



Westland HOLDINGS



WESTLAND HOLDINGS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Independent Auditor's Report

To the readers of Westland Holdings Limited's Group financial statements and statement of service performance for the year ended 30 June 2019

The Auditor-General is the auditor of Westland Holdings Limited (the Group). The Auditor-General has appointed me, Chantelle Gernetzky, 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 14 to 36, that comprise the statement of financial position as at 30 June 2019, statement of comprehensive income, statement of movement 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 13.

Qualified Opinion – Our work was limited over the carrying value of airport 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 14 to 36:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 Reduced Disclosure Regime; and
- the statement of service performance of the Group on pages 9 to 13 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 2019.

Our audit was completed on 30 September 2019. This is the date at which our qualified opinion is expressed.

The basis for our qualified opinion is explained below. 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 set out in note 6 to the financial statements, the Group holds airport related property, plant and equipment assets. These assets consist of runway, roading, drainage and lighting assets with a reported carrying value of \$1,878,000. These assets are measured at cost less accumulated depreciation and impairment losses.

As disclosed in the accounting policies on page 18, the Group reviews the carrying amount of its property, plant and equipment at each balance date to determine whether there is any indication that an asset is impaired. If there is an impairment indicator, the asset's recoverable amount should be estimated by reference to forecast future cash flows and fair value less costs to sell. If the recoverable amount of the asset is less than its carrying value, the asset's carrying value should be reduced and an impairment expense recognised.

There is evidence that airport related assets included in property, plant and equipment may be impaired. Because the Group has not determined the recoverable amount of the relevant assets, we are unable to determine whether the carrying value of these assets should be reduced and a corresponding impairment expense recognised. 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 13.

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.

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 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 performance information within the Group'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 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 performance information. 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 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(Revised): 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.



Chantelle Gernetzky
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

DIRECTORY

Directors:

Chairperson: Joanne M Conroy

Director: Christopher J Rea

Director: Albert G Brantley (retired 30/6/19)

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:

Elcock & Johnston, PO Box 85, Hokitika

DIRECTORS REPORT

The Directors present the Annual Report of Westland Holdings Limited for the year ended 30 June 2019. 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

Results for the Year Ended 30 June 2019	\$000
Net Surplus before Taxation	1,192
Subvention Payment	240
Income Taxation	388
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Net Surplus after Taxation	564
Other Comprehensive Income	0
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Total Comprehensive Income for the Year	564

Movements in Equity	
Equity (opening balance)	13,509
Distributions to Owners	(300)
Surplus after Taxation	564
Total Other Comprehensive Income	0
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Equity (closing balance)	13,773

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:

	\$
A G Brantley	12,000
J M Conroy	8,000
C G Gourley	8,000
C J Rea	8,000
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Total Remuneration	36,000

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 \$198,333. 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

Appointments:

C G Gourley was appointed on 26 July 2018.

Retirements:

A G Brantley retired on 28 June 2018.

There were no other 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 \$2,249,745 broken into the following bands: -

Salary Range		Employees	Westroads Ltd	Destination Westland Ltd
100,000	110,000	6	5	1
110,000	120,000	3	3	
120,000	130,000	3	3	
150,000	160,000	3	2	1
180,000	190,000	1	1	
260,000	270,000	1	1	
		17	15	2

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 \$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 5-36

- 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 2018 and the results of their operations and cash flows for the year ended on that date

DIRECTORS REPORT

- 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 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 September 2019



C G Gourley
Director
Date: 30 September 2019

WESTLAND HOLDINGS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019



	Note	Group 2019 \$000	Group 2018 \$000
Revenue		33,762	28,565
Cost of Sales	2	24,095	19,786
Gross Profit		9,667	8,779
Other Income	1	1,172	1,016
Administrative Expenses	2	9,163	7,079
Results from operations		1,676	2,716
Interest Received		-	1
Interest Paid		484	369
Net finance costs		484	368
Profit before Income Tax		1,192	2,348
Subvention Payment		240	250
Income tax expense	3	388	571
Profit for the period		564	1,527
Other Comprehensive Income			
Gain on Land & Building Revaluation		-	(897)
Deferred Taxation on Revaluation	3	-	66
Total Other Comprehensive Income		-	(831)
Total Comprehensive Income for the Year		564	696

WESTLAND HOLDINGS LIMITED
STATEMENT OF MOVEMENT IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019



Group	Share Capital \$000	Asset Revaluation Reserve \$000	Retained Earnings \$000	Total \$000
Balance 1 July 2018	8,695	-	4,814	13,509
Profit/(Loss) for the period	-	-	564	564
Other Comprehensive Income	-	-	-	-
Dividends to equity holders	-	-	(300)	(300)
Balance 30 June 2019	8,695	-	5,078	13,773

Note 4

Balance 1 July 2017	8,695	831	3,407	12,933
Profit/(Loss) for the period	-	-	1,527	1,527
Other Comprehensive Income	-	(831)	-	(831)
Dividends to equity holders	-	-	(120)	(120)
Balance 30 June 2018	8,695	-	4,814	13,509

Note 4

WESTLAND HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019



	Note	Group 2019 \$000	Group 2018 \$000
EQUITY			
Share capital	4	8,695	8,695
Retained earnings		5,078	4,814
Asset Revaluations Reserves		-	-
		13,773	13,509
represented by:			
CURRENT ASSETS			
Bank Accounts and Cash		443	235
Debtors and other Receivables	5	4,075	3,669
Inventories	7	1,103	548
Prepayments		33	10
Work in Progress		11	14
Contract Assets	21	1,125	1,256
Total Current Assests		6,790	5,732
CURRENT LIABILITIES			
Creditors and Other Payables		3,668	2,796
Contract Liabilities	21	82	-
Deferred Income	11	20	43
Subvention payment payable		240	250
Bank Overdraft (secured)	10	20	328
Employee Entitlements	15	922	856
Current Portion of Term Loan	10	1,046	1,182
Tax Payable		230	495
Total Current Liabilities		6,228	5,950
Working Capital		562	(218)
NON-CURRENT ASSETS			
Property Plant and Equipment	6	17,516	17,006
Investment Property	9	1,035	1,382
Term Inventory	7	353	351
Intangible Assets	8	424	575
Total Non Current Assets		19,328	19,314
NON-CURRENT LIABILITIES			
Employee Entitlements	15	92	86
Bank Term loans	10	5,771	5,325
Deferred Tax Liability	3	254	176
Total Non Current Liabilities		6,117	5,587
Net Assets		13,773	13,509

WESTLAND HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019



	Note	Group 2019 \$000	Group 2018 \$000
Cash Flows from Operating Activities			
Receipts from customers and other sources		34,378	28,015
Sale of Development Land		-	-
Interest received		-	1
Income tax refunded		13	1
Payments to suppliers and employees		(30,194)	(24,260)
Taxes paid		(586)	(114)
Subvention payments made		(250)	(240)
Term Inventory costs		(2)	(1)
Net GST Movement		-	(3)
Interest paid		(484)	(369)
Net Cash flow from Operating Activities	19	2,875	3,030
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		374	189
Proceeds from sale of investment property		285	-
Purchase of property, plant and equipment		(3,029)	(4,229)
Purchase of investment property		-	(247)
Net Cash flow from Investing Activities		(2,370)	(4,287)
Cash Flows from Financing Activities			
Proceeds of Loans and Bank Advances		1,544	1,839
Repayments of Loans		(1,193)	(445)
Repayments of Finance Leases		(40)	(63)
Dividends Paid		(300)	(120)
Net Cash flow from Financing Activities		11	1,211
Net Increase/(Decrease) in Cash Held		516	(46)
Add Opening Bank Balance at 1 July		(93)	(47)
Closing bank accounts and cash 30 June		423	(93)
<i>Made up of:</i>			
Cash		443	235
Bank Overdraft		(20)	(328)
		423	(93)

WESTLAND HOLDINGS LIMITED
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019



Performance Target	Outcome
Draft SI for WHL to be submitted for approval to WDC by 1 March each year	Not Achieved: Draft was submitted on 3 March 2019
Completed Statement of Intent to be submitted to WDC by 30 June each year	Achieved: Final Statement of Intent approved by WDC before end of June 2018
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 there are no surprises to WDC	Not assessed: Council Agreed that WHL reporting would be directly to council
Full and half year reporting to WDC	Achieved: Presentations 28 February 2019 and 27 June 2019
Reporting should consist of unique activities identified separately rather than being bundled into general activity groups.	Achieved: Reports covered financial and non-financial issues and activities.
Major matters of urgency are reported to the appropriate Council Committee or the CE of WDC within three days	Not assessed: No major matters of urgency.
At least two progress reports be made to WDC in the financial year (in addition to reporting on specific issues), with at least one presentation made to Councillors. Reports will include financial and non-financial performance.	Achieved: Presentations made to Council on 28 February and 27 June 2019, including both financial and non-financial information
The Chair will initiate an independent formal evaluation of the WHL directorate biennially, the first was undertaken in the 2013/14 year.	Not Achieved: With the WHL directorate newly appointed in late June 2018, there has been insufficient time nor the need to do such a review. A review of WHL directorate will be undertaken in late 2019
The Company will review the training needs of individual WHL directors, and ensure training is provided where required.	Not Achieved: With the WHL directorate newly appointed in late June 2018, there has been insufficient time nor the need to do such a review. A review of WHL directorate training requirements will be undertaken in late 2019
The process followed for each appointment to subsidiary board is transparent, fully documented and reported to WDC	Not Achieved: The only appointment during the period was the temporary appointment of Chris Rea to DWL to ensure a quorum is always available while the permanent recruitment is undertaken.
WHL negotiates with WDC to pay an achievable distribution for the 2018/2019 financial year prior to finalising WDC's budget	Not Achieved: The planned distributions for the coming year have been determined from the review and approval of the subsidiary company SOI's by the WDC
WHL meets its budgeted level of distribution income of \$600,000 for the 2018/19 financial year.	Not Achieved: WHL paid a dividend of \$300,000 in December 2018 after receiving a dividend from Westroads of \$270,000 and subvention payments of \$50,000.
That the adopted Directors Policy be followed for any director appointments made.	Not assessed: No permanent appointments were made to the subsidiary boards during the year
Draft SI's are to be received by 14 February from the subsidiary companies.	Not Achieved: DWL draft received 3 March, Westroads on 13 February
Comment on the draft SI's within the statutory timeframe of 30 April each year.	Achieved
WHL will direct the subsidiary companies to produce commercially focused draft SI's that are cognizant of their responsibilities to the social and environmental needs of the communities of Westland.	Achieved: The SI's for the subsidiary companies continue to improve in quality and to focus on financial, social and environmental outcomes
WHL will assess the alignment of the SI's with any specifically notified WDC strategic directive.	Not assessed: No strategic directives were given
Subsidiary company SI's to incorporate specific statements regarding the processes for the management of risk exposures, including reputational risk.	Achieved: Subsidiary company SOI's incorporate specific statements regarding to the process for the management of risk exposures, including reputational risk
All activity reports and formal reporting will be done through the Chairman of WHL and the CE of WDC	Achieved: During 2018-2019 WHL reporting was through the CE of WDC, and the subsidiary companies reported through the Chair of WHL.
Subsidiary company SI's to incorporate specific reporting requirements in accordance with legislation and accepted practice	Achieved: Subsidiary company SOI's incorporate specific reporting requirements in accordance with legislation and accepted practice
Long Term Investment assessment is carried out for any new projects. These must be assessed and approved by Council prior to initiating significant projects	Not Assessed: No long-term investments were undertaken by WHL and group during the past year.
	Achieved: 9/21 Not assessed: 5/21 Not Achieved 7/21

WHL - Westland Holdings Limited
 HAL - Hokitika Airport Limited
 DWL - Destination Westland Limited

WDPL - Westland District Property Limited
 WDC - Westland District Council

Westroads Key Results 30 June 2019

Westroads had a slow start to the year but has finished very strong achieving or exceeding most Financial KPI's. The new year is looking very strong as well with a strong pipeline of work.

31.6M

GROSS REVENUE

Gross revenue landed on 31.6m against a budget of 25.3m

1.536m

NET PROFIT BEFORE TAX

Net profit before tax of 1.536m against a budget of 1.201m

16.1%

RETURN ON SHAREHOLDER FUNDS

16.1% against a KPI of >10%



Westroads Key Results 30 June 2019

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

0.4%

LOST DAYS TO INJURY

Lost days to injury as a percentage of all days worked, was 0.4% against our focus of 0%. This is an ongoing focus, the result is never satisfying unless it is zero.



Destination Westland Key Results 30 June 2019

Destination Westland had its first full year of results since forming. It has been challenging but has enabled a clear blueprint for the coming financial year, where we believe profitability is achievable.

3.165m

GROSS REVENUE

Gross revenue landed on 3.165m against a budget of 3.280m

(0.200)M

NET PROFIT BEFORE TAX

Net profit before tax loss of (0.200)m against a budget of 0.008m

-4.7%

RETURN ON SHAREHOLDER FUNDS

-4.7% against a KPI of 1-6%



Destination Westland Key Results 30 June 2019

We have worked hard to achieve our qualitative results and it is pleasing to see our results here setting a good platform for the coming financial year

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 2019



REPORTING ENTITY

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

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

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

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

The Company is a Tier 2 for-profit entity and has elected to report in accordance with Tier 2 for-profit Accounting Standards on the basis that it does not have public accountability and is not a large entity. We note that 'large' is defined as total expenses over \$30 million. While the Company has total expenses greater than \$30 million in the current financial year, there is a one-year transitional period per XRB A1 (Application of the Accounting Standards Framework). Going forward, the Company will apply Tier 1 for-profit standards.

These financial standards comply with New Zealand equivalents to the International Financial Reporting Standards Reduced Disclosure Regime (NZIFRS RDR).

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 2 POE Accounting Standards. They comply with New Zealand equivalents to the International Financial Reporting Standards Reduced Disclosure Regime (NZIFRS RDR) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements were approved by the board of directors on 30 September 2019

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 6 - Depreciation and estimated useful lives of property, plant and equipment

Note 7 - Inventory valuation and provision for obsolescence

Note 9 – Investment Property

Note 15 - Employee Entitlements

Going Concern

Due to Destination Westland Limited's financial position and results and additional activities undertaken, in adopting the going concern assumption, Westland Holdings Limited has provided a letter of support, in their capacity as owners, to Destination Westland Limited. Specifically, Westland Holdings will make funds available as required to ensure Destination Westland Limited remain a going concern for the foreseeable future, which will not be less than 12 months.

CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2018

New standards impacting the Company that have been adopted in the annual financial statements for the year ended 30 June 2019 and which have given rise to changes in the company's accounting policies are:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)

Details of the impact these two standards have had are given below and in note 21. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the company's activities or require accounting which is consistent with the company's current accounting policies.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these is:

- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019).

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:

	2019	2018
buildings	3-50 years	5-50 years
plant and equipment*	1.5-25 years	2-25 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.

CONTRACT ASSETS AND LIABILITIES

The nature of the adjustments resulting from the adoption of IFRS 15

Revenue from Contracts with Customers and IFRS 9 Financial Instruments are described below:

IFRS 15 Revenue from Contracts with Customers (IFRS 15) IFRS 15 has replaced IAS 18 Revenue (IAS 18) and IAS 11 Construction Contracts as well as various Interpretations previously issued by the IFRS Interpretations Committee. It has impacted the Company in the following ways:

- a) A small number of contracts which work has been partially completed but are unable to be invoiced at 30 June 2019 that was previously labelled Work and Progress is now reclassified as Contract Assets and for the first time has had the profit recognised on these partially completed contract jobs. The total impact of the recognised profit is \$58K.

Over Time	Work in Progress	Revenue to Come Profit	Retentions	Total
Maintenance Contracts	58	04		61
Construction Contracts	438	54	542	1,034
Other Contracts	29	00		29
Total Contracts Asset	524	58	542	1,125

- b) A small number of contracts which work has been partially completed but are unable to be invoiced at 30 June 2019 that was previously labelled Work and Progress is now reclassified as Contract Assets, these contracts that also have some late costs that were previously classified as Costs to Come in Accounts Payable but are now called labelled as Contract liabilities.

Over Time	Cost to come
Maintenance Contracts	13
Construction Contracts	69
Other Contracts	
Total Contract Liabilities	82

Reinstatement of 2018

Due to the introduction of NZ IFRS 15 Revenue from Contracts, the 2018 numbers have been adjusted to reclassify

The following items to meet the new standard. There is no material impact from this change

	2018
Trade and other Receivables	(774)
Work and progress	(482)
Contract Assets	1,256
	<u>0</u>

IMPAIRMENT

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

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

Impairment of Receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on economic factors affecting the Companies customers.

There is no impairment deemed necessary as the company are not expecting any credit losses.

Impairment of Contract assets and Contract liabilities

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

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

There has been no Impairment of Contract Assets or Contract Liabilities

Impairment of Goodwill

The Company is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. During the year, with reference to all the competition in the Christchurch market the total carrying amount of Goodwill was impaired

This competitive market has had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to goodwill of \$151,000.

FINANCIAL INSTRUMENTS

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

Financial Assets

The company's financial assets comprise: cash and cash equivalents, and trade and other receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Financial assets are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

Financial liabilities

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

Interest-bearing borrowings

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

Trade and other payables

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

GOODS AND SERVICES TAX (GST)

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

EMPLOYEE BENEFITS**Defined contribution plans**

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

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

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

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

LEASED ASSETS

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

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

PROVISIONS

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a

pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

REVENUE

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

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

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

Note 8 sets out a numerical disaggregation of revenue in accordance with the disclosure requirements of the new standard.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transaction to determine whether, how much and when revenue is recognised.

Sale of Goods and Services – From 1 July 2018

To determine whether to recognise revenue, the Company follows a 5-step process:

- 1 – Identifying the contract with a customer
- 2 – Identifying the performance obligations
- 3 – Determining the transaction price
- 4 – Allocating the transaction price
- 5 – Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

If the company satisfies a performance obligation before it received the consideration, the company recognises a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale of Goods

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

Sale of Goods – Before 1 July 2018

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

Revenue contracts

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

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs

incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

LEASE PAYMENTS

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

INCOME TAX EXPENSE

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

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

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

CASH & CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term-highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

CONSOLIDATION

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The amendments to the following standards and interpretations are not expected to have a significant impact on the company's operations:

NZIFRS 16: Leases (effective for the financial year ending 30 June 2020)

The Company has not assessed the impact of the new standards therefore, it is unknown at this stage whether the following standards and interpretations will have a material impact on the company's operations.

WESTLAND HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2019



1. Other Income

	Group 2019 \$000	Group 2018 \$000
Gain on sale of property, plant and equipment	257	90
Lease receipts	863	754
Recoveries	21	-
Supplier Rebates	31	75
Gain in fair value of investment property	-	97
	1,172	1,016

2. Nature of Expenses

	Group 2019 \$000	Group 2018 \$000
<i>The following items are included in the expenditure of the Group</i>		
Audit fees to Audit NZ comprising audit of financial statements	108	91
Depreciation and amortisation	2,318	1,990
Loss on sale of property, plant and equipment	24	26
Loss on sale of investment property	55	-
Loss in Fair Value of Investment Property	7	-
Directors' Fees	237	228
Donations	3	12
Rental and operating lease costs	168	496
Change in Provision for Doubtful Debts	2	3
Bad Debts Written off	9	23
Personnel Expenses		
Wages and Salaries	11,778	10,266
Contributions to defined contribution plans	407	367
Long service leave	7	7
Retiring gratuities	1	2
	12,193	10,642

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

3. Taxation

	Group 2019 \$000	Group 2018 \$000
Surplus/(deficit) before taxation	1,192	2,348
Prima facie taxation @ 28%	335	659
Plus (less) taxation effect of permanent differences	21	(23)
Asset Intercompany Elimination	3	5
Prior Period Correction	96	-
(Less) Tax Effect of Subvention Payment to WDC	(67)	(70)
Taxation Expense	388	571

Income tax expense is represented by

Current taxation	326	597
Prior year tax	(16)	-
Deferred taxation	78	(26)
	388	571

WESTLAND HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2019



	Group 2019 \$000	Group 2018 \$000
Deferred taxation asset (liability)		
Opening Balance	(176)	(264)
Movement Recognised in surplus or deficit	(78)	22
Movement Recognised in Prior Period Adjustment	-	66
Balance as at 30 June	(254)	(176)
Deferred tax assets and liabilities are attributable to the following:		
Employee benefit plans (Asset)	12	13
Accruals (Asset)	237	326
Inventory Impairment (Asset)	-	-
Receivables Impairment (Asset)	2	1
Property, Plant and Equipment (Liability)	(369)	(333)
Retentions (Liability)	(152)	(209)
Tax Losses Carried Forward (Asset)	16	26
	(254)	(176)

4. Share Capital

At 30 June 2019 the Company has authorised and issued 8,424,792 (2018: 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.

5. Trade and other receivables

	Group 2019 \$000	Group 2018 \$000
Trade Debtors - non related	2,709	2,610
Trade Debtors - related parties	1,278	920
GST Receivable	-	8
Contra accounts	11	-
Provision for Doubtful Debts	(6)	(4)
Revenue to Come	23	64
Contract Retentions	-	-
Cost Fluctuation Adjustment Accruals	60	71
	4,075	3,669

Trade debtors breakdown per age of debt

	Gross Receivable 2019	Impairment 2019	Gross Receivable 2018	Impairment 2018
Not past due	3,338	-	3,074	-
Past due 0-30 days	391	-	264	-
Past due 31-120 days	169	1	100	2
Past due 121-360 days	59	5	79	1
Past due more than 1 year	30	1	13	1
	3,987	7	3,530	4

WESTLAND HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2019



6. Property, plant and equipment

Group	Land & Buildings	Plant & Equipment	Office Furniture & Equipment	Airport Runway Infrastructure	Under Construction	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Cost or deemed cost						
Balance at 1 July 2017	5,311	19,177	505	2,433	25	27,451
Additions	107	4,008	45	4	57	4,221
Transfer to Plant and Equipmen	(30)	30	-	-	-	-
Transfer to Investment Property	(70)	-	-	-	-	(70)
Net Revaluation Disposal	(896)	-	-	-	-	(896)
Disposals	-	(396)	-	-	-	(396)
Balance at 30 June 2018	4,422	22,819	550	2,437	82	30,310
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 Land and Buildings	41	-	-	-	(41)	-
Disposals	(26)	(1,118)	-	-	-	(1,144)
Balance at 30 June 2019	5,122	23,952	577	2,437	59	32,147
Depreciation and impairment losses						
Balance at 1 July 2017	681	10,041	386	471	-	11,579
Depreciation for the year	125	1,773	48	44	-	1,990
Disposals	-	(265)	-	-	-	(265)
Balance at 30 June 2018	806	11,549	434	515	-	13,304
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
Carrying Amounts						
At 1 July 2017	4,630	9,136	119	1,962	25	15,872
At 30 June 2018	3,616	11,270	116	1,922	82	17,006
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

Security

At 30 June 2019 properties with a carrying value of \$3,683,000 (2018: \$2,914,000) are subject to a registered mortgage to secure bank loans.

At 30 June 2019 no plant and equipment are subject to a registered chattel security (2018: \$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 \$145,000. (2018 \$199,000) Note 10 provides further information about finance leases

WESTLAND HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2019



7. Inventory

	Group 2019 \$000	Group 2018 \$000
Metal Stocks	833	313
Other Supplies	157	110
Racecourse Land for Sale	113	125
	1,103	548
Provision for Obsolescence	-	-
	1,103	548

Term Inventory

Term Inventory comprises parts of land held for subdivision and sale purposes \$353,000(2018: \$351,000). 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%.

8. Intangible Assets

The Group's only intangible assets is Goodwill. Goodwill has been assessed for impairment. An impairment of \$151,000 has been recognised in the current year (2018: Nil)

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

Group	Goodwill \$000	Total \$000
Cost or deemed cost		
Balance at 1 July 2017	575	575
Additions	-	-
Disposals	-	-
Balance at 30 June 2018	575	575
Balance at 1 July 2018	575	575
Additions	-	-
Disposals	-	-
Balance at 30 June 2019	575	575

Depreciation and impairment losses

Balance at 1 July 2017	-	-
Amortisation for the year	-	-
Impairment Loss	-	-
Disposals	-	-
Balance at 30 June 2018	-	-
Balance at 1 July 2018	-	-
Amortisation for the year	-	-
Impairment Loss	151	151
Disposals	-	-
Balance at 30 June 2019	151	151

Carrying Amounts

At 30 June 2018	575	575
At 30 June 2019	424	424

WESTLAND HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2019



9. Investment property

	Group 2019 \$000	Group 2018 \$000
Opening Balance 1 July	1,382	968
Transferred from PPE	-	70
Additions	-	247
Disposals	(285)	-
Gain (loss) on disposals	(55)	-
Fair value gains/(losses) on valuation	(7)	97
Balance at 30 June	1,035	1,382

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.

10. Loan and Borrowings

	Group 2019 \$000	Group 2018 \$000
Current Account Overdraft	20	328
Finance Lease	155	185
Bank Term Loan	6,662	6,321
	6,837	6,834

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

Current Bank Term Loan	1,000	1,142
Current Finance Lease	46	39
Non-current Term Loan	5,662	4,684
Non-current Finance Lease	109	641
	6,817	6,506

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

Group	2019 \$000	2018 \$000	Interest Repricing due	Maturing
BNZ CARL Loan - Interest Rate 5.21% (LY 5.2%)	1,580	1,762	1 Year	2021
BNZ Fixed Term Asset Loan (\$1,900K) - Interest Rate 5.55%(LY 5.55%)	1,436	1,599	3 Years	2021
BNZ Money Management Loan (\$2,500K) - Interest Rate 5.35%(LY 5.35%)	722	1,277	Variable	2021
BNZ Grey Assets Loan - Interest Rate 5.22% (LY 5.4%)	602	650	Variable	2023
BNZ Grey Assets Loan - Interest Rate 5.22% (LY N/A)	328	-	Variable	2023
BNZ Hoki Assets Loan - Interest Rate 5.49% (LY N/A)	955	-	Variable	2023
Westpac Term Loan - Interest Rate 4.85% (LY: 5.3%)	200	200	Variable	2023
Westpac Term Loan - Interest Rate 4.9% (LY: 5.3%)	220	238	Variable	2023
Westpac Term Loan - Interest Rate 5.1% (LY: 5.1%)	212	233	Variable	2019
Westpac Term Loan - Interest Rate 5.95% (LY: N/A)	163	-	Variable	2023
Westpac Term Loan - Interest Rate 6.5% (LY: 6.5%)	13	22	Variable	2020
Westpac Term Loan - Interest Rate 6.09% (LY: 6.09%)	231	242	5 Years	2022
Westpac Term Loan - Interest Rate N/A (LY 6.2%)	-	73	Variable	2019
Westpac Term Loan - Interest Rate N/A (LY 6.2%)	-	26	Variable	2021

(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 2019 it is estimated that a 1% increase in interest rates would decrease the Group's 2019 profit before tax by approximately \$33,000 (2018: \$27,000.)

The Group has no formal interest rate hedging policy.

WESTLAND HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2019



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 is \$183,000 (2018 \$237,000). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date of 4.75% (2018 4.75%)

11. Deferred Income

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

12. Contingent Liabilities and Contingent Assets

At 30 June 2019, the Group had the following contingent liabilities:

	Group 2019 \$000	Group 2018 \$000
Guarantees:		
(a) Performance Bonds in favour of Westland District Council	546	436
(b) Performance Bonds in favour of Grey District Council.	535	400
(c) Mining Bonds	17	17
(d) Performance Bond in favour of NZTA (Transit NZ)	63	63
(e) Performance Bond in favour of Fulton Hogan Ltd	538	284
(f) Performance Bonds in favour of Christchurch City Council	170	-
(g) Performance Bond in favour of General Director of Conservation	165	165

At balance date Destination Westland Ltd is involved in litigation involving an employee related matter arising about events prior to 30 June. We are not in a position to disclose further information as this is sitting with lawyers and still in early days. Any further disclosure may seriously prejudice the outcome.

The Group has no contingent assets at 30 June 2019 (2018 : Nil)

WESTLAND HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2019



13. Operating Leases

Operating Leases as Lessee:

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Group 2019 \$000	Group 2018 \$000
Commitment within 12 months	145	51
Commitment between 12 months and 5 years	419	100
Commitment greater than 5 years	3	12

Operating Leases as Lessor:

Investment property is leased under operating leases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:-

	Group 2019 \$000	Group 2018 \$000
Not later than one year	119	123
Later than one year and not later than five years	205	219
Later than five years	140	117
Total non-cancellable operating leases	464	459

No contingent rents have been recognised during the period.

14. Commitments

Capital Commitments: At 30 June 2019, the Group had no capital commitments due within 12 months of balance date (2018: \$759,000.)

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 (2018: \$8,000).

15. Employee Entitlements

The Group has the following current employee entitlements

	Group 2019 \$000	Group 2018 \$000
Annual Leave	733	698
Accrued Wages	51	21
Time In Lieu	17	15
Long Service Leave	29	35
Sick Leave	33	30
Retirement Gratuities	59	57
	922	856

The Group has the following non current employee entitlements

	Group 2019 \$000	Group 2018 \$000
Retirement Gratuities	19	19
Long Service Leave	73	67
	92	86

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16. Post Balance Date Events

Destination Westland Limited Loans of \$600,000 were refinanced to take advantage of the drop in interest rates.

17. 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:

Director/ Shareholder	Business in which an Interest is Declared	Type of Transaction	Group Transaction Amount \$000	Group Balance at 30 June \$000
<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	Electronet Services Limited	Purchase - IT Services	49	1
C J Rea		Purchase - Mechanical Services	3	1
<i>1 July 2017 to 30 June 2018</i>				
WDC	Westland District Council	Payment - Rentals, Rates and On charges	247	273
WDC	Westland District Council	Payment - Licenses and Levies	7	-
WDC	Westland District Council	Sales	11,146	916
WDC	Westland District Council	Sales - Land Commission	11	-
WDC	Westland District Council	Sales - Recoveries	61	4
WDC	Westland District Council	Subvention Payment	250	250
P M Cuff	Cuffs Limited	Purchase - accounting services	49	12
P M Cuff	Beachfront Hotel Limited	Purchase - entertainment	2	-
D M J Havill	Aratuna Freighters Limited	Purchase - fuel, freight and other	848	92
D M J Havill	Aratuna Freighters Limited	Sale - plant hire and material sales	4	1

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

The actual subvention payments may differ from the amounts accrued due to finalisation of financial results. Actual amounts paid in 2019 was \$250,000 with \$240,000 to be paid at balance date. (2018: \$240,000, \$250,000)

Westland Holdings (Parent): Westroads has a subvention payment agreement with Westland Holdings (Parent) for \$90,000, with \$90,000 to be paid at balance date. (2018: \$50,000, \$50,000)

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Key management personnel disclosure

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

	2019	2018
	\$000	\$000
Key management personnel compensation comprised		
Short-term employee benefits	36	26
Termination benefits	-	-
	36	26

There are no loans to or from key management personnel.

18. Financial Instruments

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

	Group	Group
	2019	2018
	\$000	\$000
<i>Financial Assets at amortised cost</i>		
Bank Accounts and Cash	443	235
Bank Overdraft (secured)	(20)	(328)
Debtors and other Receivables	4,075	3,669
Contract Assets	1,125	1,256
<i>Financial Liabilities at amortised cost</i>		
Creditors and Other Payables	3,667	2,796
Loans	6,662	6,321
Finance Lease	155	185
Contract Liabilities	82	-

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 10.

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 10.) The directors consider that this risk is balanced by the considerable benefit of the present lower floating rates.

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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

Liquidity risk represents the Company's and Group's ability to meet its contractual obligation. The Group evaluates its liquidity requirements on an ongoing basis. In future, the Group will generate sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

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

	Group 2019 \$000	Group 2018 \$000
Net surplus after taxation	564	1,527
<i>Add/(less) non cash items:</i>		
Depreciation and amortisation	2,318	1,990
Increase (decrease) in provision for doubtful debts	2	3
Increase/(decrease) in deferred tax liability	77	(27)
Increase/(decrease) in Employee Entitlements	6	(7)
Impairment of goodwill	151	-
Fair value (gain)/loss in investment properties	7	(97)
Total Non-Cash Items	2,561	1,862
<i>Add/(less) items classified as investment and financing activities:</i>		
Net loss/(gain) on sale of fixed assets	(227)	(63)
Net loss/(gain) on sale of investment property	55	-
Capital accounts payable	57	26
Total Investing & Financing Activity Items	(115)	(37)
<i>Add/(less) movements in working capital items:</i>		
Increase/(decrease) in accounts payable and accruals	865	326
Increase/(decrease) in employee entitlements (current)	67	81
Increase/(decrease) in income received in advance	(23)	2
Increase/(decrease) in provision for taxation	(266)	468
Increase/(decrease) in subvention payment payable	(10)	10
(Increase)/decrease in receivables and prepayments	(428)	(975)
Decrease/(increase) in contract assets	131	
Increase/(decrease) in contract liabilities	82	
(Increase)/decrease in tax refund due	-	11
(Increase)/decrease in inventory	(555)	35
(increase)/decrease in term inventory	(2)	(1)
(Increase)/decrease in work in progress	4	(279)
Working Capital Movement - Net	(135)	(322)
Net Cash Inflows from Operating Activities	2,875	3,030

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20. Segmental Information

	Group Revenue \$000	Group Surplus/ Deficit \$000
Year ended 30 June 2019		
Roading and Infrastructural maintenance contracts	31,860	1,536
Airport Operation and Property Management	3,074	(250)
Property	-	-
Holding Company	-	(94)
	34,934	1,192
Year ended 30 June 2018		
Roading and Infrastructural maintenance contracts	27,658	2,485
Airport Operation	1,924	(90)
Property	-	-
Holding Company	-	(47)
	29,582	2,348

Revenue includes interest received and other income.

21. Revenue from Contracts with Customers

The Company recognises revenue from the following major sources: Revenue from contracts from the rendering of maintenance services (including day and emergency works), construction contracts revenue, other contract revenue. Revenue is also recognised in relation to the sale of goods being road metals and workshop services

	2019	2018
Over Time		
Maintenance Contracts	15,311	12,235
Construction Contracts	13,031	12,025
Other Contracts	1,967	2,596
Total Contracts Revenue	30,309	25,933
At a point in time		
Sales Goods and Services Metal	1,277	1,584
Total Revenue	31,586	27,516

Maintenance

The Company performs maintenance services in the following areas :

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

Contracts entered into can involve various different processes, activities and services. Where these processes and activities tend to be highly inter-related, these are taken to be one performance obligation, otherwise separate performance obligations are identified. The transaction price is allocated across each performance obligation based on contracted prices. Revenue from maintenance services is recognised in the income statement by measuring progress to satisfaction of the performance obligations using a combination of output and input methods that best depicts performance. The progress to satisfaction is assessed by reference to approval by the client using a combination of input and measure and value output. The Company invoices customers on a periodic basis for agreed general maintenance monthly and for day works and emergency works as work is completed. The Company would have

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previously recognised a Work in Progress for any work performed. Any amount previously recognised as a Work in Progress is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the progress to satisfaction method, then the Company recognises a contract liability for the difference. Work In progress is reflected as a contract Asset from 1 July 2018.

Construction

The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for several projects the total transaction price is allocated across each project based on the transaction price. 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. This is consistent across all construction contracts. The Company becomes entitled to invoice customers on the monthly claim based on a measure and value calculation. The customer is sent a relevant claim or statement of work, the customer assesses the claim and issues a payment certificate on which an invoice is raised. The Company would have previously recognised work in progress for any work performed that is to be invoiced at a future date. Any amount previously recognised as work in progress is reclassified as Contract Assets.

Other

Contracts that cannot be classified under Maintenance or Construction - such as smaller Plumbing contracts and operation of Landfill management assets

Sale of goods

For sale of road metals, gravels and workshop vehicles repairs, revenue is recognised when control of the goods transferred, being when the goods are delivered to the customer and there is no unfilled obligation that could affect the customer's acceptance of the goods. A receivable is recognised at this point since this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Variable consideration

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

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.

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.

Interest income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

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Contract Assets & Liabilities

	2019	2018
Maintenance contracts	61	353
Construction contracts	1,034	866
Other contracts	29	37
Total current contract asset	1,125	1,256

	2019	2018
Maintenance contracts	13	0
Construction contracts	69	0
Other	-	0
Total contract liabilities	82	0

Maintenance

Payment for maintenance services is due monthly as is payment for day works and emergency works. A contract asset is recognised over the period the services are provided to represent the entity's right to consideration for the services transferred to date.

Construction

Construction contract assets represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Costs included all expenditure related directly to the specific projects.

Other

Contracts that cannot be classified under Maintenance or Construction - such as smaller Plumbing contracts and operation of Landfill management assets Payment is due, payment is due monthly.

22. 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.