Westroads

ANNUAL REPORT

2018

WESTROADS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORY

DIRECTORS

Chairman: Peter Cuff

Deputy Chair: Bryce Thomson

Director: Durham Havill

Director: Ross Pickworth (appointed 1 November 2017)

- **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

- **SOLICITORS**

Carruthers & Wetherall, Guinness St, Greymouth

Independent Auditor's Report

To the shareholders of Westroads Limited's financial statements and statement of service performance for the year ended 30 June 2018

The Auditor-General is the auditor of Westroads Limited (the company). 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 performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 8 to 12 and 14 to 34, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ended on that date, statement of accounting policies and the notes to the financial statements that include other explanatory information; and

- the performance information of the company on pages 13 and 34 (note 21 only).

In our opinion:

- the financial statements of the company on pages 8 to 12 and 14 to 34:

  - present fairly, in all material respects:

    - its financial position as at 30 June 2018; 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 the New Zealand equivalents to International Financial Reporting Standards Tier 2 Reduced Disclosure Regime; and

- the performance information of the company on pages 13 and 34 (note 21 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 2018.

Our audit was completed on 1 October 2018. This is the date at which our opinion is expressed.

The basis for our 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 performance information, we comment on other information, and we explain our independence.

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 shareholders, taken on the basis of these 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 2 to 7, but does not include the financial statements and the performance information, and our auditor's report thereon.

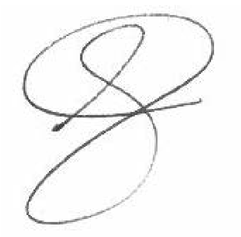
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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(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 company.



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

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 2018.

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, street lights, 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 and operation of the Greymouth Flood Protection Scheme;
- 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.

REVIEW OF OPERATIONS

Results for the Year Ended 30 June 2018	$000
Net Surplus before Taxation	2,475
Subvention Payment	321
Income Taxation	596
Net Surplus After Taxation	1,558
Other Comprehensive Income	106
Deferred Taxation on Comprehensive Income	(70)
Total Other Comprehensive Income	36
Movements in Equity	
Equity (opening balance)	7,728
Distributions to Owners	(80)
Surplus after Taxation	1,558
Total Other Comprehensive Income	36
Equity (closing balance)	9,243

DIRECTORS' INTERESTS

Directors have had interests in transactions with the company during the year. Refer note 15 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

Jack Fahey resigned his position as Director on the 31st of October 2017 and Ross Pickworth was appointed on the 1st of November 2017.

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	$28,666
B O Thomson	$23,999
D M J Havill	$23,999
M J Fahey	$6,666
R Pickworth	$17,333
	$100,666

REMUNERATION OF EMPLOYEES

Twelve senior employees' remuneration and benefits totalled more than $100,000, the combined total of these twelve employees was $1,589,800.51 broken into the following bands: -

Salary Range		Employees
100,000	110,000	5
110,000	120,000	2
130,000	140,000	2
140,000	150,000	1
160,000	170,000	1
230,000	240,000	1
		12

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 $11,691.

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 8 to 34.

- 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 2018 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)	(Director)
Date 28/9/2018	Date 28/09/2018.

WESTROADS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $000	*2017 $000*
Revenue		*27,516*	*19,621*
Cost of Sales	**2**	*19,786*	*13,825*
Gross Profit		*7,729*	*5,796*
Other Income	**1**	*165*	*291*
Administrative Expenses	**2**	*5,104*	*4,756*
Results from operations		*2,790*	*1,330*
Finance Income		*1*	*0*
Finance Expense		*316*	*324*
Net finance costs		*315*	*324*
Profit before Income Tax		*2,475*	*1,006*
Subvention Payment		*321*	*390*
Income tax expense	**3**	*596*	*176*
Profit for the period		***1,558***	***441***
Other Comprehensive Income		*0*	*0*
Gain on Land & Building Revaluation		*106*	*0*
Deferred Taxation on Revaluation	**3**	*(70)*	*0*
Total Other Comprehensive Income		***36***	***0***
Total Comprehensive Income for the Year		***1,595***	***441***

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

WESTROADS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Share Capital	Asset Revaluation Reserve	Retained Earnings	Total
		$000	**$000**	**$000**	**$000**
Balance 1 July 2017		1,385	831	5,513	7,728
Profit/(loss) for the period		0	0	1,558	1,558
Other Comprehensive Income		0	106	0	106
Deferred Tax on Revaluation		0	(70)	0	(70)
Dividends to equity holders	4	0	0	(80)	(80)
Balance 30 June 2018		**1,385**	**867**	**6,991**	**9,243**
Balance 1 July 2016		*1,385*	*831*	*5,072*	*7,287*
Profit/(loss) for the period		*0*	*0*	*441*	*441*
Other Comprehensive Income		*0*	*0*	*0*	*0*
Deferred Tax on Revaluation		*0*	*0*	*0*	*0*
Dividends to equity holders	4	*0*	*0*	*0*	*0*
Balance 30 June 2017		***1,385***	***831***	***5,513***	***7,728***

WESTROADS LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $000	*2017 $000*
EQUITY			
Share capital	4	1,385	*1,385*
Retained earnings		6,991	*5,512*
Asset Revaluation Reserve		867	*831*
		9,243	*7,728*
represented by:			
CURRENT ASSETS			
Cash and Cash Equivalent	20	9	*39*
Trade and other receivables	6	4,337	*3,187*
Prepayments		10	*62*
Inventory	7	548	*582*
Work in progress		496	*217*
Tax refundable			
Total Current Assets		5,401	*4,088*
CURRENT LIABILITIES			
Bank overdraft (Secured)	12	319	*379*
Trade and other payables	19	2,218	*1,966*
Subvention payment payable		321	*390*
Loan and other borrowings	12	622	*507*
Employee benefit liabilities	14	800	*732*
Tax payable		489	*14*
Total Current Liabilities		4,768	*3,988*
Working Capital		**633**	***100***
NON-CURRENT ASSETS			
Property plant & equipment	9	13,316	*11,191*
Intangible Assets	10	151	*151*
Term Inventory	7	229	*228*
Deferred tax benefit	3	0	*0*
Total Non-Current Assets		13,696	11,571
NON-CURRENT LIABILITIES			
Loan and other borrowings	12	4,852	*3,791*
Employee benefit liabilities	14	86	*93*
Deferred tax liability	3	147	*58*
Total Non-Current Liabilities		5,085	3,942
Net Assets		9,243	7,728

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

WESTROADS LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $000	2017 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers and other sources		26,162	*19,277*
Net GST movements		0	*0*
Income Tax Refunded		0	*0*
Interest received		1	*0*
Total Cash Inflows from Operating Activities		**26,163**	***19,277***
Cash was disbursed to:			
Payments to employees and suppliers		22,593	*16,587*
Net GST movements		0	*(23)*
Income taxes paid		101	*25*
Subvention payments made		390	*362*
Purchase of term inventory		1	*3*
Interest paid		316	*324*
Total Cash Outflows from Operating Activities		**23,402**	***17,278***
Net Cash Inflow from Operating Activities	16	**2,762**	***2,000***
Cash Flows from Investing Activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		189	*471*
Total Cash Inflows from Investing Activities		**189**	***471***
Cash was applied to:			
Purchase of property, plant and equipment		4,016	*1,682*
Purchase of Goodwill on Acquisition of Business		0	0
Total Cash Outflows from Investing Activities		**4,016**	***1,682***
Net Cash Outflow from Investing Activities		**(3,827)**	***(1,210)***
Cash Flows from Financing Activities			
Cash was provided from:			
Proceeds of Bank Advances		1,566	*100*
Proceeds of Repayments from Subsidiary			*0*
Cash was applied to:			
Repayment of Loans		328	*1,362*
Payment of Finance Lease		63	
Dividends paid		80	*0*
Total Cash Outflows from Financing Activities		**470**	***1,362***

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

Net Cash Inflow/(Outflow) from Financing Activities	**1,095**	***(1,262)***
Net Increase/(Decrease) in Cash Held	30	*(473)*
Add Opening Bank Balance at 1 July	(340)	*133*
Bank Balance at 30 June	**(310)**	***(340)***
Made up of:		
Cash	9	*39*
Bank Overdraft	(319)	*(379)*
	(310)	***(340)***

Plant totalling $209K was acquired by means of a finance lease during the year.

WESTROADS LIMITED
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2018 $000	*BUDGET 2018 $000*
GROSS REVENUE	27,516	*21,816*
less Cost of Sales	19,786	*15,252*
less Subvention Payment	321	*0*
GROSS PROFIT	7,729	*6,564*
plus Other Income	165	*255*
less Administrative Expenses	5,104	*5,443*
less Finance Costs	315	*373*
NET PROFIT BEFORE TAXATION	2,475	*1,003*
Taxation Expense	596	*191*
Subvention Payments	321	*320*
NET SURPLUS AFTER TAXATION	1,558	*492*
Other Comprehensive Income	36	*0*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,595	*492*
EQUITY AT 1 JULY	7,728	*7,744*
DIVIDENDS	80	*131*
EARNINGS RETAINED	1,515	*361*
EQUITY AT 30 JUNE	9,243	*8,236*
RETURN ON AVERAGE SHAREHOLDERS FUNDS BEFORE TAX AND REVALUATIONS	29.17%	>10%
PERCENTAGE OF SHAREHOLDERS FUNDS TO TOTAL ASSETS	48%	*45-100%*
DISTRIBUTIONS AS A PERCENTAGE OF AFTER TAX PROFITS	25.7%	*40-70%*
COMPLIANCE WITH STATUTORY & REGULATORY OBLIGATIONS	Achieved	NO BREACHES

VARIANCE ANALYSIS:

Revenue was up on budget by $5.7M at the time of preparing the budget Christchurch was recovering from a recent restructure, and the principle of conservatism was applied. The increase in revenue largely comes from several significant weather events in the Hokitika and South Westland areas, and Christchurch regained some of their lost revenue by diversifying into drainage.

Net Profit increased by 338% on the previous year, from $492K to $1.664M once gain there were many initiatives across all branches that helped contribute to this, continually reviewing all costs, obtaining more competitive pricing from suppliers, reviewing performance, improving work practices, also while revenue increased, fixed costs remained constant.

WESTROADS LIMITED

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2018

REPORTING ENTITY
Westroads Limited is registered under the Companies Act 1993 and is domiciled in New Zealand. Westroads Limited is ultimately 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.

BASIS OF PREPARATION
Statement of Compliance
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 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 28 September 2018

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 9 – Depreciation and estimated useful lives of property, plant and equipment
Note 14 – Employee entitlements

CHANGES IN ACCOUNTING POLICIES
There have been no changes in accounting policies during the year ended 30 June 2018.

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:

	2018
buildings	4-50 years
plant and equipment	1-20 years
office furniture & equipment	2-75 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.

INTANGIBLE ASSETS
Indefinite useful lives
Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets of the acquiree and is included in intangible assets. If the value of goodwill is lower than the net fair value, the difference will be recognised in the surplus or deficit.

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 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. 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.

CONSTRUCTION WORK IN PROGRESS
Construction work in progress represents 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. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

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 recoverable amount of the Company's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Non-financial assets

The carrying amounts of the Company's non-financial assets, being property, plant and equipment and mining licences, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

FINANCIAL INSTRUMENTS

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

Loans and receivables

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

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of materials, transfer usually occurs when the product is dispatched to the customer.

Services

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Construction 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, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction 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.

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:

NZ IFRS 9: Financial Instruments – Classification and Measurement (effective for the financial year ending 30 June 2019).

NZIFRS 15: Revenue from Contracts and Customers (effective for the financial year ending 30 June 2019)

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.

WESTROADS LIMITED
NOTE TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2018

1. Other Income

	2018 $000	2017 $000
Gain on sale of property, plant & equipment	90	*223*
Supplier Rebates	75	*0*
Other	1	*0*
Recoveries	0	*68*
	165	*291*

2. Nature of Expenses

	2018 $000	2017 $000
The following items are included in the expenditure of the Company		
Audit fees to Audit NZ comprising audit of financial statements	51	*50*
Depreciation & amortisation	1,818	*1,622*
Loss on sale of property, plant & equipment	26	*41*
Directors' Fees	101	*82*
Donations	12	*2*
Rental and operating lease costs	110	*106*
Change in Provision for Doubtful Debts	0	*(7)*
Bad Debts Written off	21	*7*
Personnel Expenses		
Wages & Salaries	9,529	*7,700*
Contributions to defined contribution plans	354	*276*
Long service leave	7	*(7)*
Retiring gratuities	2	*(1)*
	9,892	*7,968*

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

3. Taxation

	2018 $000	2017 $000
Surplus/(deficit) before taxation	2,475	1,006
Prima facie taxation @ 28%	693	282
Asset Intercompany Elimination	5	0
Plus/(Less) taxation effect of permanent differences	3	3
(Less) Tax Effect of Subvention Payment to WHL	(14)	(42)
(Less) Tax Effect of Subvention Payment to WDC	(70)	(67)
Plus Tax Effect of Subvention Refund from WDC	0	0
(Less) Tax Effect of Subvention Payment to DWL	(6)	0
(Less) Tax Effect of Group Loss Offset from WHL	0	0
(Less) Tax Effect of Group Loss Offset from DWL	(15)	0
(Less) Tax Effect of Prior Year Subvention to DWL	0	0
Taxation Expense	596	176

The taxation charge is represented by:

	2018 $000	2017 $000
Current taxation	581	132
Reduction in Prior Year taxation	0	0
Deferred taxation	15	44
	596	176

Deferred taxation (liability)/asset

	2018 $000	2017 $000
Opening Balance	(58)	(14)
Movement Recognised in Profit or Loss	(15)	(44)
Movement Recognised in other Comprehensive Income	(73)	0
	(147)	(58)

Deferred tax assets and liabilities are attributable to the following:

	2018 $000	2017 $000
Tax Losses Carried Forward	0	0
Employee benefit plans (Asset)	13	13
Accruals (Asset)	217	221
Receivables Impairment (Asset)	0	0
Retentions (Liability)	(209)	(164)
Property, Plant & Equipment (Liability)	(168)	(128)
	(147)	(58)

4. Share Capital

At 30 June 2018 the Company has issued 1,385,326 (2017: 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.

An $80,000 dividend was declared and paid during the year (2017: Nil)

5. Operating Leases

At 30 June 2018, the Company has the following commitments that relate to leases.

	2018	***2017***
	$000	***$000***
Commitment within 12 months	49	*114*
Commitment between 12 months & 5 years	125	*173*
Commitment greater than 5 years	34	*57*

The company leases land & buildings at Haast from Westland District Property Ltd. The lease term is for 10 years commencing 1 January 2014. The annual lease amount is $16,884.

The company leases land at Hokitika from Westland District Property Ltd. The lease term is for 10 years commencing 1 July 2015. The annual lease amount is $3,500.

From 1 July 2018, the leases held with Westland District Property Ltd will change to Destination Westland Ltd, also owned by Westland District Council.

The company leases land at Hokitika from Hokitika Airport Limited. The lease term is for 10 years commencing 1 September 2010. The annual lease amount is $500 plus royalties.

The company leases land at Taramakau from Michael Mueller. The lease term is for 5 years commencing 1 April 2017. The annual lease is $10,000.

6. Receivables

	2018	***2017***
	$000	**$000**
Trade Debtors - non-related	2,499	1,831
Trade Debtors - related parties	929	694
Provision for Doubtful Debts	0	0
Revenue to Come	93	29
Contract Retentions	745	586
Cost Fluctuation Adjustment Accruals	71	47
	4,337	3,187

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

	Gross Receivable	**Impairment**	**Gross Receivable**	**Impairment**
	2018	**2018**	**2017**	**2017**
	$000	**$000**	**$000**	**$000**
Not past due	3,018	0	1,973	0
Past due 0-30 days	241	0	390	0
Past due 31-120 days	93	0	46	0
Past due 121-360 days	64	0	95	0
Past due more than 1 year	12	0	22	0
	3,428		2,526	

7. Inventory

	2018 $000	*2017* $000
Metal Stocks	312	326
Other Supplies	110	133
Land Racecourse Terrace For Sale	125	124
	548	582
Provision for Obsolescence		
	548	582

Term Inventory

Term Inventory comprises of land, which is held as tenants in common with Westland District Property Ltd for subdivision and for sale purposes is valued at $228,887. (2017: $227,000). Another piece of Land is located at Racecourse Terrace and is currently for sale at $126,000.

8. Construction Contracts

	2018 $000	2017 *$000*
Contract costs incurred	10,007	5,270
Recognised profits/losses	2,632	1,071
	12,639	6,340
Progress billings	12,353	6,263
Gross amounts due from Customers (included in work in progress)	286	78
Retentions receivable in respect of construction contracts	745	*311*

Construction contracts include laying waterlines, constructing roads and footpaths, and constructing section pads.

9. Property, plant and equipment

	Land & Buildings $000	Plant & Equipment $000	Office Furniture & Equipment $000	Total $000
Cost or deemed cost				
Balance at 1 July 2016	2,186	18,216	410	20,812
Additions	0	1,708	95	1,803
Net Revaluation Gain/(Loss)	0	0	0	0
Impairment	0	0	0	0
Transfer to Plant & Equipment	0	0	0	0
Disposals	0	(1,070)	0	(1,070)
Balance at 30 June 2017	2,186	18,854	505	21,545
Balance at 1 July 2017	2,186	18,854	505	21,545
Additions	16	3,906	45	3,967
Net Revaluation Gain/(Loss)	107	0	0	107
Impairment	0	0	0	0
Transfer to Plant & Equipment	(30)	30	0	0
Disposals	0	(391)	0	(391)
Balance at 30 June 2018	2,279	22,399	550	25,228
Depreciation and impairment losses				
Balance at 1 July 2016	88	9,076	344	9,508
Depreciation for the year	45	1,535	42	1,622
Net Revaluation Gain/(Loss)	0	0	0	0
Impairment Loss	0	0	0	0
Disposals	0	(776)	0	(776)
Balance at 30 June 2017	133	9,835	386	10,354
Balance at 1 July 2017	133	9,835	386	10,354
Depreciation for the year	43	1,727	48	1,818
Net Revaluation Gain/(Loss)	0	0	0	0
Impairment Loss	0	0	0	0
Disposals	0	(260)	0	(260)
Balance at 30 June 2018	176	11,302	434	11,912
Carrying Amounts				
At 1 July 2016	2,098	9,140	66	11,304
At 30 June 2017	2,053	9,019	119	11,191
At 1 July 2017	2,053	9,019	119	11,191
At 30 June 2018	2,103	11,097	116	13,316

Security
At 30 June 2018 properties with a carrying value of $2,098,000 (2017: $2,098,000) are subject to a registered mortgage to secure bank loans.
At 30 June 2017 no plant and equipment was subject to a registered chattel security (2016: $3,368,000). All plant & equipment is subject to a general registered debenture.

Revaluation
On 24th Oct 2017 the Company's land and buildings were independently valued by registered valuers, Preston Rowe Paterson (PPR West Coast Ltd)

Finance Lease
The net carrying cost of plant held under finance lease is $199K
Note 12 Provides further information about finance leases

10. Intangible Assets

The Company's only intangible assets at balance date is goodwill. No allowance has been made for amortisation.

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

	Goodwill $000	Total $000
Cost or deemed cost		
Balance at 1 July 2016	151	
Additions		
Disposals		
Balance at 30 June 2017	151	
Balance at 1 July 2017	151	
Acquisition - external purchase		
Disposals		
Balance at 30 June 2018	151	151
Amortisation and impairment losses		
Balance at 1 July 2016		
Amortisation for the year		
Impairment Loss		
Disposals		
Balance at 30 June 2017		
Balance at 1 July 2017		
Amortisation for the year		
Impairment Loss		
Disposals		
Balance at 30 June 2018		
Carrying Amounts		
At 30 June 2018	151	151
At 30 June 2017	151	151

11. Contingent Liabilities and Contingent Assets

At 30 June 2018, the Company had the following contingent liabilities:

	2018 $000	2017 *$000*
Guarantees:		
(a) Performance Bonds in favour of Westland District Council	436	486
(b) Performance Bonds in favour of Grey District Council.	400	415
(c) Mining Bonds	7	7
(d) Performance Bonds in favour of NZTA	63	63
(e) Performance Bond in favour of Christchurch City Council	0	260
(f) Performance Bonds in favour of Fulton Hogan Ltd	284	0
(g) Performance Bond in favour of Director General of Conservation	165	165
	1,356	*1,397*

There are no contingent assets.

12. Loan & Borrowings

	2018	2017
	$000	***$000***
Bank Overdraft (secured)	319	379
Finance Lease	185	
Bank Term Loan	5,288	4,298
	5,793	4,677
The bank term loans are split as follows:-		
Current Bank	582	507
Current Finance Lease	39	
Non-current Bank	4,706	3,791
Non-current Finance Lease	146	
	5,473	4,298

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

	2018	2017	Interest Repricing due	Maturing
CARL Loan - TD - Interest Rate 5.2%	1,762	1,936	1 Year	2021
Fixed Term Asset Loan ($1,900k) - Interest rate 5.55%	1,599	1,754	3 Years	2021
Money Management Loan ($2,500k) - Interest rate 5.35%	1,277	609	Variable	2021
Grey Assets Loan ($650k) - Interest Rate 5.40%	650	-	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 2018, it is estimated that a 1% increase in interest rates would reduce the Company's 2018 profit before tax by $19,267 (estimated decrease in tax in 2017: $6,086.) The company has no formal interest rate hedging policy.

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 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.

Fair value and finance lease

The fair value of finance leases is $237K (2017 $0). Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date of 4.75% (2017 0%).

13. Capital Commitments

At 30 June 2018, the Company had capital commitments of $759,494 - 2 x Komatsu Excavators, Iveco Truck, and a Tipper Rock Trailer. (2017: $135,000.00)

14. Employee Entitlements

The Company has the following current employee entitlements

	2018	**2017**
	$000	***$000***
Annual Leave	662	606
Time in Lieu/Stat Leave	15	14
Long Service Leave	35	32
Sick Leave	30	25
Retirement Gratuities	57	56
	800	732

The Company has the following non-current employee entitlements

	2018	**2017**
	$000	**$000**
Retirement Gratuities	19	19
Long Service Leave	67	74
	86	93

15. 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 2017 to 30 June 2018		
WDC	Westland District Council	Payment - Rentals & Rates	51	2
WDC	Westland District Council	Westroads Sales	10,802	916
WDC	Westland District Council	Subvention Payment	250	250
WDC	Westland Holdings Ltd	Subvention Payment	50	50
WDC	Westland Holdings Ltd	Dividend	80	0
WDC	Westland District Properties Ltd*	Payment - Rentals	20	2
WDC	Westland District Properties Ltd*	Sale - Plant Hire & Materials	26	7
WDC	Westland District Properties Ltd*	Subvention Payment	21	21
WDC	Westland District Properties Ltd*	Group Tax Loss offset	54	54
P M Cuff	Cuffs Ltd	Purchase - accounting services	7	2
P M Cuff	Beachfront Hotel Ltd	Purchase - entertainment	2	0
D M J Havill	Aratuna Freighters Ltd	Purchase - fuel and freight	848	92
D M J Havill	Aratuna Freighters Ltd	Sale - plant hire and material sales	4	1
WDC	Hokitika Airport Ltd*	Payment - royalties	17	17
WDC	Hokitika Airport Ltd*	Sale - plant hire & material purchase	8	5
		1 July 2016 to 30 June 2017		
WDC	Westland District Council	Payment - Rentals & Rates	40	2
WDC	Westland District Council	Westroads Sales	6,104	690
WDC	Westland District Council	Subvention Payment	240	240
WDC	Westland Holdings Ltd	Subvention Payment	150	150
P M Cuff	Cuffs Ltd	Purchase - accounting services	9	0
P M Cuff	Beachfront Hotel Ltd	Purchase - entertainment	3	0
P M Cuff & G P King	Renton Chainsaws & Mowers	Purchase - Materials	1	0
D M J Havill	Aratuna Freighters Ltd	Purchase - fuel and freight	488	48
D M J Havill	Aratuna Freighters Ltd	Sale - plant hire and material sales	7	0
WDC	Hokitika Airport Ltd	Sale - plant hire & material purchase	32	4

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.

*** These entities have merged and now operate under the name Destination Westland Limited.**

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	2018 $000	2017 $000
Short-term employee benefits	782	741
Termination benefits	-	-

	782	741

There are no loans to or from key management personnel.

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

	2018	2017
	$000	*$000*
Net surplus after taxation	1,558	441
Add/(less) non cash items:		
Depreciation and amortisation	1,818	1,622
Increase/(decrease) in provision for doubtful debts	0	0
Increase/(decrease) in deferred tax	15	44
Increase/(decrease) in Employee Entitlements (non current)	(7)	(76)
Total Non-Cash Items	1,826	1,590
Add/(less) items classified as investment & financing activities:		
Net loss (gain) on sale of fixed assets	(63)	(182)
Capital account payable	59	(116)
Total Investing & Financing Activity Items	**(4)**	(298)
Add/(less) movements in working capital items:		
(Decrease)/increase in accounts payable and accruals	252	583
Increase/(decrease) in employee entitlements	68	(65)
Increase/(decrease) in provision for taxation	475	107
Increase/(decrease) in Subvention payment payable	(69)	28
Decrease (Increase) in receivables and prepayments	(1,099)	(417)
(Increase)/decrease in inventory	35	84
(Increase)/decrease in term inventory	(1)	(3)
(Increase)/decrease in work in progress	(279)	(50)
Working Capital Movement - Net	**(618)**	267
Net Cash Inflows from Operating Activities	**2,762**	**2000**

17. Events Subsequent to Balance Date

There are no events subsequent to balance date

18. Financial Instruments

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

	2018 $000	2017 $000
Cash and cash equivalents	9	39
Bank overdrafts	(319)	(379)
Loans and receivables		
Trade accounts receivable	4,337	3,187
Financial Liabilities at amortised cost		
Trade and other payables	2,218	1,966
Borrowings	5,288	4,298
Finance Lease	185	0

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.

Financial instruments which potentially subject the Company to risk consist principally of cash, trade receivables and various off-balance sheet instruments.

The Company invests in high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Accordingly, the company 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 Company's revenue. However, both Councils are considered high credit quality entities.

Liquidity Risk

Liquidity risk is the risk that Westroads will encounter difficulty raising funds to meet commitments as and when they fall due. Prudent Liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities to close out market positions.
Westroads mostly manages Liquidity risk by continuously monitoring forecasts and actual cashflow requirements and maintaining an overdraft facility

	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)	2,217	2,217	2,217		
Finance Leases	185	202	23	23	156
Secured Loans	5,288	6,376	460	451	5,465
	7,691	**8,795**	**2,700**	**474**	**5,621**

Fair Values

The estimated fair values of the financial instruments 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.

	2018	**2017**
Earnings Before Interest and Tax	2,790	1,330
Finance Expense	316	324
Ratio	**8.82 : 1**	**4.10:1**

19. Trade and other Payables

	2018 $000	*2017* $000
Trade Payables	1,233	918
Trade Payables - Related Parties	169	218
GST Payable	221	350
Accruals and other liabilities	595	480
	2,217	1,966

20. Cash and Cash Equivalent

	2018 $000	*2017* $000
Cash in Bank	8	*38*
Cash on Hand	1	*1*
	9	*39*

21. Social Reporting

During the year 1 July 2017 to 30 June 2018, there were 45 full days taken off due to workplace accidents and incidents - target zero (2017: 43 days). There were 0 incidents notifiable to Worksafe NZ (Target zero).

Westroads Ltd continued to Promote Zero Harm by ensuring the following;

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

<u>Training Expenditure</u>

	2017/18 $000	
Training Expenditure	282	
Training as % of Revenue Target	1%	Target 8%

<u>Staff Turnover Rates</u>

Staff turnover was at 29% (2017: 27%). Of this turnover, 11% was due to retirement and 13% was staff on fixed term contracts. A further 11% was let go due to performance or drug issues and the same number due to relocation. Overall there was a 16% increase in the number of jobs as 21 new positions were created (2017: 9% in 9 new jobs)

The average age of staff is 48 years of age (2017: 48). Westroads has 49 (32%) staff over the age of 55 years and 32 (21%) staff over the age of 60 years. The percentage of over 60 years old has increased from 19% in 2017.