiaries on behalf of WDC. The Group structure is, as follows:



The current Directors of WDHL are:

- Joanne Conroy (Chair)
- Christopher Gourley
- Christopher Rea

6. SHAREHOLDING

WHL, on behalf of the Council, holds the following investments in the subsidiary companies:

- A shareholding investment in Destination Westland (DWL), representing 100% of DWL share capital; and
- A shareholding investment in Westroads Limited ("WRL"), representing 100% of WRL's share capital.

Ratio of Shareholders' funds to total assets.

Shareholders' funds are defined as the sum of the amount of share capital on issue, retained earnings/accumulated losses, revenue and capital reserves. Total assets are defined as the sum of the net book value of current assets, investments, fixed assets, and intangible assets as disclosed in the Company's Statement of Financial Position, prepared in accordance with the accounting policies adopted by the Directors.

The target ratio of shareholders' funds to total assets shall not be less than 50% for the period covered by this SOI. The appropriateness of this target ratio will be reviewed annually by the Directors.

7. ACCOUNTING POLICIES

The financial statements of the Company will be prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting policies to the extent that is practicable without disclosing commercially sensitive information that, in the view of the Directors, would be of value to competitors. See Appendix A for Accounting Policy details.

8. PERFORMANCE TARGETS

The following performance targets have been set for the 2020/2021 financial year, and the two years following:

Relationship with WDC/Other Governance Issues

	Objective	Performance Target
1	To ensure that the financial targets and strategic direction of WHL are in line with WHL's strategic plan, which is developed in conjunction with the economic committee of the WDC	A draft SOI for WHL will be submitted for approval to WDC by 1 March each year. A completed SOI will be submitted to WDC by 30 June each year.
2	To ensure that WDC is kept informed of all significant matters relating to its subsidiaries on a "no surprises" basis	Regular reporting of performance to the Economic Development Committee of the WDC will be done on a six monthly basis. With quarterly reports provided to council and full council updates for the Six monthly results and Annual Plan. Full year and half year reporting to WDC will be provided within 60 days after 31 December and 30 June of each year. Major matters of urgency are reported to the appropriate Council Committee or the Chief Executive of WDC within three days.
3	To ensure that WHL directors add value to the Company and that their conduct is according to generally accepted standards.	The Chair will initiate an independent formal evaluation of the WHL directorate every 2 years. The next such review will be undertaken in the 2021-2022 year. The Company will review the training needs of individual WHL directors, and ensure training is provided, where required.

4	WHL's process for the selection and appointment of directors to the boards of subsidiaries is rigorous and impartial.	The process followed for each appointment to a subsidiary board is transparent, fully documented and reported to WDC. Any appointments will be made in accordance with the WDC's Policy for Director Appointments.
5	Begin appointment of independent Directors to the Board of Destination Westland as funds allow.	Gradually replace the Director on the DWL Board with as time, funds and good succession planning allows

Financial Objectives and Performance Measures

	Objective	Performance Target
6	To ensure that WHL returns a dividend to WDC in accordance with WDC's budgets and meets other financial targets.	WHL will agree with WDC on an achievable distribution for the 2020/21 financial year as part of the Council's requirement to approve the SOI for WHL. This estimated dividend receivable by WHL will be agreed with each CCO on an annual basis prior to finalising WDC's budget.
7	Gross Revenue: Combined revenue for the 21-22 year	Equal to or greater than $34 million
8	Net Profit before tax: Combined net profit for the 21-22 year	Equal to or greater than $1 million
9	Return on Shareholder Funds for each of the three years.	At least 8%
10	Return on total assets	At least 6.5%

Specific Subsidiary Management and Supervisory Functions

	Objective	Performance Target
11	To ensure that WHL's procedure for appointment to subsidiary	That the adopted WDC Directors Policy be followed for any director appointments made.

	directorates are open and in accordance with written policy.	
12	To ensure that the draft subsidiary company SOI's are received on a timely basis for review and comment.	Draft SOI's are to be received by 14 February from the subsidiary companies, and finalised by 1 June for each year covered by this SOI.
13	To ensure that the final subsidiary company SOI's are appropriate, measurable, attainable and timely and Connected to their strategic plan.	Comment on the draft SOI's within the statutory timeframe of 30 April each year, and ensure specific and measurable targets are included as Performance Objectives. WHL will direct the subsidiary companies to produce commercially focused SOI's that are consistent with their strategic plan and aligned to WDC's strategic direction.
14	To ensure that the subsidiary company reporting is relevant and timely.	Subsidiary company SOI's will incorporate specific reporting requirements in accordance with legislation and accepted practice. Subsidiary companies will also be required to provide Monthly Management reports followed by quarterly briefings to WHL in sufficient detail to allow WHL to fulfill its reporting obligations to the WDC. All activity reports and formal reporting will be done through the Chairperson of WHL and the Chief Executive of WDC.

Risk Management Processes

	Objective	Performance Target
15	To ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.	Subsidiary company SOI's will incorporate specific statements regarding the processes for the management of risk exposures, including health and safety and

16 To ensure that subsidiary companies do not make decisions that could have significant implications for future Council funding.

reputational risk, all companies will also maintain an up to date risk register.

Long term investment assessment is carried out for any new projects of a size and nature that requires WHL approval. Significant projects and their sources of funding must also be assessed and approved by Council prior to initiating the projects.

Specific Activities to be Undertaken by WHL

- Negotiation of the individual annual SOIs for the CCOs that it owns on behalf of the Westland District Council (the subsidiary companies).
- Negotiation of the annual SOI between WDC as shareholder and WHL.
- Monitoring the performance of the subsidiary companies that WHL owns.
- Advice to WDC regarding potential CCO establishment, disestablishment or development opportunities.
- Maintaining a Register of Potential Directors for WHL and the subsidiary companies, including public advertising, as required.
- Appointment and monitoring of the directors of the subsidiary companies.
- Hosting an annual shareholders' meeting.

Specific Activities Not Permitted to WHL

- No subsidiary companies are to be formed by WHL without the prior approval of WDC.
- No shares are to be acquired by WHL or the subsidiaries without the prior approval of WDC.
- No shares held by WHL or the subsidiaries are to be sold or otherwise disposed of without the prior approval of WDC.

Over time, WDC may form other CCOs within the WHL structure. WHL is an obvious vehicle for holding the shares in these enterprises, however, the directors' approach to the holding of other shares will be determined on a case-by-case basis in consultation with Council. It is anticipated that WHL will assist WDC in the identification and assessment of such future opportunities.

9. DISTRIBUTION POLICY

Profit retention and dividend policy will be determined from year to year by the Directors in accordance with operational results, financial prospects, and the circumstances prevailing, with the objectives of ensuring that:

- The amount of the distribution does not limit WHL's ability to fund future capital expenditure requirements of subsidiary companies to both maintain and expand current operations, nor to address issues relating to the Company's debt structure. In determining any distribution, the following must be considered:

i. The Directors are satisfied that the requirements of section 4 of the Companies Act (the "solvency test") have been satisfied;

ii. The amount of the distribution does not exceed the amount of the net profit after tax, plus cash held in reserves, in the year to which the distribution relates; and,

iii. Total liabilities do not exceed 50% of the total assets.

WHL will endeavor to make distributions as agreed in annual budget discussions with council in the 2021/22 year.

10. REPORTING TO SHAREHOLDERS

WHL will provide the following information in order to enable the WDC, as the shareholder of WHL, to make an informed assessment of the Company's performance:

a) An annual Draft SOI in accordance with Schedule 8 of the Local Government Act 2002, delivered by the 1st of March, with WDC comments returned by the 1st of May and a completed SOI after consideration of Shareholders comments delivered by 30 June. The Final Statement of Intent of WHL will be made available to the public one month following delivery to the WDC.

b) A half-yearly financial and progress report or presentation to Council that details the financial performance and progress of the Company and its subsidiaries. This report shall be delivered to Council no later than 28th February.

c) An annual report in accordance with Section 67 and 71 of the Local Government Act 2002 and the GAAP reporting requirements prescribed from time to time by the Institute of Chartered Accountant of New Zealand, and any other information that the Directors deem appropriate. The annual report is to be delivered to the WDC by the 30th of September and no later than 20 days prior to the Company's AGM

d) An annual Shareholders meeting is to be held by the 31st of December each year with not less than 10 days' notice to the WDC.

11 ACQUISITION PROCEDURES

If the Directors believe they should invest in or otherwise acquire any interest in any other organisation, they shall obtain the prior approval of the WDC as shareholder by special resolution unless the total cost is less than $500,000.

In this case prior approval is not required, but the Shareholder will be advised within 10 working days.

12 COMPENSATION

Currently there are no activities for which compensation will be sought from WDC

13 ESTIMATED COMMERCIAL VALUE OF WHL

The value of WHL has been defined as the estimated value of Shareholders' funds as at 30 June 2020.

This value is estimated to be $14,919,000.

The value ascribed to shareholders' funds will be that stated in the annual Statement of Financial Position of the Company as at the end of the financial year preceding each SOI.

14 OTHER MATTERS

WHL's directors are appointed by the Shareholders to govern and direct WHL's activities, and to oversee the governance and performance of the WDC's council-controlled organisations. The Shareholders expect this responsibility to include such areas of stewardship as:

- Commercial performance
- Non-commercial performance
- Preparation and review of business plans and budgets
- Corporate policies
- Financial and distribution policies
- Management oversight and development
- Delegations or authority
- Identification and management of business risks
- Identification and management of business opportunities
- Internal control systems
- Integrity of management information systems
- Relationships with stakeholders and external parties
- Compliance with relevant law
- Reports to shareholder

15. FINANCIAL FORECASTS

WESTLAND HOLDINGS LIMITED
FINANCIAL FORECASTS ($000s)

	Group Budget 2021/22 $000	Group Forcast 2022/23 $000	Group Forecast 2023/24 $000
Revenue	34,938	35,542	36,031
Cost of Sales	25,611	25,864	26,120
Gross Profit	9,327	9,678	9,911
Other Income	1,559	1,559	1,576
Administrative (Inc Depn) Expenses	6,905	7,133	7,171
Results from operations	1,429	1,549	1,733
Finance Costs	387	384	387
Net finance costs	387	384	387
Profit before Income Tax	1,042	1,165	1,346
Subvention Payment	230	230	230
Income tax expense	227	261	308
Profit for the period	**585**	**674**	**808**
Total Comprehensive Income for the Year	**585**	**674**	**808**
Other Performance Targets			
Dividends	0	245	245
Earnings Retained	585	429	563
Closing Shareholder's Funds	15,348	15,776	16,339

WESTLAND HOLDINGS LIMITED
STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Westland Holdings Limited is registered under the Companies Act 1993 and is domiciled in New Zealand. Westland Holdings Limited is owned by Westland District Council.

The Company is a Council Controlled Trading Organisation as defined in Section 6(1) of the Local Government Act 2002.

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

The Group consists of Westland Holdings Limited, Destination Westland Limited, Westroads Limited. All Group companies are incorporated in New Zealand.

The Company is a Tier 1 for-profit entity and has elected to report in accordance with Tier 1 for-profit Accounting Standards on the basis that it does not have public accountability.

BASIS OF PREPARATION

Statement of Compliance

The Company has designated itself as a profit orientated entity for the purposes of New Zealand Equivalent to International Financial Reporting Standards (NZIFRS). The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and Tier 1 POE Accounting Standards. They comply with New Zealand equivalents to the International Financial Reporting Standards Reduced Disclosure Regime (NZIFRS RDR) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

Measurement Base

The financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties which are revalued every year.

Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Going Concern

The financial statements will be prepared on a going concern basis.

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies set out below will be applied consistently to all periods presented in the financial statements. The following particular accounting policies which materially affect the measurement of financial results and financial position will be applied:

PROPERTY, PLANT and EQUIPMENT

Recognition and measurement

Land and buildings, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

buildings	3-50 years
plant and equipment*	1.5-25 years
office furniture and equipment	2-15 years
runway infrastructure	2-50 years

*includes motor vehicles

INVESTMENT PROPERTIES

Properties leased to third parties under operating leases are classified as investment property.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

INTANGIBLE ASSETS

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose. Goodwill is assessed for impairment on an annual basis. Any impairment losses are recognised immediately in the profit or loss.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of metal inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Metal inventory cost is calculated on a discounted sale value basis, as an approximation of weighted average cost.

Inventories include development properties that are being developed for sale. These properties are measured at the lower of cost and net realisable value and the cost includes development costs to date.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

CONTRACT ASSETS AND LIABILITIES

The company will report contract asset and liabilities IFRS 15.

IMPAIRMENT

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amounts of assets and are recognised in the profit or loss.

Impairment of Receivables

The Company applies the 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 Group'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 on economic factors affecting the Companies customers.
There is no impairment deemed necessary as the company are not expecting any credit losses.

Impairment of Contract assets and Contract liabilities

Contract assets and contract liabilities were previously included within "trade and other receivables" and "trade and other payables" and disclosed separately as Work in Progress. Under IFRS15 these items are now combined and renamed as Contract assets

They arise from contracts enter that can span over the financial year and also reflect retention funds that are held by the client until such time as a certificate of completion has been signed off. It may take a up to 2 years to complete, because cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts.

There has been no Impairment of Contract Assets or Contract Liabilities

Impairment of Goodwill

The Company is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. During

the year, with reference to all the competition in the Christchurch market the total carrying amount of Goodwill was impaired
This competitive market has had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to goodwill of $151,000.

FINANCIAL INSTRUMENTS
The Company categorises its financial assets and its financial liabilities as being at amortised cost.

Financial Assets
The company's financial assets comprise: cash and cash equivalents, and trade and other receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Financial assets are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

Financial liabilities
Financial liabilities comprise: trade and other payables, borrowings, and advances. Borrowings are initially recognised at their fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

Interest-bearing borrowings
Interest-bearing borrowings are classified as other non-derivative financial instruments.

Trade and other payables
Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

GOODS AND SERVICES TAX (GST)
All items in the financial statements are 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.

EMPLOYEE BENEFITS
Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

Other long-term employee benefits
The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.
Termination benefits
Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

LEASED ASSETS

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. The leased assets are not recognised on the Company's balance sheet.

PROVISIONS

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

REVENUE

NZ IFRS 15 Revenue from Contracts with Customers introduced a new revenue recognition model that recognises revenue either at a point in time or over time. It is based on the principle that revenue is recognised when control of goods and services transfers to the customer and is based on the fulfilment of performance obligations.

The company has applied the modified approach on transitioning to NZ IFRS 15 and has applied the standard on initial application being 1 July 2018. No material impact on these financial statements has been recognised as a result of adopting this standard.

As the Company has the right to consider corresponding directly with the value of performance completed to date, customer contract revenue is recognised consistent with the amount that the Company has a right to invoice. The Company is therefore exercising the practical expedient not to explain transaction prices allocated to unsatisfied performance obligations at the end of the reporting period.

Note 8 sets out a numerical disaggregation of revenue in accordance with the disclosure requirements of the new standard.
The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transaction to determine whether, how much and when revenue is recognised.

Sale of Goods and Services – From 1 July 2018

To determine whether to recognise revenue, the Company follows a 5-step process:
1 – Identifying the contract with a customer
2 – Identifying the performance obligations
3 – Determining the transaction price
4 – Allocating the transaction price
5 – Recognising revenue when/as performance obligation(s) are satisfied
Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.
If the company satisfies a performance obligation before it received the consideration, the company recognises a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

<u>Sale of Goods</u>

Revenue from the sale of metal stock for the agreed price is recognised when the company transfers the control of the goods to the customers. The goods represent a single performance obligation over which the control is considered to transfer at a point in time.

Sale of Goods – Before 1 July 2018

Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership and use of the goods. Risks and rewards are considered transferred to the buyer at the time of the delivery of the goods to the customer.

Revenue contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

LEASE PAYMENTS

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

CASH & CASH EQUIVALENTS

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.

Bank overdrafts are shown in current liabilities in the statement of financial position.

CONSOLIDATION

The Company has two 100% owned subsidiary companies that are consolidated into the financial statements

The basis of consolidation: The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis.

The Company consolidates as subsidiaries in the Group financial statements all entities where the Company has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where the Company controls the majority voting power on the governing body, or where such policies have been irreversibly predetermined by the Company, or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Company measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the Company's interest in the net fair value of the identifiable assets, liabilities, contingencies recognised exceeds the cost of the business combination, the difference will be recognised immediately in the profit or loss.

Investments in subsidiaries are carried at cost in the Company's own "parent entity" financial statements.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.