



**WESTLAND HOLDINGS LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2020**

## Independent Auditor's Report

### To the readers of Westland Holdings Limited Group's financial statements and statement of service performance for the year ended 30 June 2020

The Auditor-General is the auditor of Westland Holdings Limited Group (the Group). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Group on his behalf.

We have audited:

- the financial statements of the Group on pages 5 to 8 and 19 to 46, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of movements in equity, statement of cash flows and statement of accounting policies for the year ended on that date and the notes to the accounts that include other explanatory information; and
- the statement of service performance of the Group on pages 9 to 18.

### Qualified opinion – Our work was limited over the carrying value of airport related assets and related financial information in the statement of service performance

In our opinion, except for the effects of the matter described in the *Basis for our qualified opinion* section of our report, the financial statements of the Group on pages 5 to 8 and 19 to 46:

- present fairly, in all material respects:
  - its financial position as at 30 June 2020; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards; and
- the statement of service performance of the Group on pages 9 to 18 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2020.

Our audit was completed on 30 October 2020. This is the date at which our qualified opinion is expressed.

The basis for our qualified opinion is explained below, and we draw attention to the impact of Covid-19 pandemic on the Group. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

### **Basis for our qualified opinion**

As disclosed in the statement of accounting policies on page 19, the Group is designated as a for-profit entity and applies New Zealand Equivalents to Financial Reporting Standards (NZ IFRS). NZ IFRS requires the impairment of assets to be determined on a commercial basis, generally with reference to the cash flows those assets could generate.

The Group includes Destination Westland Limited (DWL), which is designated as a public benefit entity for accounting purposes, and holds airport related property, plant and equipment assets. The Group records these airport related assets using the carrying values in DWL's financial statements. DWL can support their carrying value as a public benefit entity using non-commercial valuation approaches. However, on consolidating DWL into the for-profit Group financial statements, we consider that the Group must assess the carrying values of the airport related assets by reference to commercial valuation approaches.

There are indicators that a commercial valuation approach for the airport related assets could result in a materially lower carrying value in the Group's statement of financial position. The carrying value of airport related assets at 30 June 2020 is \$2.8 million (2019: \$2.8 million). However, the Group has not carried out an assessment of the value of the airport related assets on a commercial basis and we are unable to determine the amount of any adjustments required. Consequently, we are also unable to determine whether any adjustments are required to the financial related performance measures presented in the statement of service performance on pages 9 to 18.

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

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

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

### **Emphasis of matter – Impact of Covid-19 pandemic**

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 pandemic on the Group as set out in the statement of accounting policies on pages 28 and 29.

## **Responsibilities of the Board of Directors for the financial statements and the statement of service performance**

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

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

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

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

## **Responsibilities of the auditor for the audit of the financial statements and the statement of service performance**

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported service performance information within the Group's framework for reporting its service performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated statement of service performance. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

## **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 4, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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



In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for our qualified opinion* section above, we could not obtain sufficient evidence to confirm the carrying value of the airport related assets. Accordingly, we are unable to conclude whether or not the other information that includes financial information about the Group is materially misstated with respect to this matter.

## **Independence**

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

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



Julian Tan  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

# **DIRECTORY**

---

**Directors:**

Chairperson: Joanne M Conroy

Director: Christopher J Rea

Director: Christopher G Gourley

**Registered Office:**

Westland District Council

36 Weld Street, Hokitika

Phone 03 756 9010

Fax 03 756 9045

**Auditor:**

Audit New Zealand on behalf of the Controller & Auditor-General

**Bankers:**

Westpac Bank, Revell Street, Hokitika

**Solicitors:**

Parry Field, PO Box 44, Hokitika

# DIRECTORS REPORT

---

The Directors present the Annual Report of Westland Holdings Limited for the year ended 30 June 2020. Westland Holdings Limited was founded in July 2002 as a holding company for the various commercial interests of the Westland District Council. It currently has 2 operating subsidiaries which it owns 100% of, namely:

- Westroads Limited and
- Destination Westland Limited

## Review of Operations

<b>Results for the Year Ended 30 June 2020</b>	<b>\$000</b>
Net Surplus before Taxation	2,017
Subvention Payment	200
Income Taxation	478
<hr/> Net Surplus after Taxation	<hr/> 1,339
Other Comprehensive Income	0
<hr/> Total Comprehensive Income for the Year	<hr/> 1,339

<b>Movements in Equity</b>	
Equity (opening balance)	13,771
Distributions to Owners	(200)
Surplus after Taxation	1,339
Total Other Comprehensive Income	0
<hr/> Equity (closing balance)	<hr/> 14,910

## Directors' Interests:

The Company did not transact business with any business in which any director had an interest. The directors have no interest in the shares of the Company or any of its subsidiaries.

## Remuneration of Directors:

Remuneration and other benefits paid or due to directors on behalf of the Company, for services as a director during the year, are as follows:

	<b>\$</b>
J M Conroy	21,000
C G Gourley	11,188
C J Rea	11,188
<hr/> Total Remuneration	<hr/> 43,376

Remuneration and other benefits paid or due to directors on behalf of the Group for the subsidiaries for services as a director during the year totalled \$227,940. Details of the fees paid to directors are contained in the individual subsidiary accounts.

There were no loans made to the directors during the year or owing from them at the year end.



# DIRECTORS REPORT

---

## Director Appointment and Retirement

There were no director appointments or retirements during the year.

## Remuneration of Employees

Within the Group there were seventeen employees whose remuneration and benefits package was over \$100,000. The total remuneration of these seventeen employees totalled \$2.4m broken into the following bands: -

Salary Range		Employees	Westroads Ltd	Destination Westland Ltd
100,000	110,000	1	1	
110,000	120,000	4	4	
120,000	130,000	3	3	
130,000	140,000	4	3	1
140,000	150,000	2	2	
150,000	160,000	1	1	
180,000	190,000	1	1	
260,000	270,000	1	1	
		17	16	1

There were no other employees or former employees within the Group that earned more than \$100,000 during the year.

## Indemnity and Insurance

Directors and Officers Liability Insurance has been arranged by the Company in conjunction with the Westland District Council.

## Donations:

The total amount of donations made by the Group during the year is \$30,564 (2019 \$4,483)

## Auditors:

The Auditor-General is appointed as Auditor of the Group under Section 14 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services.

## Directors' Declaration

In the opinion of the directors of Westland Holdings Limited and Group, the financial statements and notes on pages 5-46

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and Group as at 30 June 2020 and the results of their operations and cash flows for the year ended on that date
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

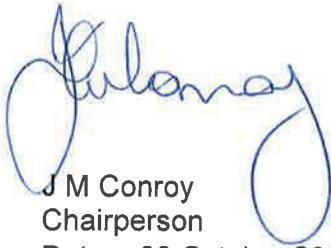
## DIRECTORS REPORT

---

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Company and Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and behalf of the Board



J M Conroy  
Chairperson

Date: 30 October 2020



C J Rea  
Director

Date: 30 October 2020

**WESTLAND HOLDINGS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**



	Note	Group 2020 \$000	Group 2019 \$000
Revenue		35,814	32,988
Cost of Sales	3	26,598	24,095
<b>Gross Profit</b>		<b>9,216</b>	<b>8,893</b>
Other Income	2	3,292	1,946
Administrative Expenses	3	10,015	9,163
<b>Results from operations</b>		<b>2,493</b>	<b>1,676</b>
Interest Received		-	-
Interest Paid	4	476	484
<b>Net finance costs</b>		<b>476</b>	<b>484</b>
Profit before Income Tax		2,017	1,192
Subvention Payment		200	240
Income tax expense	5	478	388
<b>Profit for the period</b>		<b>1,339</b>	<b>564</b>
<b>Attributable to:</b>			
<b>Equity Holders of the parent</b>		<b>1,339</b>	<b>564</b>
		<b>1,339</b>	<b>564</b>
<b>Other Comprehensive Income</b>			
Gain on Land & Building Revaluation		-	-
Deferred Taxation on Revaluation	5	-	-
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the Year</b>		<b>1,339</b>	<b>564</b>
<b>Attributable to:</b>			
<b>Equity holders of the parent</b>		<b>1,339</b>	<b>564</b>
		<b>1,339</b>	<b>564</b>

**WESTLAND HOLDINGS LIMITED**  
**STATEMENT OF MOVEMENT IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**



<b>Group</b>	<b>Share Capital \$000</b>	<b>Asset Revaluation Reserve \$000</b>	<b>Retained Earnings \$000</b>	<b>Total \$000</b>
Balance 1 July 2019	8,695	-	5,076	13,771
Profit/(Loss) for the period	-	-	1,339	1,339
Other Comprehensive Income	-	-	-	-
Dividends to equity holders	-	-	( 200)	( 200)
<b>Balance 30 June 2020</b>	<b>8,695</b>	<b>-</b>	<b>6,215</b>	<b>14,910</b>

Note 6

Balance 1 July 2018	8,695	-	4,812	13,507
Profit/(Loss) for the period	-	-	564	564
Other Comprehensive Income	-	-	-	-
Dividends to equity holders	-	-	( 300)	( 300)
<b>Balance 30 June 2019</b>	<b>8,695</b>	<b>-</b>	<b>5,076</b>	<b>13,771</b>

Note 6

**WESTLAND HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**



	Note	Group 2020 \$000	Group 2019 \$000
<b>EQUITY</b>			
Share capital	6	8,695	8,695
Retained earnings		6,215	5,076
Asset Revaluations Reserves		-	-
		<b>14,910</b>	<b>13,771</b>
represented by:			
<b>CURRENT ASSETS</b>			
Bank Accounts and Cash		860	443
Debtors and other Receivables	7	4,732	4,075
Inventories	8	666	1,103
Prepayments		36	33
Work in Progress		17	11
Contract Assets	9	1,118	1,124
Total Current Assests		7,429	6,789
<b>CURRENT LIABILITIES</b>			
Creditors and Other Payables		3,315	3,669
Contract Liabilities	9	372	82
Deferred Income	13	25	20
Subvention payment payable		200	240
Bank Overdraft (secured)	15	4	20
Employee Entitlements	18	1,422	922
Current Portion of Lease Liabilities		195	-
Current Portion of Term Loan	15	844	1,046
Tax Payable		562	230
Total Current Liabilities		6,939	6,229
<b>Working Capital</b>		<b>490</b>	<b>560</b>
<b>NON-CURRENT ASSETS</b>			
Property Plant and Equipment	10	18,219	17,516
Investment Property	12	1,010	1,035
Right of Use Assets	16	961	-
Term Inventory	8	298	353
Intangible Assets	11	424	424
Total Non Current Assets		20,912	19,328
<b>NON-CURRENT LIABILITIES</b>			
Employee Entitlements	18	106	92
Bank Term loans	15	5,316	5,771
Lease Term Liability	16	900	-
Deferred Tax Liability	5	170	254
Total Non Current Liabilities		6,492	6,117
<b>Net Assets</b>		<b>14,910</b>	<b>13,771</b>

**WESTLAND HOLDINGS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



	Note	Group 2020 \$000	Group 2019 \$000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and other sources		38,130	34,378
Interest received		-	-
Income tax refunded		-	13
Payments to suppliers and employees		( 32,723)	( 30,194)
Taxes paid		( 230)	( 586)
Subvention payments made		( 240)	( 250)
Term Inventory costs		( 2)	( 2)
Net GST Movement		-	-
Interest paid		( 476)	( 484)
Net Cash flow from Operating Activities	22	<b>4,459</b>	<b>2,875</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of property, plant and equipment		690	374
Proceeds from sale of investment property		-	285
Purchase of property, plant and equipment		( 3,836)	( 3,029)
Purchase of investment property		( 1)	-
Net Cash flow from Investing Activities		<b>(3,147)</b>	<b>(2,370)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds of Loans and Bank Advances		826	1,544
Repayments of Loans		( 1,380)	( 1,193)
Payment of Lease Liabilities		( 125)	( 40)
Dividends Paid		( 200)	( 300)
Net Cash flow from Financing Activities		<b>(879)</b>	<b>11</b>
Net Increase/(Decrease) in Cash Held		433	516
Add Opening Bank Balance at 1 July		423	(93)
<b>Closing bank accounts and cash 30 June</b>		<b>856</b>	<b>423</b>
<i>Made up of:</i>			
Cash		860	443
Bank Overdraft		(4)	(20)
		<b>856</b>	<b>423</b>

**Changes in liabilities from financing activities**

Cash outflows for lease payments increased in 2020 due to the adoptions of NZIFRS16. Refer to changes in accounting policies on page 20.



## PERFORMANCE TARGETS

The following performance targets have been set for the 2019/2020 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 the requirements of WDC	<p>A draft SOI for WHL will be submitted for approval to WDC by 1 March each year.</p> <p><b>Achieved</b> – draft SOI to Council Officers on 17 February 2020 and presented to Council on 27 February</p> <p>A completed SOI will be submitted to WDC by 30 June each year.</p> <p><b>Achieved</b> – final SOI to Council Officers on 19 June 2020 and presented to Council on 25 June 2020.</p>
2 To ensure that WDC is kept informed of all significant matters relating to its subsidiaries on a “no surprises” basis	<p>Regular reporting of performance to the Finance and Risk Committee of the WDC will be done on a quarterly basis. More regular reporting may be required to ensure no surprises to WDC.</p> <p><b>Achieved.</b> Council asked us to report to the Economic Development Committee instead of Finance and Risk. Attended EDC meetings in December 2019 and May 2020.</p> <p>Full year and half year reporting to WDC will be provided within 60 days after 31 December and 30 June of each year.</p> <p><b>Partly achieved.</b></p> <p>Presentations to Council November 2019 and February 2020.</p> <p>Council asked us to present audited financials to the new Council post election and induction so November was the earliest possible opportunity.</p>

Quarterly operational and financial briefings provided to WDC in the financial year will be supplemented with specific presentations made to Councilors.

**Achieved** - Presentations to Council 28 May 2020 re Governance changes to DW

Major matters of urgency are reported to the appropriate Council Committee or the Chief Executive of WDC within three days.

**Not applicable**

- 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 biennially. The first such review will be undertaken in the latter half of the 2019 calendar year.

**Achieved**  
Review completed October 2019

The Company will review the training needs of individual WHL directors, and ensure training is provided, where required.

**Achieved**  
Two training courses undertaken by Directors during the year

- 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.

**Achieved**  
Appointed Bruce Gemmell to Board of DW

Objective	Performance Target
<p>5 To ensure that WHL returns a dividend to WDC in accordance with WDC's budgets and meets other financial targets.</p>	<p>WHL will agree with WDC on an achievable distribution for the 2019/20 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.</p> <p>It is proposed that the dividend level payable by WHL for the 2019/20 Year be set at \$200,000. It is estimated that the dividend for each year thereafter be set at \$250,000.</p> <p><b>Achieved</b> \$200,000 paid to WDC December 2019</p>
<p>6 To ensure that the subsidiary companies return a minimum acceptable dividend as per the SOI of the subsidiary companies.</p>	<p>WHL meets its budgeted level of dividend payable of \$250,000 for the 2019/20 financial year. In addition, another \$250,000 is targeted for distribution to WDC by way of Subvention Payments from the CCO's.</p> <p><b>Achieved</b> \$120,000 subvention from Westroads payable to WHL and \$200,000 subvention payable to WDC.</p>

### Specific Subsidiary Management and Supervisory Functions

Objective	Performance Target
<p>7 To ensure that WHL's procedure for appointment to subsidiary directorates are open and in accordance with written policy.</p>	<p>That the adopted WDC Directors Policy be followed for any director appointments made.</p> <p><b>Achieved</b> The appointment of Bruce Gemmell to DW followed the policy.</p> <p>The Board of DW was stood down in May 200 and replaced by the Directors</p>

of WHL at no fee to reduce costs due to economic downturn from Covid 19 following consultation with Council. Recommended an amendment of the policy to Council preventing Councillors from being Directors on any of the Boards.

- 8 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 finalized by 1 June for each year covered by this SOI.

**Achieved**

Draft received from DW and Westroads on 14 February 2020.

- 9 To ensure that the final subsidiary company SOI's are appropriate, measurable, attainable and timely.

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.

**Achieved**

Met with Board of DW and Chair of Westroads and discussed SOI's 28 February 2020.

- 10 To ensure that the final subsidiary company SOI's are commercially focused documents, while also being compatible with the strategic aims of WDC to prudently manage these long-term community investments.

WHL will direct the subsidiary companies to produce commercially focused SOI's that are consistent with their responsibilities to the social and environmental needs of the communities of Westland, as well as their commercial responsibilities.

WHL will assess the alignment of the SOI's with any specifically notified WDC strategic directive.

**Achieved**

Subsidiary Company SOI's achieve WDC strategic directives.

- 11 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.

**Achieved**

The SOI's reporting requirements meet best practice and legislative requirements.

Subsidiary companies will also be required to provide quarterly operational and financial briefings to WHL in sufficient detail to allow WHL to fulfill its reporting obligations to the WDC.

**Achieved**

WHL met with subsidiary companies at least quarterly, monthly reports provided, and quarterly updates provided.

All activity reports and formal reporting will be done through the Chairman of WHL and the Chief Executive of WDC.

**Achieved**

Chairs of subsidiaries reported to Chair of WHL and WHL reported to and liaised with CE of WDC regularly.

## Risk Management Processes

Objective	Performance Target
12 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 reputational risk.  <b>Achieved</b> The subsidiaries have risk assessment statements in their SOI's.

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

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.

**Not applicable.**



# Westroads Key Results 30 June 2020

It has been a challenging year with Covid, but Westroads had a very strong start to the year and post the Covid lockdown work increased quickly back to normal levels. Overall the year has been successful with good strong growth.

## 34.6M

### GROSS REVENUE

Gross revenue landed on 34.6m against a budget of 29.15m

## 2.134m

### NET PROFIT BEFORE TAX

Net profit before tax of 2.134m against a budget of 1.165m

## 20.6%

### RETURN ON SHAREHOLDER FUNDS

20.6% against a KPI of >10%



# Westroads Key Results 30 June 2020

Westroads focus around its qualitative measures has been strong, by industry standards they have performed well, with a strong ongoing focus.

## No Breaches

### COMPLIANCE

Compliance with statutory and regulatory obligations has been achieved with no breaches

## 0.3%

### LOST DAYS TO INJURY

Lost days to injury as a percentage of all days worked, was 0.3% against our focus of 0%. This is an ongoing focus, the result is never satisfying unless it is zero, but we have slightly improved on last year down from 0.4%





# Destination Westland Key Results 30 June 2020

Destination Westland has faced significant headwinds with Covid reducing revenues across the board. This has forced the business to quickly downsize and refocus. The business is now in a rebuilding phase with a clear focus on recovery.

## 2.982M

### GROSS REVENUE

Gross revenue landed on 2.982m against a budget of 3.674m

## (0.009)M

### NET PROFIT BEFORE TAX

Net profit before tax loss of (0.009)m against a budget of 0.075m

## -0.2%

### RETURN ON SHAREHOLDER FUNDS

-0.2% against a KPI of 1-6%



# Destination Westland Key Results 30 June 2020

Given all the change we have faced due to Covid 19 it is pleasing to see our qualitative measures still tracking well as we continue to rebuild the business

## Zero

### **TIME LOST TO INJURY**

No time was lost to injury during the financial year

## 98%

### **TENANT SATISFACTION**

Tenant satisfaction with the provision of the companies aged care rental housing achieved 98% against a target of 90%

## 83%

### **LEASEHOLD PROPERTIES**

Annual percentage of leasehold properties fully leased 83% against a target of  $\geq 80\%$



# **WESTLAND HOLDINGS LIMITED**

## **STATEMENT OF ACCOUNTING POLICIES**

### **FOR THE YEAR ENDED 30 JUNE 2020**



#### **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.

#### **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 for-profit entity Accounting Standards. They comply with New Zealand equivalents to the International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements were approved by the board of directors on 30 October 2020.

##### **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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Note 1 – Revenue from contracts with customers

Note 3 – Other Income

Note 9 – Depreciation and estimated useful lives of property, plant and equipment

Note 15 – Finance Leases

Note 16 – Right of use asset and lease liabilities

## **CHANGES IN ACCOUNTING POLICIES**

New standards, interpretations and amendments adopted

In the current year New standards impacting the Company that have been adopted in the annual financial statements for the year ended 30 June 2020 and which have given rise to changes in the company's accounting policies are:

- Change in compliance framework
- NZIFRS 16 – Leases

### **i) Change in compliance framework**

In the year ended 30 June 2019, the Company elected to report in accordance with Tier 2 for-profit Accounting Standards as the Company was eligible to report in accordance with Tier 2 for-profit Accounting Standards. This was on the basis that it did not have public accountability and was not a large for-profit public sector entity.

As at 30 June 2020, the company is classified as a 'large' for-profit public sector entity and is required to report in accordance with full NZIFRS reporting requirements. The transition to a higher level of reporting requirements did not result in restatement of balances reported for the year ended 30 June 2019, however, did result in additional disclosure in the notes to the financial statements.

### **ii) NZIFRS 16 - Leases**

NZ IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard deals with the recognition, measurement, presentation and disclosure of leases and replaces the requirements in NZ IAS 17 Leases and other related interpretations (collectively referred to here as NZ IAS 17). The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a liability for the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the balance sheet, income statement and cash flows of the reporting entity.

The Group reviewed leases where the Group is the lessee and these leases primarily relate to leases for commercial properties, gravel extraction consents and photocopying equipment.

The Company adopted NZ IFRS 16 using the modified retrospective approach with the right-of-use (ROU) asset being equal to the lease liability as at commencement date for all existing leases on 1 January 2019. The Company has made use of the practical expedient available on the transition to NZ IFRS 16 and has chosen not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 will continue to be applied to those leases entered or modified before 1 January 2019. Comparative numbers have not been restated and therefore show previously recognised finance leases separately in note 14 for the comparative year, which is then included in lease liabilities for the current year.

The ROU assets are subsequently depreciated using the straight-line method over the shorter of the estimated useful lives of the ROU assets or the remaining estimated lease term. The estimated useful lives of ROU assets are equal to the lease term. An additional depreciation expense of \$155,955 has been recognised in relation to the adoption of NZ IFRS 16. Lease liabilities are initially measured at the present value of the unpaid lease payments at the commencement date, discounted using a discount rate. Lease incentives are recognised as part of the measurement of the ROU assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis. Under NZ IFRS 16, ROU assets are tested for impairment in accordance with NZ IAS 36 Impairment of Assets. This replaces the previous requirements to recognise a provision for onerous leases.



Key judgment areas in applying the new standard are:

- The use of discount rates; and
- The assessment of whether options to extend or terminate a lease will be exercised.

Discount rates used are the Group's incremental borrowing rates (IBR). The Group's IBR is the average of the borrowing rates obtained from financial institutions as if the Group had purchased the leased asset, with the term of the borrowing similar to the lease term. The company has used a discount rate of 4.5%.

The assessment of whether a lease contract will be extended or terminated at the end of the lease was determined by assessing the individual Group members intention to exercise a contractual right of renewal at the end of the initial lease term. The only lease's that contained rights of renewal were

- A Christchurch property leased by our subsidiary Westroads Limited. This contract has an option to renew the contract for a further three years at 2023 and 2026. It is reasonably certain that the leases will be renewed at these dates and as such the right of use asset for this property has been calculated with rights renewed in 2023 and 2026
- A Hokitika property leased by our subsidiary Destination Westland Ltd. This contract has a right of renewal in 2021 for 3 years. It is not reasonably certain that the lease will be renewed and as such the right of use asset for this property has only be calculated until 2021.

The Group has applied the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- The use of a single discount rate to a portfolio of leases
- Not recognising ROU assets and liabilities for leases with less than 12 months of the lease term remaining;
- Not recognising ROU assets and liabilities if the underlying leased asset is considered a low-value asset; an
- For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line bases as permitted by NZ IFRS 16. This expense is presented within other operating expenses in the income statement.

#### Reconciliation of lease commitments to opening lease liability as at 1 July 2019

	<b>\$000</b>
Operating lease commitments at 30 June 2019	685
Effect of discounting using incremental borrowing rates at 1 July 2019	(259)
Extension and termination options reasonably certain to be exercised	660
Total lease liabilities recognised at 1 July 2019 (previously operating leases)	1,086
Finance leases as at 30 June 2019	155
Total finance leases as at 1 July 2019	<u>1,241</u>

#### **Impact on the statement of cash flows for the reporting period 30 June 2020**

Under NZ IFRS 16, lessees must present:

- Short-term lease payments and payments for leases of low-value assets as part of operating activities;
- Cash payment for the interest portion of lease liability as operating activities; and
- Cash payments for the principal portion of lease liabilities, as part of financing activities.

Under NZ IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, for the reporting period to 30 June 2020 the net cash from Finance activities increased by has increased by \$ 125,014 and net cash from operating activities decreased by the same amount

Comparative numbers have not been restated. The adoption of NZ IFRS 16 did not have an impact on net cash flows.

## **SIGNIFICANT ACCOUNTING POLICIES**

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

	<b>2020</b>	<b>2019</b>
buildings	3-50 years	3-50 years
plant and equipment*	1 - 25 years	1.5-25 years
office furniture and equipment	2-15 years	2-15 years
runway infrastructure	2-50 years	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.

## **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

## **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.

**FAIR VALUE**

The Company uses various valuation methods to determine the fair value of certain assets. The inputs to the valuation methods used to measure fair value are categorised into two levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

**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.

## **THE COMPANY AS A LESSEE**

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets where the Company recognises the lease payments as an other operating expense on a straight-line basis over the term of the lease. Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate (IBR). Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities are presented as a separate line in the balance sheet and are subsequently measured by increasing the carrying amount to reflect interest on the lease (using the effective interest method) and reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability if:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- Lease payments changing due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

ROU assets ROU assets comprise of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Wherever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37. The costs are included in the related ROU asset, unless those costs are incurred to produce inventories. ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The estimated useful lives of ROU assets are based on the lease term. Depreciation starts at the commencement date of the lease. ROU assets are presented as a separate line in the balance sheet. The Company applies NZ IAS 36 to determine whether a ROU asset is impaired and accounts for any identified loss under the same policy adopted for property, plant and equipment. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and ROU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in other operating expenses in the income statement.



## **CONTRACT ASSETS**

Contract assets primarily relate to the Group's rights to consideration for work performed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights have become unconditional. This usually occurs when the Group issues an invoice in accordance with contractual terms to the customer. Payments from customers are received based on a billing schedule / milestone basis, as established in our contracts

## **CONTRACT LIABILITIES**

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when work is performed under the contract. If the net amount of the Groups rights to consideration for work performed after deduction of progress payments received is negative, the difference is recognised as a liability and included as part of contract liabilities.

## **CONSOLIDATION**

The Company has two 100% owned subsidiary companies that are consolidated in these 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.

## **COVID-19**

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic. Two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April. On 28 April the Alert Level was reduced to Level 3, and then further reduced to Level 2 on 14 May. The country moved to Alert Level 1 on 9 June.

The overall impact of Covid-19 on the Group has been reflective of the different sectors that each subsidiary operates in. The following recognises the impact on each of the subsidiaries and their financial results:-

### ***Destination Westland Limited***

During Alert Levels 4, staff worked remotely where they could, and services were limited to essential services. After 13 May 2020, we resumed all our operation as we moved to Level 2 and then Level 1 from 09 June 2020. During Alert Level 3, all business activity resumed with the required health and safety protocols in place including staff working remotely where they could except for the Swimming Pool that remained closed to the public for its Annual Winter Maintenance until July 2020.

The COVID-19 outbreak (also known as 2019 Novel Coronavirus infection or Coronavirus) poses a serious global health threat and has had a major impact on the movement of people and goods throughout the world, and there have been restrictions of individual and businesses. The impact on the Company's tourism-based activities has been significantly impacted and the extent and duration to which Coronavirus will continue to disrupt and depress economic activity remains to be seen. As a result of this, the Company has reviewed all its activities to ensure they are viable, reduced nonessential spending, been through a staffing restructure.

The outbreak also caused disruption in real estate markets, which has created uncertainty on the investment property valuation. Note 11 of the accounts provides more information on this impact.

The Company have prepared (and are continually updating) a cash flow forecast that incorporate a range of reductions in both revenue and expenditure. Based on this forecast, our current cash reserves and the letter of support received from the Shareholder, the Board consider that the Company will be able to continue to operate for at least one year from the date of signing these financial statements.

The management and Board are continuing to closely monitor the COVID-19 situation and the Company is working closely with the Council and its group to ensure the appropriate actions are taken.

#### **Wage Subsidy:**

Destination Westland Limited received \$200,762.40 Wage Subsidy from the Ministry of Social Development during the year ended 30 June 2020 as the necessary criteria was met, being an expected 30% reduction revenue. A repayment of \$8,400 is required due to 2 employees not being eligible. This amount was repaid in the 2020/2021 Financial year.

### ***Westroads Limited***

The company's business activity during Alert Level 4 was restricted to providing essential services, (emergency road maintenance, water utilities maintenance, cemetery maintenance & landfill operations). Approximately 30% of staff continued working. During Alert Level 3, all business activity resumed with the required health and safety protocols in place.

The company committed to retaining employees, with staff entitlements partly offset by wage subsidy claimed from the Ministry of Social Development. This is recognised in the Statement of Comprehensive Income under Other Income (for further detail see Note 2).

COVID-19 has had a significant economic impact globally throughout 2020. The impact on the company's operations and financial performance and position was directly related to the New Zealand Alert Level 4

lockdown between March and April 2020. The impact of Covid-19 resulted in a reduction in operations and therefore operations revenue in April 2020, however the business recovered in line with the lowering of Alert Levels in May and June.

As part of the impact assessment of COVID-19, Management and the Board considered whether there has been any impact on going concern or impairment of assets. The company has a strong balance sheet, both at 30 June 2020 and for the forecast 2021 year ahead, there is sufficient confirmed forward work and forecast cash requirements can be met by cash on hand and existing facilities. An assessment on debtor balances has been completed and there has been no material impact as a result of COVID-19 (see Note 7).

Although the potential future financial impacts of the COVID-19 pandemic are not able to be determined, the company does not expect these future impacts to be substantial. Unless we return to a level 4 alert.

The company continues to monitor the COVID-19 situation and is working closely with the Board and customers to ensure the appropriate actions are taken as required and ensuring that health, safety and wellbeing continues to be an area of focus.

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**1. Revenue from Contracts with Customers**

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
<b>Over Time</b>		
Maintenance contracts	14,409	15,311
Construction contracts	17,139	13,031
Management contracts	915	901
Other contracts	1,408	1,967
<b>At a point in time</b>		
Sales of goods and services - metal	1,596	1,277
Sales of goods and services - other	347	501
	<b>35,814</b>	<b>32,988</b>

Under NZIFRS 15, revenue is recognised when a customer obtains control of the goods or services. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised if it meets the criteria below.

i) Maintenance Contracts

The Group primarily generates service revenue from the following activities:

- roading and footpaths
- amenity assets including water and wastewater
- parks, trees and cleaning

Typically, under the performance obligations of service contracts, the customer consumes and receives the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

(ii) Construction Contracts

The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. There are numerous milestone in each project, however the performance obligation is the delivery of completed construction project as this primary outcome of each contract. Under these performance obligations, customers either simultaneously receive and consume the benefits as the company performs them or performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Therefore, contracted revenue is recognised over time based on stage of completion of the contract. The transaction price is based on contract value.

(iii) Management Contracts

These are service contracts where typically the customer consumes and receives benefits of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

(iv) Sale of goods Revenue

Is recognised at a point in time when the customer obtains control of goods and services, specifically when physical goods are delivered to the customer. The transaction price is based on the agreed sales price.

v) Other contracts

Other contracts included contracts that cannot be classified under Maintenance or Construction - such as smaller Plumbing contracts and operation of Landfill management assets is recognised overtime. Under these performance obligations, customers either simultaneously receive and consume the benefits as the Group performs them.

vi) Variable Consideration

The Group has not incurred any claim for liquidated damages during the financial year.

vii) Warranties and Defect Periods

Construction and service contracts can include defect and warranty periods which vary from contract to contract, following completion of the project. These obligations are not deemed to be separate performance obligations and therefore are estimated and included in the total costs of the contracts. Where required, amounts are recognised in provisions

# WESTLAND HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 30 JUNE 2020



Key estimates and judgements: Revenue recognition

i) Stage of completion of construction contracts

Determining the stage of completion requires an estimate of expenses incurred to date as a percentage of total estimated costs. The progress to satisfaction is assessed by reference to measure and value of work performed and agreed by the client before an invoice is submitted for payment, therefore the satisfaction of the performance obligation represents a faithful depiction of the transfer of goods or services.

ii) Modifications

When a contract modification exists and the Group has an approved enforceable right to payment, revenue in relation to claims and variations is only included in the transaction price when the amount claimable becomes highly probable. Management uses judgement in determining whether an approved enforceable right exists and the amount that meets the "highly probable" threshold

iii) Variable consideration

Where consideration in respect of a contract is variable, the expected value of revenue is only recognised to the amount management considers is recoverable. This is assessed on a periodic basis and is based on all available information, including historic performance. When modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise.

Timing of revenue and payment

Payment is required on the 20th day of the month after the issuing of the invoice. The only difference in timing between recognition of income and receipt of payment are Contract Retentions, which are classified as Contract Assets and Contract Liabilities in the Statement of Financial Position. Retentions are released when a certificate of completion is produced and the remaining balance after the defects period documented in the contract is reached.

## 2. Other Income

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Gain on sale of property, plant and equipment	360	257
Lease receipts	890	863
Services to customers	621	774
Recoveries	53	21
Supplier Rebates	20	31
Government Covid Wage Subsidy	1,348	-
	<b>3,292</b>	<b>1,946</b>

Key estimates and judgements: Revenue recognition

Government Covid-19 Wage Subsidy

The company applied for and received the Ministry of Social Development wage subsidy in related to the Covid-19 crisis. The company applied the income approach, recognising the subsidy income in the Statement of Comprehensive Income on a systematic basis over the period in which the company recognised as expenses the related employee benefits.

There are no unfulfilled conditions or other contingencies in relation to the wage subsidy at the balance date that have been recognised.

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**3. Nature of Expenses**

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
<i>The following items are included in the expenditure of the Group</i>		
Audit fees to Audit NZ comprising audit of financial statements	123	108
Depreciation and amortisation	2,488	2,318
Loss on sale of property, plant and equipment	153	24
Loss on sale of investment property	-	55
Loss in Fair Value of Investment Property	25	7
Directors' Fees	255	237
Donations	27	3
Rental and operating lease costs	1	168
Change in Provision for Doubtful Debts	10	2
Bad Debts Written off	15	9
<b>Personnel Expenses</b>		
Wages and Salaries	12,496	11,778
Contributions to defined contribution plans	474	407
Long service leave	14	7
Retiring gratuities	4	1
	<b>12,988</b>	<b>12,193</b>

Personnel Expenses are split between cost of sales and administration expenses in the Statement of Comprehensive Income

**4. Finance Expenses**

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Interest Expense on Lease Liabilities	48	-
Other Finance Costs	428	484
	<b>476</b>	<b>484</b>

**5. Taxation**

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Surplus/(deficit) before taxation	2,017	1,192
Prima facie taxation @ 28%	564	335
Plus (less) taxation effect of permanent differences	( 30)	21
Asset Intercompany Elimination	-	3
Prior Period Correction	-	96
(Less) Tax Effect of Subvention Payment to WDC	( 56)	( 67)
<b>Taxation Expense</b>	<b>478</b>	<b>388</b>
<b>Income tax expense is represented by</b>		
Current taxation	562	326
Prior year tax	-	( 16)
Deferred taxation	( 84)	78
	<b>478</b>	<b>388</b>

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



	Group 2020 \$000	Group 2019 \$000
<b>Deferred taxation asset (liability)</b>		
Opening Balance	( 254)	( 176)
Movement Recognised in surplus or deficit	84	( 78)
Movement Recognised in Prior Period Adjustment	-	-
Balance as at 30 June	( 170)	( 254)
<b>Deferred tax assets and liabilities are attributable to the following:</b>		
Employee benefit plans (Asset)	11	12
Accruals (Asset)	284	237
Inventory Impairment (Asset)	-	-
Receivables Impairment (Asset)	5	2
Property, Plant and Equipment (Liability)	( 256)	( 369)
Retentions (Liability)	( 219)	( 152)
Tax Losses Carried Forward (Asset)	5	16
	( 170)	( 254)

**6. Share Capital**

At 30 June 2020 the Company has authorised and issued 8,424,792 (2019: 8,424,792) shares which are fully paid. All shares carry equal voting rights and the right to share in any surplus on winding up of the company. None of the shares carry fixed dividend rights.

**7. Trade and other receivables**

	Group 2020 \$000	Group 2019 \$000
Trade Debtors - non related	3,476	2,709
Trade Debtors - related parties	1,223	1,278
GST Receivable	-	-
Contra accounts	6	11
Provision for Doubtful Debts	( 16)	( 6)
Revenue to Come	2	23
Contract Retentions	-	-
Cost Fluctuation Adjustment Accruals	41	60
	4,732	4,075

Trade debtors breakdown per age of debt

	Gross Receivable 2020	Impairment 2020	Gross Receivable 2019	Impairment 2019
Not past due	4,268	-	3,338	-
Past due 0-30 days	344	1	391	-
Past due 31-120 days	43	2	169	1
Past due 121-360 days	32	11	59	5
Past due more than 1 year	12	2	30	1
	4,699	16	3,987	7

The impact of Covid-19 was considered on the existing expected credit loss model. Management considers that given the relatively short term nature of the debtors and the financial security of the customer base, the impact on the expected credit loss model is not significant.

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**8. Inventory**

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Metal Stocks	591	833
Other Supplies	75	157
Racecourse Land for Sale	-	113
	666	1,103
Provision for Obsolescence	-	-
	666	1,103

**Term Inventory**

Term Inventory comprises parts of land held for subdivision and sale purposes \$298,000(2019: \$353,000). This relates to a property held as tenants in common between Westroads Limited and Destination Westland Limited. This property is being developed and funded by Westroads, with Westroads receiving 75% of any profits and Destination Westland Ltd receiving the other 25%.



**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**9. Contract Assets and Liabilities**

**Contract Assets**

Contract assets primarily relate to the Company's rights to consideration for work performed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights have become unconditional. This usually occurs when the Company issues an invoice in accordance with contractual terms to the customer. Payments from customers are received based on a billing schedule / milestone basis, as established in our contracts. Contract assets are disaggregated according to contract type:

	<b>Group</b>	<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
Maintenance contracts	42	61
Construction Contracts	1,067	1,034
Other Contracts	9	29
<b>Total current contract assets</b>	<b>1,118</b>	<b>1,124</b>

As of 30 June 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations is \$18,363 (2019: \$28,964). The Company will recognise this revenue when the performance obligations are satisfied. Approximately 42% of remaining performance obligations are expected to occur within the next two years. The remaining balance of performance obligations is expected to be satisfied between 2 and 4 years.

Revenue recognised for the year ended 30 June 2020 from performance obligations satisfied (or partially satisfied) in previous periods amounted to \$12,500.

The Change in Contract Assets reflects a single contract having 10% retentions over the entire contract. Further the type of contracts still in Work in Progress at year end were more Construction than Maintenance.

**Contract Liabilities**

Contract liabilities primarily relate to the Companies obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when work is performed under the contract. If the net amount of the Company's rights to consideration for work performed after deduction of progress payments received is negative, the difference is recognised as a liability and included as part of contract liabilities.

	<b>Group</b>	<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
Maintenance contracts	-	13
Construction Contracts	372	69
<b>Total current contract assets</b>	<b>372</b>	<b>82</b>

The opening balance of contract liabilities was \$82,429 in 2020, all of which was recognised as revenue in the 2020 financial year.

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**10. Property, plant and equipment**

Group	Land & Buildings	Plant & Equipment	Office Furniture & Equipment	Airport Runway Infrastructure	Under Construction	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost or deemed cost</b>						
Balance at 1 July 2018	4,422	22,819	550	2,437	82	30,310
Additions	685	2,251	27	-	18	2,981
Transfer to Investment Property	41	-	-	-	(41)	-
Disposals	(26)	(1,118)	-	-	-	(1,144)
Balance at 30 June 2019	5,122	23,952	577	2,437	59	32,147
						-
Balance at 1 July 2019	5,122	23,952	577	2,437	59	32,147
Additions	139	3,538	48	72	7	3,804
Disposals	-	(2,039)	(7)	-	-	(2,046)
Balance at 30 June 2020	5,261	25,451	618	2,509	66	33,905
						-
<b>Depreciation and impairment losses</b>						
Balance at 1 July 2018	806	11,549	434	515		13,304
Depreciation for the year	144	2,073	57	44		2,318
Disposals		(990)				(990)
Balance at 30 June 2019	950	12,632	491	559	-	14,631
						-
Balance at 1 July 2019	950	12,632	491	559		14,631
Depreciation for the year	174	2,233	40	40		2,487
Impairment Loss	130					130
Disposals		(1,550)	(13)			(1,563)
Balance at 30 June 2020	1,254	13,315	518	599	-	15,686
<b>Carrying Amounts</b>						
At 1 July 2018	3,616	11,270	116	1,922	82	17,006
At 30 June 2019	4,172	11,320	86	1,878	59	17,516
At 1 July 2019	4,172	11,320	86	1,878	59	17,516
At 30 June 2020	4,007	12,136	100	1,910	66	18,219

**Security**

At 30 June 2020 properties with a carrying value of \$3,508,000 (2019: \$3,638,000) are subject to a registered mortgage to secure bank loans.

At 30 June 2020 no plant and equipment are subject to a registered chattel security (2019: \$Nil). All plant and equipment are subject to a general registered debenture.

**Finance Lease**

The net carrying cost of plant held under finance lease is \$104,000. (2019 \$145,000) Note 15 provides further information about finance leases

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**Valuation**

The Impact of COVID-19 has been considered, however based on the forward work secured and after discussion with Valuers, no adjustments were considered necessary, except for one Building that was impaired not due to COVID but because the cost to build a new office block was considered higher than a sale value would generate.

**11. Intangible Assets**

The Groups only intangible asset is Goodwill on the acquisition of its subsidiary companies. Goodwill was assessed for impairment and no impairment was required for 2020. (2019: \$151k)

The amortisation and any impairment losses are allocated to cost of sales in the statement of financial performance.

<b>Group</b>	<b>Goodwill \$000</b>	<b>Total \$000</b>
<b>Cost or deemed cost</b>		
Balance at 1 July 2018	575	575
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2019</b>	<b>575</b>	<b>575</b>
Balance at 1 July 2019	575	575
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2020</b>	<b>575</b>	<b>575</b>
<b>Depreciation and impairment losses</b>		
Balance at 1 July 2018	-	-
Amortisation for the year	-	-
Impairment Loss	151	151
Disposals	-	-
Balance at 30 June 2019	151	151
Balance at 1 July 2019	151	151
Amortisation for the year	-	-
Impairment Loss	-	-
Disposals	-	-
<b>Balance at 30 June 2020</b>	<b>151</b>	<b>151</b>
<b>Carrying Amounts</b>		
At 30 June 2019	424	424
At 30 June 2020	424	424

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**12. Investment property**

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Opening Balance 1 July	1,035	1,382
Transferred from PPE	-	-
Additions	-	-
Disposals	-	( 285)
Gain (loss) on disposals	-	( 55)
Fair value gains/(losses) on valuation	( 25)	( 7)
<b>Balance at 30 June</b>	<b>1,010</b>	<b>1,035</b>

Investment properties are valued annually effective at 30 June to fair value by David Shaw (MNZIV, MP, NZ Registered Valuer) from Quotable Value. Quotable Value is an experienced valuer, with extensive market knowledge in the types and location of property owned by the group.

The valuer has highlighted there is currently significant valuation uncertainty due to market disruption associated with Government restrictions relating to COVID-19. The valuations were current as at the date of the valuation only and given the unknown future impact on the market and the uncertainty involved, Destination Westland will be reviewing these valuations frequently.

**13. Deferred Income**

Deferred Income classified as current consists of customer leases and management fees paid in advance.

**14. Contingent Liabilities and Contingent Assets**

At 30 June 2020, the Group had the following contingent liabilities:

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Guarantees:		
(a) Performance Bonds in favour of Westland District Council	410	546
(b) Performance Bonds in favour of Grey District Council.	335	535
(c) Mining Bonds	17	17
(d) Performance Bond in favour of NZTA (Transit NZ)	-	63
(e) Performance Bond in favour of Fulton Hogan Ltd	538	538
(f) Performance Bonds in favour of Christchurch City Council	140	170
(g) Performance Bond in favour of General Director of Conservation	165	165
(h) Performance Bond in favour of Westland Milk Products Limited	514	-

The Group has no contingent assets at 30 June 2020 (2019 : Nil)

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**15. Loan and Borrowings**

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Current Account Overdraft	4	20
Finance Lease	5	155
Bank Term Loan	6,155	6,662
	<b>6,164</b>	<b>6,837</b>

The bank term loans and finance leases are split as follows:-

Current Bank Term Loan	839	1,000
Current Finance Lease	5	46
Non-current Term Loan	5,316	5,662
Non-current Finance Lease	-	109
	<b>6,160</b>	<b>6,817</b>

Terms and conditions of loans & borrowings and their balances are as follows:-

<b>Group</b>	<b>2020 \$000</b>	<b>2019 \$000</b>	<b>Interest Repricing due</b>	<b>Maturing</b>
BNZ CARL Loan - Interest Rate 4.16%	1,389	1,580	1 Year	2026
BNZ Fixed Term Asset Loan - Interest Rate 5.55%	1,263	1,436	3 Years	2026
BNZ Money Management Loan (\$1,900k) - Interest Rate 4.16%	608	722	Variable	2024
BNZ Grey Assets Loan - Interest Rate 4.16%	551	602	Variable	2023
BNZ Grey Assets Loan - Interest Rate 4.16%	301	328	Variable	2023
BNZ Hoki Assets Loan - Interest Rate 5.49%	875	955	Variable	2023
Westpac Term Loan - Interest Rate 4.28%	139	200	Variable	2023
Westpac Term Loan - Interest Rate 4.9%	-	220	Variable	2023
Westpac Term Loan - Interest Rate 5.1%	-	212	Variable	2019
Westpac Term Loan - Interest Rate 5.95%	-	163	Variable	2023
Westpac Term Loan - Interest Rate 6.5%	4	13	Variable	2020
Westpac Term Loan - Interest Rate 6.09%	222	231	2 Years	2022
Westpac Term Loan - Interest Rate 4.28%	803	-	Variable	2020

(Carrying value is not materially different to Face value)

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit. At 30 June 2020 it is estimated that a 1% increase in interest rates would decrease the Group's 2020 profit before tax by approximately \$24,000 (2019: \$33,000.)

The Group has no formal interest rate hedging policy.

# WESTLAND HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 30 JUNE 2020



#### **Finance Leases**

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of fair value of the leased asset or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty whether the Company will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

#### **Critical judgements in applying accounting policies**

Determining whether a lease is a finance lease or an operating lease requires judgement as to whether the lease transfers substantially all the risks and rewards of ownership to the Company.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

#### **Security and finance lease**

Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default.

#### **Fair value and finance lease**

The fair value of finance leases in 2019 was \$183,000. Fair value was been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date of 4.75%. For the 2020 year finance leases have been reclassified as lease liabilities.

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**16. Right of use asset and lease liability**

The Company recognises a right-of-use asset (ROU) and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low- value assets where the Company recognises the lease payments as an other operating expense on a straight-line basis over the term of the lease.

**Right of Use Asset (Group)**

	Commercial Property	Gravel extraction consent	Motor Vehicles	Photocopy Equipment	Total
As at 1 July 2019	1,062	10	13	0	1,085
Additions	0	0		31	31
Depreciation expense	(140)	(3)	(7)	(5)	(155)
	922	7	6	26	961

**Lease Liability Maturity Analysis**

	Pre Operating Leases	Komatsu Lease	Group 2020 \$000
Lease Liabilities under NZ IFRS 16			
Lease than one year	138	57	195
Between one and five years	437	46	483
More than five years	417	-	417
Total lease payable	992	103	1,095
Current	138	57	195
Non Current	854	46	900
	992	103	1,095

Total short term leases			-
Lease interest expense			48 Note 4
Total cash outflow for leases - principal portion			121
Total cash outflow for leases - interest portion			48 Note 4
Total cash outflow for leases			169

**Cashflow for liquidity risk note**

6 months post balance date	89	23	112
6-12 months post balance date	90	23	113
More than 1 year	996	15	1,011
	1,175	61	1,236

**17. Commitments**

Capital Commitments: At 30 June 2020, the Group had no capital commitments due within 12 months of balance date (2019: \$Nil)

Other Commitments: Destination Westland Limited has a contract for painting work on the airport buildings until 2021. The value of the work contracted that has not yet been performed as at 30 June is \$5,000 (2019: \$5,000).

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**18. Employee Entitlements**

The Group has the following current employee entitlements

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Annual Leave	795	733
Accrued Wages	506	51
Time In Lieu	33	17
Long Service Leave	23	29
Sick Leave	33	33
Retirement Gratuities	32	59
	<b>1,422</b>	<b>922</b>

The Group has the following non current employee entitlements

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Retirement Gratuities	22	19
Long Service Leave	84	73
	<b>106</b>	<b>92</b>

**19. Post Balance Date Events**

1. After balance date Destination Westland settled an employee related matter arising from events prior to 30 June.
2. After balance date Destination Westland received a wage subsidy extension from the Ministry of Social Development.



**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**20. Transactions with Related Parties**

These transactions were entered into in the ordinary course of the group's business and on its usual terms and conditions with the exception of the Destination Westland Loan made to assist the subsidiaries cashflow position.

Details of these interests are as follows:

<b>Director/ Shareholder</b>	<b>Business in which an Interest is Declared</b>	<b>Type of Transaction</b>	<b>Group Transaction Amount \$000</b>	<b>Group Balance at 30 June \$000</b>
<i>1 July 2019 to 30 June 2020</i>				
WDC	Westland District Council	Payment - Rentals, Rates and On charges	319	60
WDC	Westland District Council	Sales	9,668	1,171
WDC	Westland District Council	Subvention Payment	200	200
WDC	Westland District Council	Dividend Payment	200	-
P M Cuff	Cuffs Limited	Payment - accounting services	23	1
P M Cuff	Beachfront Hotel Limited	Payment - entertainment	3	-
R A Pickworth B O Thomson	Westpower Limited	Payment - Rental RT	7	1
R A Pickworth B O Thomson	Electonet Services Limited	Payment - IT Services	146	14
R A Pickworth B O Thomson	Electonet Services Limited	Sales	919	53
C J Rea	Hokitika Automotive Limited	Purchase - Mechanical Services	30	3
M Rodgers	Men At Work Limited	Payment - Traffic Management	17	-
<i>1 July 2018 to 30 June 2019</i>				
WDC	Westland District Council	Payment - Rentals, Rates and On charges	516	204
WDC	Westland District Council	Sales	13,091	1,276
WDC	Westland District Council	Sales - Land	285	-
WDC	Westland District Council	Subvention Payment	240	240
WDC	Westland District Council	Dividend Payment	300	-
DWL	Destination Westland Ltd	Loan	90	401
P M Cuff	Cuffs Limited	Purchase - accounting services	13	10
P M Cuff	Beachfront Hotel Limited	Purchase - entertainment	6	-
D M J Havill	Aratuna Freighters Limited	Purchase - fuel, freight and other	842	84
D M J Havill	Aratuna Freighters Limited	Sale - plant hire and material sales	19	-
L Martin	Westland High School	Sales - maintenance and swimming pool hire	4	3
R A Pickworth B O Thomson	Westpower Limited	Payment - Rental RT	6	-
R A Pickworth B O Thomson	Electonet Services Limited	Purchase - IT Services	49	1
C J Rea	Hokitika Automotive Limited	Purchase - Mechanical Services	3	1

No related party debts have been written off or forgiven during the year.

Westland Holdings (Parent): Westroads has a subvention payment agreement with Westland Holdings (Parent) for \$120,000, with \$120,000 to be paid at balance date. (2019: \$90,000, \$90,000)

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**Key management personnel disclosure**

Key management personnel are deemed to be the directors of Westland Holdings Limited

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
Key management personnel compensation comprised		
Short-term employee benefits	43	36
Termination benefits	-	-
	<b>43</b>	<b>36</b>

There are no loans to or from key management personnel.

**21. Financial Instruments**

The accounting policy for financial instruments has been applied to the items below:

	<b>Group</b>	<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
<b><i>Financial Assets at amortised cost</i></b>		
Bank Accounts and Cash	860	443
Bank Overdraft (secured)	( 4)	( 20)
Debtors and other Receivables	4,732	4,075
<b><i>Financial Liabilities at amortised cost</i></b>		
Creditors and Other Payables	3,315	3,667
Loans	6,160	6,662
Finance Lease	-	155

The amounts reported above represent the Group's maximum credit exposure for each class of financial instrument. The anticipated contractual cash flows of the financial instruments are not expected to be materially different to the values shown above, and are all anticipated to occur within twelve months of the balance date, except for loans, which are analysed in Note 15.

The Group is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable and trade creditors.

The Group has a series of policies providing risk management for interest rates and the concentration of credit.

The Group is risk averse and seeks to minimise exposure from its treasury activities. Its policies do not allow any transactions which are speculative in nature to be entered into.

***Interest Rate Risk***

The Group is exposed to fair value and cash flow interest rate risk.

Fair value interest rate risk:

Fair value interest rate risk is the risk that a financial instrument will fluctuate due to changes in market interest rate. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has fixed rate borrowings measured at amortised cost, with relatively short maturity periods and interest repricing schedules. The directors do not consider the fair value interest rate risk to be significant at this time.

Cash flow interest rate risk:

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Group has most borrowings at variable rates. Accordingly, there is an interest rate risk at present (refer note 15.) The directors consider that this risk is balanced by the considerable benefit of the present lower floating rates.

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



***Currency Risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has no exposure to currency risk.

***Credit Risk***

Credit risk is the risk that a third party will default on its obligations to the Company, causing the Group to incur a loss.

Financial instruments which potentially subject the Group to risk consist principally of cash and trade receivables. The Group invests in high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Accordingly, the Group does not require any collateral or security to support financial instruments with organisations it deals with.

Concentrations of credit risk with respect to accounts receivable are high due to the reliance on the Westland District Council and Grey District Council for a high proportion of the Group's revenue. However, both councils are considered high credit quality entities.

***Fair Values***

The estimated fair values of the financial instruments are as stated in the Statement of Financial Position.

***Liquidity Risk***

Credit risk is the risk that a third party will default on its obligations to the company, causing the company to incur a loss. The maximum exposure to credit risk at 30 June 2020 is equal to the carrying value for cash and cash equivalents, trade and other receivables. Credit risk is managed by restricting the amount of cash and derivative financial instruments which can be placed with any one institution and these institutions are all New Zealand registered banks with at least a Standard & Poor's rating of A. As at 30 June 2020, the Group held cash at the BNZ of \$525,052. BNZ has a Standards and Poor's rating of AA-.

	Carrying amount	Contractual cashflow	less than 6 months	6-12 months	More than 1 year
	\$000	\$000	\$000	\$000	\$000
Payables (excluding income in advance, taxes payable and subventions)	3,315	3,315	3,315	-	-
Secured Loans	6,160	6,726	482	475	5,769
Lease Liabilities	1,095	1,202	101	102	999
Debtors	4,732	4,732	4,732	-	-
	5,838	6,511	( 834)	577	6,768

**WESTLAND HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**22. Reconciliation of Net Surplus after Taxation with Cashflows from Operating Activities**

	<b>Group 2020 \$000</b>	<b>Group 2019 \$000</b>
Net surplus after taxation	1,339	564
<i>Add/(less) non cash items:</i>		
Depreciation and amortisation	2,643	2,318
Increase (decrease) in provision for doubtful debts	10	2
Increase/(decrease) in deferred tax liability	( 84)	77
Increase/(decrease) in Employee Entitlements	13	6
Impairment of assets	130	151
Fair value (gain)/loss in investment properties	25	7
<b>Total Non-Cash Items</b>	<b>2,737</b>	<b>2,561</b>
<i>Add/(less) items classified as investment and financing activities:</i>		
Net loss/(gain) on sale of fixed assets	( 207)	( 227)
Net loss/(gain) on sale of investment property	-	55
Capital accounts payable	33	57
<b>Total Investing &amp; Financing Activity Items</b>	<b>( 174)</b>	<b>( 115)</b>
<i>Add/(less) movements in working capital items:</i>		
Increase/(decrease) in accounts payable and accruals	( 408)	865
Increase/(decrease) in employee entitlements (current)	500	67
Increase/(decrease) in income received in advance	5	( 23)
Increase/(decrease) in provision for taxation	333	( 266)
Increase/(decrease) in subvention payment payable	( 40)	( 10)
(Increase)/decrease in receivables and prepayments	( 616)	( 428)
Decrease/(increase) in contract assets	7	131
Increase/(decrease) in contract liabilities	289	82
(Increase)/decrease in inventory	437	( 555)
(increase)/decrease in term inventory	56	( 2)
(Increase)/decrease in work in progress	( 6)	4
<b>Working Capital Movement - Net</b>	<b>557</b>	<b>( 135)</b>
<b>Net Cash Inflows from Operating Activities</b>	<b>4,459</b>	<b>2,875</b>

**23. Capital Management**

The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between higher returns that may be possible through greater gearing and advantages and security afforded by a sound capital position.

The Group has a policy of shareholders funds being in the ratio of 40-100% of total assets.

**24. Imputation Credits**

The Group has Imputation Credits available for use in subsequent periods of \$1,936k