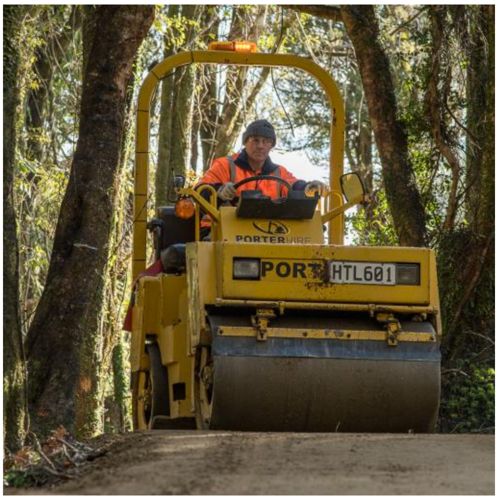
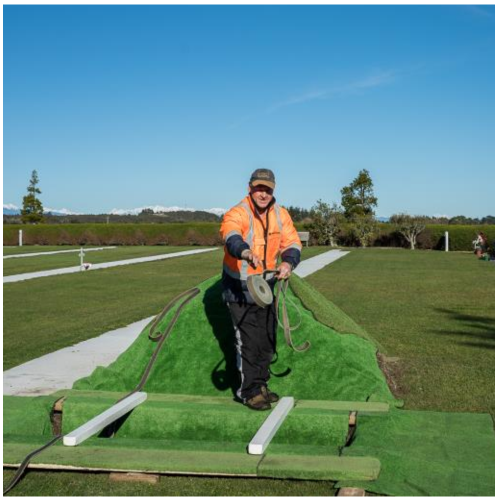
Westroads

ANNUAL REPORT





2020

WESTROADS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Independent Auditor's Report

To the readers of Westroads Limited's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Westroads Limited (the Company). The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 10 to 14, 16 to 40 (excluding note 22), that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 15 and 38 to 39 (note 22 only).

In our opinion:

- the financial statements of the Company on pages 10 to 14, 16 to 40 (excluding note 22):
  - 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 performance information of the Company on pages 15 and 38 to 39 (note 22 only) presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2020.

Our audit was completed on 3 November 2010. This is the date at which our opinion is expressed.

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

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in note 23 of the financial statements.

Basis for our opinion

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 opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing 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 performance information for the Company.

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

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company'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 Company 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 performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 performance information.

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

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 performance information, 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 Company'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 performance information within the Company's framework for reporting its 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 Company'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 performance information 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 Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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 5 to 9, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 performance information, 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 performance information 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. We have nothing to report in this regard.

Independence

We are independent of the Company 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 Company.

John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

DIRECTORS	*Chairman*:	Peter Cuff
	Deputy Chair:	Bryce Thomson
	Director:	Ross Pickworth
	Director:	Mark Rogers (appointed 15 October 2019)

- **REGISTERED OFFICE**

267 Kaniere Road

Hokitika

Phone 03 756 8044

Fax 03 755 6734

- **AUDITOR**

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

- **BANKERS**

Bank of New Zealand, Cnr Mackay & Tainui Streets, Greymouth

The Directors of Westroads Ltd have pleasure in presenting the Annual Report together with the audited financial statements of the Company operations for the year ended 30 June 2020.

Westroads Ltd was founded in January 1995 and commenced operation on 1 January 1996.

PRINCIPAL ACTIVITIES

The Company principal activities during the year were:

- Maintenance and construction of roads and bridges including traffic services, streetlights, footpaths, kerb and channel, cycleways and parking facilities;
- Maintenance, operation and development of water treatment and distribution systems;
- Maintenance, operation and development of sewerage collection and treatment systems;
- Maintenance and construction of stormwater collection systems including natural water courses specifically delegated from the Regional Council;
- Maintenance and development of parks, reserves and cemeteries;
- Maintenance of townships including landscaping, sculptures, fountains, garden plots, median islands and public conveniences;
- Installation of ultra-fast broadband cables West Coast wide
- Provision of human resources for civil defence; and
- Manufacture and supply of aggregate and crushed metals.
- Horizontal infrastructure construction
  - Watermain Installation
  - Drainage installation

REVIEW OF OPERATIONS

Results for the Year Ended 30 June 2020	$000
Net Surplus before Taxation	2,134
Subvention Payment	320
Income Taxation	497
Net Surplus After Taxation	1,316
Other Comprehensive Income	0
Deferred Taxation on Comprehensive Income	0
Total Other Comprehensive Income	
Movements in Equity	
Equity (opening balance)	9,839
Distributions to Owners	(280)
Surplus after Taxation	1,316
Total Other Comprehensive Income	0
Equity (closing balance)	10,875

DIRECTORS' INTERESTS

Directors have had interests in transactions with the company during the year. Refer note 17 Related Party Transactions.

There were no notices from Directors requesting to use company information received in their capacity as directors which would not otherwise be available to them.

DIRECTORS

Mark Rogers was appointed to the Board of Directors on the 15th of October 2019 following the resignation last financial year of Durham Havill.

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:

P M Cuff	$38,750
B O Thomson	$30,500
R Pickworth	$30,500
M Rogers	$24,000
	$123,750

REMUNERATION OF EMPLOYEES

Sixteen senior employees' remuneration and benefits totalled more than $100,000, the combined total of these sixteen employees was $2,257,628 broken into the following bands: -

2020

Salary Range		Employees
100,000	110,000	1
110,000	120,000	4
120,000	130,000	3
130,000	140,000	3
140,000	150,000	2
150,000	160,000	1
180,000	190,000	1
270,000	280,000	1
		16

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

INDEMNITY AND INSURANCE

Directors and Officers Liability Insurance has been arranged by the Company.

DONATIONS

The total amount of donations made by the Company during the year is $29,064

AUDITORS

The Auditor-General is appointed under Section 15 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 Westroads Ltd, the financial statements and notes on pages 10 to 40.

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company 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.

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 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 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 on behalf of the Board

P M Cuff (Chairperson)	B.O. Thomson Bryce Thomson (Director)
Date 3rd November 2020	Date 3rd November 2020

WESTROADS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $000	2019 $000
Revenue from contracts with customers	**1**	34,599	31,586
Cost of Sales	**2**	26,614	24,119
Gross Profit		7,985	7,467
Other Income	**3**	1,588	309
Administrative Expenses	**2**	7,025	5,815
Results from operations		2,548	1,961
Finance Expense	**4**	415	425
Net finance costs		415	425
Profit before Income Tax		2,134	1,536
Subvention Payment		320	380
Income tax Expense	**5**	497	290
Profit for the period		**1,316**	**865**
Attributable to:			
Equity holders of the parent		**1,316**	**865**
		1,316	**865**
Other Comprehensive Income			
Deferred Taxation on Revaluation	**5**	0	0
Total Other Comprehensive Income		0	0
Total Comprehensive Income for the Year		**1,316**	**865**
Attributable to:			
Equity holders of the parent		**1,316**	**865**
		1,316	**865**
Earnings per share from continued operations (in cents)		0.95	0.62

WESTROADS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Share Capital	Asset Revaluation Reserve	Retained Earnings	Total
		$000	$000	$000	$000
Balance 1 July 2019		1,385	867	7,586	9,839
Profit/(loss) for the Period		0	0	1,316	1,316
Dividends to Equity Holders	6	0	0	(280)	(280)
Balance 30 June 2020		**1,385**	**867**	**8,623**	**10,875**
Balance 1 July 2018		1,385	867	6,991	9,243
Profit/(loss) for the Period		0	0	865	865
Dividends to Equity Holders	6	0	0	(270)	(270)
Balance 30 June 2019		**1,385**	**867**	**7,586**	**9,839**

The accompanying accounting policies and notes form an integral part of the financial statements.

WESTROADS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $000	2019 $000
EQUITY			
Share Capital	6	1,385	1,385
Retained Earnings		8,622	7,586
Asset Revaluation Reserve		868	868
		10,875	9,839
represented by:			
CURRENT ASSETS			
Cash and Cash Equivalent	7	526	311
Trade and Other Receivables	8	4,677	3,927
Prepayments		2	2
Inventory	9	634	1,051
Work in Progress		17	11
Contract Assets	10	1,118	1,125
Total Current Assets		6,974	6,427
CURRENT LIABILITIES			
Trade and Other Payables	12	2,919	3,126
Contract Liabilities	10	372	82
Subvention Payment Payable	5	320	380
Loan and Other Borrowings	11	759	755
Employee Benefit Liabilities	13	1,351	800
Tax Payable	5	562	229
Lease Liability	14	168	0
Total Current Liabilities		6,452	5,374
Working Capital		**522**	**1,053**
NON-CURRENT ASSETS			
Property Plant & Equipment	15	14,522	13,772
Term Inventory	9	175	231
Right of Use Assets	14	917	0
Total Non-Current Assets		15,614	14,002
NON-CURRENT LIABILITIES			
Loan and Other Borrowings	11	4,228	5,013
Employee Benefit Liabilities	13	106	92
Deferred Tax Liability	5	46	110
Lease Liability	14	882	0
Total Non-Current Liabilities		5,261	5,216
Net Assets		10,875	9,839

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $000	2019 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers and other sources		35,078	31,409
Total Cash Inflows from Operating Activities		**35,078**	**31,409**
Cash was disbursed to:			
Payments to employees and suppliers		29,826	27,119
Income taxes paid		230	586
Subvention payments made		380	321
Purchase of term inventory		2	2
Interest paid		415	425
Total Cash Outflows from Operating Activities		**30,853**	**28,453**
Net Cash Inflow from Operating Activities	16	**4,225**	**2,956**
Cash Flows from Investing Activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		690	374
Total Cash Inflows from Investing Activities		**690**	**374**
Cash was applied to:			
Purchase of property, plant and equipment		3,644	2,734
Total Cash Outflows from Investing Activities		**3,644**	**2,734**
Net Cash Outflow from Investing Activities		**(2,954)**	**(2,360)**
Cash Flows from Financing Activities			
Cash was provided from:			
Proceeds of bank advances		0	1,350
Total Cash Inflows from Financing Activities		**0**	**1,350**
Cash was applied to:			
Repayment of loans		678	1,015
Payment of hire purchase lease		0	40
Payment of lease liabilities	14	98	0
Dividends paid		280	270
Total Cash Outflows from Financing Activities		**1,055**	**1,325**

The accompanying accounting policies and notes form an integral part of the financial statements.

Net Cash Inflow/(Outflow) from Financing Activities	**(1,055)**	**25**
Net Increase/(Decrease) in Cash Held	216	621
Add opening bank balance at 1 July	311	(310)
Bank Balance at 30 June	**526**	**311**
Made up of:		
Cash	526	311
	526	**311**

Changes in liabilities from financing activities

Cash outflows for lease payments increased in 2020 due to the adoption of NZIFRS 16. Refer to changes in accounting policies on page 17.

The Company settled less bank debt in 2020 compared to 2019 resulting in a lower net outflow of cash from financial activities in the current financial period

WESTROADS LIMITED

STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 20

	ACTUAL 2020 $000	BUDGET 2020 $000
GROSS REVENUE	34,599	29,149
less Cost of Sales	26,614	22,088
GROSS PROFIT	7,985	7,062
plus Other Income	1,588	222
less Administrative Expenses	7,025	5,722
less Finance Costs	415	397
NET PROFIT BEFORE TAXATION	2,134	1,165
Taxation Expense	497	244
Subvention Payments	320	295
NET SURPLUS AFTER TAXATION	1,316	626
Other Comprehensive Income	0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,316	626
EQUITY AT 1 JULY	9,839	9,803
DIVIDENDS	280	207
EARNINGS RETAINED	1,316	419
EQUITY AT 30 JUNE	10,875	10,015
RETURN ON AVERAGE SHAREHOLDERS FUNDS BEFORE TAX AND REVALUATIONS	20.60%	10.00%
PERCENTAGE OF SHAREHOLDERS FUNDS TO TOTAL ASSETS	48%	45-100%
DISTRIBUTIONS AS A PERCENTAGE OF AFTER TAX PROFITS	45.6%	40-70%
COMPLIANCE WITH STATUTORY & REGULATORY OBLIGATIONS	Achieved	No Breaches

VARIANCE ANALYSIS:

Revenue was up on budget by $5.45M. Most of this can be attributed to the storm event in South Westland in December 19, some of this increase can also be attributed to the Covid 19 wage subsidy payment.

The Net Profit Percentage was favourable compared to the budget target, finishing at 6.75% against a budget of 4%.

WESTROADS LIMITED

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2020

REPORTING ENTITY

Westroads Limited (the Company) is registered under the Companies Act 1993 and is domiciled in New Zealand. Westroads Limited is a wholly owned subsidiary of Westland Holdings Limited. The ultimate controlling party is 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 for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 29th October 2020.

BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards.

For the purposes of complying with NZ GAAP the company is a for-profit entity

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.

STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE

There are no standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the company.

Measurement base

The financial statements have been prepared on a historical cost basis except for land and buildings which are revalued every three years. The next revaluation is due in June 2021

Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Company'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 in the following notes:

Note 1 – Revenue from contracts with customers
Note 3 – Other Income
Note 11 – Finance leases
Note 14 – Right of use asset and lease liabilities
Note15 – Depreciation and estimated useful lives of property, plant and equipment

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 July 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 Company reviewed leases where the Company 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 July 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 July 2019. Comparative numbers have not been restated and therefore show previously recognised finance leases separately in note 11 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 $127,445 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 Company's incremental borrowing rates (IBR). The Company's IBR is the average of the borrowing rates obtained from financial institutions as if the Company 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 Company's intention to exercise a contractual right of renewal at the end of the initial lease term. The only lease that contained rights of renewals is the Christchurch property lease. This contract has an option to renew the contract for a further three years at 2023 and 2026. It is reasonably certain that the lease will be renewed at these dates, as such the right of asset for the Christchurch buildings has been calculated with rights renewed 2023 and 2026.

The Company 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

	$000
Operating lease commitments at 30 June 2019	607
Effect of discounting using incremental borrowing rates at 1 July 2019	(253)
Extension and termination options reasonably certain to be exercised	660
Total lease liabilities recognised at 1 July 2019 (previously operating leases)	1,013
Finance leases as at 30 June 2019	145
Total finance leases as at 1 July 2019	1,158

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 $97,519 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 & EQUIPMENT

Recognition and measurement

With the exception of land and buildings, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land and buildings are measured at revalued amount less subsequent depreciation.

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 Company 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 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 are as follows:

	2020
buildings	4-50 years
plant and equipment	1-20 years
office furniture & equipment	2-7.5 years

Revaluation

Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three to four years. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit.
Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to the accumulated surplus/(deficit) within equity.

Definite useful lives
Mining licences that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. There is no remaining useful lives for the mining licences.

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 manufactured inventories, 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. In the case of development land inventory, cost includes any 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 Company'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

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.

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.

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 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.

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 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 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.

1. Revenue from Contracts with Customers

Over Time	**2020**	**2019**
	$000	**$000**
Maintenance contracts	14,409	15,311
Construction contracts	17,140	13,031
Other contracts	1,455	1,967
Total Contracts Revenue	**33,004**	**30,309**
At a point in time		
Sales of goods and services metal	1,596	1,277
Total Revenue	**34,599**	**31,586**

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 Company 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 Company operates its construction contracts is predominantly derived from projects containing one performance obligation. There are numerous milestones 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. Transaction price is based on contract value

(iii) 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. Transaction price is based on the agreed sales price.

iv) 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 Company performs them.

v) Variable Consideration
Westroads has not incurred any claim for liquidated damages during the financial year.

vi) 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

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 Company 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 20thday of the month after the issuing of 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 contact is reached.

2. Nature of Expenses

The following items are included in the expenditure of the Company	**2020 $000**	**2019 $000**
Audit fees to Audit NZ comprising audit of financial statements	63	54
Depreciation & amortisation leases	127	0
Depreciation & amortisation	2,282	2,120
Loss on sale of property, plant & equipment	153	6
Impairment inventory and buildings	188	0
Directors' fees	124	106
Donations	26	3
Rental and operating lease costs	17	134
Bad debts written off	12	4
Personnel Expenses		
Wages & salaries	11,231	10,309
Contributions to defined contribution plans	442	373
Long service leave	14	7
Retiring gratuities	4	1
	11,691	**10,690**

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

3. Other Income

	2020 $000	2019 $000
Gain on sale of property, plant & equipment	357	240
Capital gain sale plant	3	17
Supplier rebates	20	31
Government grant COVID wage subsidy	1,155	0
Recoveries	53	21
	1,588	**309**

Key estimates and judgements: Revenue recognition

i) Government Grants - COVID-19 Wage Subsidy

The company applied for and received the Ministry of Social Development wage subsidy in relation to the COVID-19 crisis. The company has 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.

4. Finance Expenses

	2020 $000	2019 $000
Interest Expense on Lease Liabilities	45	0
Other Finance Costs	370	425
	415	**425**

5. Taxation

The taxation expense that would arise at the standard rate of corporation tax in New Zealand is reconciled to the tax expense as follows:

	2020 $000	2019 $000
Surplus/(deficit) before taxation	2,134	1,536
Prima facie taxation @ 28%	597	431
Asset Intercompany Elimination	0	4
Plus/(Less) taxation effect of permanent differences	(11)	(2)
(Less) Tax Effect of Subvention Payment to WHL	(34)	(25)
(Less) Tax Effect of Subvention Payment to WDC	(56)	(67)
(Less) Tax Effect of Subvention Payment to DWL	0	(14)
(Less) Tax Effect of Group Loss Offset from DWL	0	(36)
Taxation Expense	**497**	**290**

The taxation charge is represented by:

	2020 $000	2019 $000
Current taxation	562	327
Reduction in Prior Year taxation	0	0
Deferred Taxation Movement	(64)	(37)
	497	**290**

Deferred taxation (liability)/asset

	2020 $000	2019 $000
Opening Balance	(110)	(147)
Movement Recognised in Profit or Loss	64	37
Movement Recognised in other Comprehensive Income	0	0
	(46)	**(110)**

Deferred tax assets and liabilities are attributable to the following:

	2020 $000	2019 $000
Tax Losses Carried Forward	0	0
Employee benefit plans (Asset)	11	12
Accruals (Asset)	268	218
Receivables Impairment (Asset)	0	0
Retentions (Liability)	(219)	(152)
Property, Plant & Equipment (Liability)	(105)	(188)
	(46)	**(110)**

6. Share Capital

At 30 June 2020 the Company has issued 1,385,326 (2019: 1,385,326) shares which are fully paid. The Par value of the shares is $1 per share. 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. A $280,000 dividend was paid during the year (2019: $270,000). Dividends paid per share equated to $0.20 (2019: $0.19).

7. Cash and Cash Equivalent

	2020 $000	2019 $000
Cash in Bank	525	310
Cash on Hand	1	1
Total Cash and Cash Equivalent	**526**	**311**

8. Trade and Other Receivables

	2020 $000	*2019* $000
Trade Debtors - non-related	3,411	2,605
Trade Debtors - related parties	1,222	1,240
Revenue to Come	2	23
Cost Fluctuation Adjustment Accruals	41	60
Total	**4,677**	**3,927**
Less allowance for expected credit loss	-	-
Total receivables	**4,677**	**3,927**

All receivables relate to NZ and their status at the reporting date is as follows:-

	Gross Receivable 2020 $000	Expected credit loss 2020 $000	Gross Receivable 2019 $000	Expected credit loss 2019 $000
Not past due	4,241	0	3,337	0
Past due 0-30 days	338	0	292	0
Past due 31-120 days	35	0	161	0
Past due 121-360 days	10	0	27	0
Past due more than 1 year	9	0	27	0
	4,633	**0**	**3,845**	**0**

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.

9. Inventory

	2020 $000	*2019* $000
Manufactured inventories and work in progress		
Metal Stocks	591	833
Other Supplies	43	105
Land Racecourse Terrace for Sale	0	113
	634	**1,051**
Less Provision for Obsolescence		
	634	**1,051**

Term Inventory

Term Inventory comprises of land, which is held as tenants in common with Destination Westland Ltd for subdivision and for sale purposes after being impaired by $57,726 it is now valued at $175,000 (2019: $230,745). The piece of Land located at Racecourse Terrace was sold in September 2019 for $112,891 after commission. This was impaired by 12,175 in June 2019.

Cost of inventories recognised as an expense
During the year ended 30 June 2020, $1,557,368.59 was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

10. 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. Contact assets are disaggregated according to contract type:

	2020	2019
	$000	$000
Maintenance contracts	42	61
Construction contracts	1,068	1,034
Other contracts	9	29
Total current contract asset	**1,118**	**1,125**

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 amounted to $12,500.

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

	2020	2019
	$000	$000
Maintenance contracts	0	13
Construction contracts	372	69
Total contract liabilities	**372**	**82**

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

11. Amortised Costs (Loan & Borrowings)

	2020	2019
	$000	$000
Finance Lease	0	145
Bank Term Loan	4,987	5,623
	4,987	**5,769**
The bank term loan and finance lease are split as follows:-		
Current Bank	759	714
Current Finance Lease	0	41
Non-current Bank	4,228	4,909
Non-current Finance Lease	0	104
	4,987	**5,769**

* lease liabilities for the 2020 financial year are within note 11 with the adoption of IFRS 16

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

	2020	2019	Interest Repricing due	Maturing
CARL Loan - TD - Interest Rate 4.16%	1,389	1,580	1 Year	2026
Fixed Term Asset Loan ($1,900k) - Interest rate 5.55%	1,263	1,436	3 Years	2026
Money Management Loan ($2,892k) - Interest rate 4.16%	608	722	Variable	2024
Grey Assets Loan ($650k) - Interest Rate 4.16%	551	602	Variable	2023
Grey Assets Loan ($350k) - Interest Rate 4.16%	301	328	Variable	2023
Hoki CF Loan ($1,000k) - Interest rate 5.49%	875	955	Variable	2023

(Carrying value is not materially different to Face value)

In managing interest rate risks the Company aims to reduce the impact of short-term fluctuations on the Company'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 reduce the Company's 2020 profit before tax by $17,271 (estimated decrease in 2019: $26,073.) The company has no formal interest rate hedging policy.

Finance leases (2019 financial year prior to adoption of NZ IFRS 16 from 1 July 2019)

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 the 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 lease classification

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.

12. Trade and other Payables

	2020 $000	***2019* $000**
Trade Payables	2,062	1,803
Trade Payables - Related Parties	41	117
GST Payable	527	506
Accruals and other liabilities	289	700
Total Trade and other Payables	**2,919**	**3,126**

2019 included Accrued Salaries and Wages of $567K in 2020 these are included in Employee Entitlements.

13. Employee Entitlements

The Company has the following current employee entitlements

	2020 $000	**2019 $000**
Annual Leave	731	662
Time in Lieu/Stat Leave	33	17
Long Service Leave	23	29
Sick Leave	33	33
Retirement Gratuities	32	59
Accrued Salary and Wages	499	0
	1,351	**800**

The Company has the following non-current employee entitlements

	2020 $000	**2019 $000**
Retirement Gratuities	22	19
Long Service Leave	84	73
	106	**92**

Previously Accrued Salary and Wages of $567K were included in Trade and other Payables

14. 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

	Commercial property	Gravel extraction consent	Photo copying equipment	Total
	'$000	'$000		'$000
As at 1 July 2019	1,003	10	0	1,013
Additions		0	31	31
Depreciation expense	-119	-3	-5	-127
Total ROU as at 30 June 2020	**884**	**7**	**26**	**917**

The lease of the land and buildings in Christchurch contains an option to renew the contract for a further three years at 2023 and 2026. It is reasonably certain that the lease will be renewed at these dates, as such the right of asset for the Christchurch building has been calculated with rights renewed in 2023 and 2026.

Lease liability – Maturity Analysis

Lease liabilities under NZ IFRS 16:	**Pre operating leases**	**Komatsu Lease**	**Total lease liability**
Less than one year	111	57	168
Between one and five years	419	46	465
More than five years	417		417
Total lease payable	947	104	1,050
Current	111	57	168
non current	836	46	882
	947	104	1,050

	2020	
Total short term leases	-	
Lease interest expense	0	Note 1
Total cash outflow for leases - principal portion	91	
Total cash outflow for leases - interest portion	45	Note 4

Total lease expenditure in 2019 was $135,962

Cashflow for liquidity risk note	**Pre operating leases**	**Komatsu Lease**	**Total lease liability**
6 months post balance date	74	23	98
6-12 months post balance date	77	23	100
More than 1 year	988	15	1,004
	1,139	62	1,201

15. Property, plant and equipment

	Land & Buildings $000	Plant & Equipment $000	Office Furniture & Equipment $000	Total $000
Cost or deemed cost				
Balance at 1 July 2018	2,279	22,399	550	25,228
Additions	539	2,139	26	2,704
Disposals	0	(1,088)	0	(1,088)
Balance at 30 June 2019	**2,818**	**23,450**	**576**	**26,844**
Balance at 1 July 2019	2,818	23,450	576	26,844
Additions	97	3,500	47	3,644
Impairment	(130)	0	0	(130)
Disposals	0	(2,039)	(7)	(2,046)
Balance at 30 June 2020	**2,785**	**24,911**	**617**	**28,313**
Depreciation and impairment losses				
Balance at 1 July 2018	176	11,302	434	11,912
Depreciation for the year	53	2,010	57	2,120
Disposals	0	(960)	0	(960)
Balance at 30 June 2019	**229**	**12,352**	**491**	**13,072**
Balance at 1 July 2019	229	12,352	491	13,072
Depreciation for the year	76	2,166	39	2,282
Disposals	0	(1,550)	(13)	(1,563)
Balance at 30 June 2020	**305**	**12,968**	**517**	**13,791**
Carrying Amounts				
At 1 July 2018	2,103	11,097	116	13,316
At 30 June 2019	2,589	11,098	85	13,772
At 1 July 2019	2,589	11,098	85	13,772
At 30 June 2020	2,480	11,943	99	14,522

Security

At 30 June 2020 properties with a carrying value of $2,397,850 (2019: $2,583,000) are subject to a registered mortgage to secure bank loans.
At 30 June 2020 no plant and equipment was subject to a registered chattel security (2019: $0). All plant & equipment is subject to a general registered debenture.

Finance Lease

The net carrying cost of plant held under finance lease is $104K ($145K in 2019)
Note 11 Provides further information about finance leases

Revaluation

On 24th Oct 2017 the Company's land and buildings were independently valued by registered valuers, Preston Rowe Paterson (PPR West Coast Ltd). The fair value is determined based on comparable sales values to determine its fair value. The Company’s land and buildings are valued every three to four years.

Land and Buildings measured under the revaluation model have a carrying value of $2,479,542 as at 30 June 2020. Had this asset class been measured under the cost model, the carrying be $1,514,454 as at 30 June 2020

Valuation approach

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

16. Reconciliation of Net Surplus after Taxation with Cash Inflow from Operating Activities

	2020 $000	2019 $000
Net surplus after taxation	1,316	865
Add/(less) non cash items:		
Depreciation and amortisation	2,409	2,120
Impairment Goodwill & Land & Buildings	130	151
Increase/(decrease) in deferred tax	-65	(37)
Increase/(decrease) in Employee Entitlements (non-current)	13	6
Total Non-Cash Items	**2,487**	**2,241**
Add/(less) items classified as investment & financing activities:		
Net loss (gain) on sale of fixed assets	(207)	(245)
Capital account payable	0	30
Total Investing & Financing Activity Items	**(207)**	**(215)**
Add/(less) movements in working capital items:		
(Decrease)/increase in accounts payable and accruals	(207)	909
Increase/(decrease) in employee entitlements	551	1
Increase/(decrease) in provision for taxation	333	(260)
Decrease (Increase) in Contract Assets	7	131
Increase/(decrease) in Contract Liabilities	289	82
Increase/(decrease) in Subvention payment payable	(60)	59
Decrease (Increase) in receivables and prepayments	(750)	(355)
(Increase)/decrease in inventory	417	(503)
(Increase)/decrease in term inventory	56	(2)
(Increase)/decrease in work in progress	(6)	4
Working Capital Movement - Net	**629**	**65**
Net Cash Inflows from Operating Activities	**4,225**	**2,956**

17. Transactions with Related Parties

During the year the Company transacted business with businesses in which Directors and Shareholders had an interest. These transactions were entered into in the ordinary course of the company's business and on its usual terms and conditions. Details of these interests are as follows:

Director/ Shareholder	Business in which an Interest is Declared	Type of Transaction	Transaction Amount $000	Balance at 30 June $000
		1 July 2019 to 30 June 2020		
WDC	Westland District Council	Payment - Rentals & Rates	37	3
WDC	Westland District Council	Westroads Sales	8,454	1,169
WDC	Westland District Council	Subvention Payment	200	200
WDC	Westland Holdings Ltd	Subvention Payment	120	120
WDC	Westland Holdings Ltd	Dividend	280	0
WDC	Destination Westland	Payment - Rentals	35	20
WDC	Destination Westland	Sale - Plant Hire & Materials	31	0
WDC	Destination Westland	Subvention Payment	0	0
WDC	Destination Westland	Group Tax Loss offset	0	0
P M Cuff	Cuffs Ltd	Payment - accounting services	6	0
P M Cuff	The Beachfront Hotel	Payment - Entertainment	3	0
R Pickworth	Westpower Limited	Payment - Rental RT	7	1
R Pickworth	Electronet Services	Payment - IT Services	146	14
R Pickworth	Electronet Services	Westroads Sales	919	53
C Rea	Hokitika Automotive Ltd	Payment - Plant Materials & Service	30	3
C Rea	Chat-R Communications Ltd	Payment - Plant Materials & Service	26	6
M Rogers	Men At Work Limited	Payment - Traffic Management	17	0
Chris Gourley	The Start Ltd	Payment - Professional Services	1	0
	1 July 2018 to 30 June 2019			
WDC	Westland District Council	Payment - Rentals & Rates	264	2
WDC	Westland District Council	Westroads Sales	11,633	1,156
WDC	Westland District Council	Subvention Payment	240	240
WDC	Westland Holdings Ltd	Subvention Payment	90	90
WDC	Westland Holdings Ltd	Dividend	270	0
WDC	Destination Westland	Payment - Rentals	42	29
WDC	Destination Westland	Sale - Plant Hire & Materials	35	13
WDC	Destination Westland	Subvention Payment	50	50
WDC	Destination Westland	Group Tax Loss offset	130	130
P M Cuff	Cuffs Ltd	Payment - accounting services	3	0
P M Cuff	The Beachfront Hotel	Payment - entertainment	6	0
D M J Havill	Aratuna Freighters Ltd	Payment - fuel and freight	842	84
D M J Havill	Aratuna Freighters Ltd	Sale - plant hire and material sales	19	0
R Pickworth	Westpower Limited	Payment - Rental RT	6	0
R Pickworth	Electronet Services	Payment - IT Services	49	1
R Pickworth	Electronet Services	Westroads Sales	1,152	70
C Rea	Hokitika Automotive Ltd	Payment - Plant Materials & Service	3	1

All amounts billed are based on normal market rates and payable or receivable under normal payment terms and no related party debts have been written off or forgiven during the year.

Key management personnel disclosure

Key management personnel comprise the Directors and the General Manager, the Financial Controller and the Greymouth and Christchurch Branch Managers

Key management personnel compensation comprised	2020 $000	2019 $000
Short-term employee benefits	886	814
Termination benefits	0	0
	886	814

There are no loans to or from key management personnel.

18. Events Subsequent to Balance Date

There are no events subsequent to balance date

19. Capital Commitments

At 30 June 2020, the Company had no capital commitments (2019: none)

20. Financial Instruments

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

	2020	2019
Financial Assets at amortised costs	**$000**	**$000**
Cash and cash equivalents	526	311
Trade accounts receivable	4,677	3,927
Financial Liabilities at amortised cost		
Trade and other payables	2,392	2,620
Borrowings	4,987	5,623
Finance Lease	0	145

The amounts reported above represent the company’s maximum credit exposure for each class of financial instrument. The anticipated contractual cash flows of the financial instruments are not expected to be material and are all anticipated to occur within twelve months of the balance date, except for borrowings, which are analysed in note 12.

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

The Company 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 company 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 company to fair value interest rate risk. The company have 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 company has most borrowings at variable rates. Accordingly, there is an interest rate risk at present (refer note 12.) The directors consider that this risk is balanced by the considerable benefit of the present lower floating rates.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company 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 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.

Accordingly, the company does not require any collateral or security to support financial instruments with organisations it deals with.

The company has a credit policy in place under which customers are individually analysed for credit worthiness and assigned a purchase limit. If no external ratings are available, the Company reviews the customer's financial statements, trade references, bankers' references and/or credit agencies' reports to assess credit worthiness.

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 Company's revenue. However, both Councils are considered high credit quality entities.

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 Company's total cash held at BNZ is $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)	2,392	2,392	2,392	0	0
Secured Loans	4,987	5,367	419	412	4,537
Lease Liabilities	1,050	1,197	98	100	999
Debtors	4,633	4,633	4,633		
	3,796	**4,322**	**-1,725**	**512**	**5,536**

Fair Values

The estimated fair values of the financial assets and liabilities is equal to their carrying amounts are as stated in the Statement of Financial Position.

Capital Management

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

The Company'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 company 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 Company has a policy of shareholder's funds being in the ratio of 45-100% of total assets.

The company maintains a level of earnings before interest and tax to cover interest costs 2 times.

	2020	**2019**
Earnings Before Interest and Tax	2,548	1,961
Finance Expense	415	425
Ratio	**6.15:1**	**4.61:1**

21. Contingent Liabilities and Contingent Assets

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

	2020 $000	2019 $000
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	7	7
(d) Performance Bonds in favour of NZTA	0	63
(e) Performance Bond in favour of Christchurch City Council	140	170
(f) Performance Bonds in favour of Fulton Hogan Ltd	538	538
(g) Performance Bond in favour of Director General of Conservation	165	165
(h) Performance Bonds in favour of Westland Co-operative Dairy Co	514	0
	2,109	**2,024**

There are no contingent assets.

22. Social Reporting

Lost Time Injury

	2019/20	2018/19	Target
Full Days Lost due to workplace accidents/incidents	121	234	0
Lost Time Injury Days as % of all days worked	0.3%	0.4%	0%
Incidents notifiable to Worksafe NZ	0	0	0

Westroads Ltd continued to Promote Zero Harm by ensuring the following: -

- Employees are trained, supervised and monitored.
- Employees are encouraged to report all incidents, accidents and near misses
- Employees are encouraged to complete improvement forms to improve safety.
- Employees must complete a daily personal risk assessment (Take5) to identify hazards and minimise the risk on all worksites.
- Site Audits are regularly completed.
- Safety Briefs are conducted with the team every 2nd month.
- Team Annual Medical checks.
- Continuously monitoring and updating Health and Safety Systems.

Training Expenditure

	2019/20 $000	2018/19 $000	Target
Training Expenditure	248	220	
Training as % of Revenue	0.7%	0.5%	0.8%

Staff Turnover 15-20%

Staff turnover was at 23% (2019: 28%). 36 staff left their employment and cited the following reasons:

Of the 41 staff who left: -

Retirement	6	17%
Relocation	6	17%
Fixed Term/Casual Contracts	6	17%
Performance/Terminated	4	11%
More money/ job satisfaction/study/no reason	12	33%
Redundancy	2	6%
	36	100%

Three positions were made redundant following a rightsizing process in the Greymouth branch. One of those employees was offered a different position within the branch.

Overall, there was an increase of 4% in the number of jobs as 6 new positions were created (2019: 4% with 6 new jobs). As at 30 June 2020, Westroads had 161 staff employed, or 154 full time equivalent.

<u>Staff Breakdown</u>

The average age of staff is 49 years of age (2019: 49).

	Number	%
55 Years or older (10 years until retirement)	63	39%
60 Years or older (5 years until retirement)	45	28%
65 Years or older (2 have retired since balance date)	15	9%

23. 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 from 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 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 1).

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 6).

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.

24. Imputation Credits

	2020 $000
Imputation Credits available for use in subsequent period	1,829