WestReef Services Limited
Annual report
for the year ended 30 June 2021

Contents

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Directory

Directors	Brian John Wood (Chairman) Gareth Richard Allen Robert Frederick Blake Burdekin Jan Christine Coll Steven William Grave
Registered office	80 Russell Street Westport, New Zealand
Issued capital	1,666,000 Ordinary shares
Shareholders	Buller Holdings Limited 1,666,000
Auditor	Audit New Zealand (Wellington), on behalf of the Auditor-General
Solicitors	Lane Neave 141 Cambridge Terrace, Christchurch
Bankers	Westpac
Company number	643869

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Directors' report

In the opinion of the directors of WestReef Services Ltd, the financial statements and notes, on pages 9 to 32:

- 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 2021 and the results of the operations and cash flows and service performance for the year ended on that date; and
- have been prepared using accounting policies appropriate to the company's circumstances, which have been consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards as appropriate for profit-oriented entities have been followed.

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 Local Government Act 2002.

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.

The Board of Directors of WestReef Services Limited authorised these financial statements presented on pages 9 to 32 for issue on date listed below.

For and on behalf of the Board.

Brian Wood
Director

Date:______________

Gareth Allen
Director

Date:______________

General Manager' report

2020/2021 was an extremely busy year across all WestReef departments. We consistently strived to secure all business opportunities throughout the year maintaining a high tender success rate. Arguably, 2020/2021 was our greatest programme of works completed in the Company's history. The increased workload was due to a significant tranche of competitively procured, government funded project works opportunities that stemmed from Buller District Council Provincial Growth Funding.

Dedication and a willingness from all staff (especially our management team) to extend operational limits meant we were able to achieve solid outcomes across the business for the year.

Financially results were pleasing with annual figures exceeding all previous fiscal results. Record revenue was generated for the financial year totalling over $19 million. This represented significant growth when compared to the 2019/2020 year ($13.8m). It is also pleasing to report that the profit margin key performance indicator was exceeded. Ultimately, our achievement was the result of successful delivery of all maintenance contracts coupled with a significant portion of external project works. These included but were not limited to, Buller River Rock protection works, Punakaiki Shared pathway, Terrace trunk main, Toki Poutangata Bridge, Kawatiri Coastal Trail and Routeburn Track reinstatement works in Fiordland.

Achievements throughout the past year included a continued low staff turnover, successful undertaking of our biennial staff satisfaction survey, development and delivery of performance management training, an overhaul of company annual reviews, position descriptions and wage / salary banding matrix. We have continued in our investment in staff training for the ongoing success / succession of our business with 73 staff receiving some form of training over the year. Focus areas for training centred largely on traffic management, 3 waters and roading related qualifications. In addition, we continued with providing a significant amount of community support as required across various community events, organisations, and individuals.

Significant work and much progress has been made in the management and development of company H&S and HR systems and processes and we have secured additional staffing resource to assist in this area. Upon review we are realising various trends in our H&S data collection, and this is due to consistent reporting and data capture over the past few years. Results are pleasing and provide us with clarity of areas we will focus and aim to improve on moving ahead. Our upcoming challenge, which will require preparation, is our first triennial ISO 45001 H&S audit. This audit will span 5 days next financial year and we have elected a new auditor for this process.

The business has well and truly outgrown its current Russell St depot and IT systems. As such, a long-held strategy for the company has been the search / development of a new depot. We have commenced works on this project and have made significant gains in this area with the purchase of the Avery Bros site being our focus. We have also commenced work on the IT Systems review which will see us adopt and implement an up-to-date and fit for purpose IT systems package at some stage in the coming 12 months. These are significant portions of work with the outcomes being pivotal to our ongoing success as a business moving forward.

Looking ahead to 2021/2022 we have a positive outlook with several external projects bridging across financial years. We are poised to take advantage of any project or collaboration opportunity that arises. The success of WestReef this year is attributable to all staff who have worked extremely hard to achieve our vision and produce desired outcomes. I would like to show my ongoing appreciation to all staff for a very successful year.

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Dylan Taylor
General Manager

Date:____________

Independent Auditor's Report

To the readers of WestReef Services Limited's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of WestReef Services Limited (the company). The Auditor-General has appointed me, Stephen Lucy, 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 9 to 18 and 24 to 32, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 19 to 20.

In our opinion:

- the financial statements of the company on pages 9 to 18 and 24 to 32:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; 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 Reduced Disclosure Regime; and
- the performance information of the company on pages 19 to 20 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 2021.

Our audit was completed on 2 December 2021. 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 readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

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

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 4 and 21 to 23, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

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

S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

WestReef Services Limited
Statement of comprehensive income
For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Revenue	7	**19,062**	13,179
Other income	8	**52**	593
		19,114	13,772
Expenses			
Employee benefits expense		**(5,313)**	(5,616)
Depreciation of property, plant, and equipment	15	**(642)**	(599)
Depreciation of right-of-use assets	16	**(98)**	(100)
Other operating expenses	9	**(10,987)**	(6,167)
Total operating expenses		**(17,040)**	(12,482)
Finance income - net	6	**15**	74
Subvention payment expense		**(1,352)**	(1,216)
Profit before income tax		**737**	148
Income tax (expense) / benefit	10	**(22)**	8
Profit for the year		**715**	156
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**715**	156
Profit for the year is attributable to:			
Owners of WestReef Services Limited		**715**	156
		715	156
Total comprehensive income for the year is attributable to:			
Owners of WestReef Services Limited		**715**	156
		715	156

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

WestReef Services Limited
Statement of financial position
As at 30 June 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**1,364**	1,074
Trade and other receivables	12	**3,056**	1,785
Inventories	13	**111**	208
Investments	14	**2,304**	2,420
Total current assets		**6,835**	5,487
Non-current assets			
Property, plant, and equipment	15	**3,737**	3,560
Deferred tax assets	17	**209**	231
Right-of-use asset	16	**88**	110
Total non-current assets		**4,034**	3,901
Total assets		**10,869**	9,388
LIABILITIES			
Current liabilities			
Trade and other payables	18	**1,931**	1,347
Employee entitlements	19	**548**	549
Contract liabilities	7	**123**	-
Lease liabilities	16	**92**	90
Subvention payable	24	**1,300**	1,223
Total current liabilities		**3,994**	3,209
Non-current liabilities			
Employee entitlements	19	**32**	28
Lease liabilities	16	**-**	23
Total non-current liabilities		**32**	51
Total liabilities		**4,026**	3,260
Net assets		**6,843**	6,128
EQUITY			
Share capital	20	**1,666**	1,666
Retained earnings	21	**5,177**	4,462
Total equity		**6,843**	6,128

The above statement of financial position should be read in conjunction with the accompanying notes.

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	Attributable to equity holders of the Company		
	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 July 2019	1,666	4,306	5,972
Comprehensive income			
Profit for the year	-	156	156
Balance as at 30 June 2020	1,666	4,462	6,128
Balance as at 1 July 2020	1,666	4,462	6,128
Comprehensive income			
Profit for the year	-	715	715
Balance as at 30 June 2021	1,666	5,177	6,843

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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WestReef Services Limited
Statement of cash flows
For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		**17,735**	13,379
Interest received		**25**	79
Receipts from government grant		**52**	593
Payments to suppliers and employees		**(15,307)**	(11,986)
Subvention payment		**(1,274)**	(1,220)
Net cash inflow from operating activities		**1,231**	845
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**40**	42
Payments for property, plant, and equipment		**(993)**	(637)
Payments for investments		**(183)**	(1,461)
Short term deposits		**300**	-
Net cash outflow from investing activities		**(836)**	(2,056)
Cash flows from financing activities			
Lease payments		**(105)**	(103)
Net cash outflow from financing activities		**(105)**	(103)
Net decrease in cash and cash equivalents		**290**	(1,314)
Cash and cash equivalents at the beginning of the financial year		**1,074**	2,388
Cash and cash equivalents at the end of the financial year	11	**1,364**	1,074

The above statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

WestReef Services Limited (the "Company") is a Council Controlled Trading Organisation as defined in section 6(1) of the Local Government Act 2002. The Company is wholly owned by Buller Holdings Ltd and is registered under the Companies Act 1993. The Buller District Council (BDC) is the ultimate parent entity.

The Company is domiciled in New Zealand. The Company is primarily involved in the provision of contracting services in the Buller region.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, Local Government Act 2002 and the Financial Reporting Act 2013.

(a) Basis of preparation

(i) Compliance with NZ IFRS

The financial statements of WestReef Services Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). WestReef Services Limited is a for-profit entity for the purposes of complying with GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR'), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS RDR.

The Company is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Requirements (NZ IFRS RDR) on the basis that the Company has no public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the Company has applied a number of disclosure concessions.

(ii) Historical cost convention

The annual report have been prepared on a historical cost basis, unless stated otherwise in specific accounting policies below.

(iii) Financial statements presentation

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand.

(iv) Going concern

Since January 2020, the spread of novel coronavirus (COVID-19) continues to cause global disruption to business and economic activity.

During the year ended 30 June 2021, the Company has remained committed to retaining all employees and received the wage subsidy from the Ministry of Social Development to assist during the first half of the year.

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

In considering the impact of Covid-19 on the Company, management and the directors assessed whether there had been an impact on going concern or impairment of assets, including financial assets such as receivables, and whether these may be impaired. It was assessed that there was no impact.

The Directors have concluded that it is appropriate to prepare the financial statements on the going concern basis. The Directors conclude that the Company will be able to pay its debts as and when they become due.

(b) Revenue recognition

(i) Sales of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and recovery of the consideration is probable.

(ii) Revenue from services

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

1 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

In its application of NZ IFRS 15, WestReef has continued its revenue recognition accounting policy. This recognises revenue over time. The majority of WestReef's revenue is derived from services. These include most of the maintenance, repair and construction services performed under contracts. These services are performed over time, and performance obligations are for specific periods for which those services have been contracted. Some services are related to repair or construction of client's assets as components of their asset networks.

Revenue is measured based on the service price specified in the specific customer contract. Due to the way the contracts are negotiated and structured, the stated contract price for each service performed reflects the value transferred to the customer. There is no material variable consideration, financing, or non-cash components to consider in determining the transaction price. Much of the revenue is covered by a monthly claim process, where WestReef and the Customer agree the work fully performed, and the resulting value applying contract rates. These amounts are then due for payment the next month. WestReef has not included a finance component to revenue levels as its expectation is that the period between when a customer receives a goods or service, and when they pay for it will be less than one year.

Revenue derived from customers that do not have contracts with WestReef is not considered significant and therefore has not been separately disclosed.

(iii) Interest income

Interest is recognised using the effective interest rate method.

(c) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

(d) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual report. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1 Summary of significant accounting policies (continued)

(e) Goods and services tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(f) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate method.

(g) Inventories

Inventories held for sale on a commercial basis are valued at the lower of cost and net realisable value. The cost of the inventory is determined using the first in first out method.

The amount of write-down for the loss of service potential or from cost to net realisable value is recognised in the statement of comprehensive income in the period of the write-down.

(h) Financial instruments

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

1 Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

(iii) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(j) Property, plant, and equipment

Property, plant, and equipment is recorded at historical cost less depreciation and impairment losses.

The cost of items of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the profit or loss.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

• Leasehold Improvements	4.8 - 33 years
• Plant	2.5 - 18 years
• Office Equipment	2.5 - 12.5 years
• Office Furniture & Fittings	6.6 - 12.5 years
• Computer Equipment	2.5 - 3.3 years
• Vehicles	3.4 - 12.5 years

Capital work in progress is not depreciated. The total cost of a project is transferred to plant and equipment on its completion and then depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

1 Summary of significant accounting policies (continued)

(k) Leases

The Company leases various properties and equipment. Rental contracts are typically made for fixed periods of 2 to 4 years but may have extension options as described in note 14. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(i) Measurement Basis

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

(l) Provisions

The Company recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

(m) Employee benefits

Provision is made in respect of the Company's liability for annual, long service and retirement leave when it is probable that settlement will be required and if these liabilities are capable of being measured reliably.

The Company's net obligation in respect of long-term employee benefits (such as long service leave and retirement leave) 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. The discount rate is the yield at the reporting date on government bond yields that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Short-term employee benefit obligations (such as payments for annual leave) are measured on an undiscounted basis and are expensed as the related service is provided.

(n) Distributions

Distributions are recognised by the Board in the period in which they are declared.

2 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Long-term employee benefits

The Company estimates the employee entitlements for long service leave and retirement leave using actuarial assumptions. These include the probability of an employee receiving the benefit, wage inflation, and an appropriate risk-free discount rate of 6.8%.

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3 Statement of objectives and performance

The principal objective of the company is to operate as a successful business.

The objectives of the company for this financial year and the following two financial years were clearly specified in the statement of intent, which was approved by the shareholders.

These objectives are listed below with relevant targets and measures of performance, and the performance achieved during the financial year. Explanations are provided where the performance achieved is significantly different to the planned target.

Objective	Key Performance Indicator	Actual / Results	
		2021	2020
HEALTH & SAFETY	Medical Treatment Injuries Target: Nil	2 (Not Achieved)	5 (Not Achieved)
	Serious Harm Accidents Target: Nil	0 (Achieved)	0 (Achieved)
	LTI Targe Target: Nil	9 (Not Achieved)	8 (Not Achieved)
	ISO 45001 Accreditation (maintain)	Achieved	Achieved
OPERATIONAL	Employee Satisfaction – Staff turnover excluding retirement, redundancy, and internal transfers within the range of +/- 5% per annum of national benchmark	Total Turnover – 16%. 6% below the national average of 22% in the construction industry. This is positive as it is below the national average. Achieved.	Total Turnover – 10.2%. Achieved. Below national average of 18.1% in the construction industry
	Client Satisfaction – Min 12 meetings per year	9 x BDC contract Meetings 3 x DOC contract meetings NOC Contract as required	12 x BDC contract Meetings 7 x DOC contract meetings NOC Contract as required
	Renewal of TQS1 certification	Audit completed July 2021.	Due to Covid the certification was extended until September 2020

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3 Statement of objectives and performance (continued)

Objective	Key Performance Indicator	Actual / Results	
		2021	2020
EMPLOYEE DEVELOPMENT & SATISFACTION	Undertake staff satisfaction survey (2/yearly)	Survey undertaken September 2020	Survey due September 2020
	Regular department staff meetings	Regular meetings held. Achieved.	Not Achieved due to Covid
FINANCIAL (000's)	Revenue (Target: $10,029)	$19,114	$13,772
	Expenditure (Target: $8,744)	$17,039	$12,482
	Net Operating Surplus (Target: $1,285)	$2,090	$1,364
	Provision for Capex (Target: $1m)	$849k (6-Wheeler Tip Truck $261k ordered June, received in September)	$637k Trailer ordered June, received in July $130
	Return on Revenue (Target: 12%)	Not a measure in 2021	9% Not Achieved
	Competitively Procured Revenue (Target: 45%)	85% Achieved	66% Achieved
	Ratio of Shareholders Funds to Total Asset (Target: 60%)	63% Achieved	65% Achieved
ENVIRONMENTAL	Number of Enforcement notice (Target: Nil)	Nil	Nil Achieved
COMMUNITY	Support Minimum 25 community activities	50 Community activities Supported.	60 Community activities Supported. Target was conservative.

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4 Statutory information

Entries made in the Interests Register

Interests in transactions

The directors' interests have been recorded in the company's interest register. The interest register as at 30 June 2021 as below and has been updated for changes in director's interests during the year.

Director	Entity	Position
Brian Wood	Buller Holdings Ltd	Chairman
	Buller Recreation Ltd	Chairman
	Canterbury Linen Services Ltd	Chairman
	Delta Utility Services Ltd	Chair
	Espatial Ltd	Director
	Harrison Grierson Holdings Ltd	Director
	Harrison Grierson International Ltd	Director
	Harrison Grierson Consultants Ltd	Director
	HWPC Ltd	Director
	Invercargill City Holdings Ltd	Chairman
	Invercargill City Forest Ltd	Director
	Invercargill Central Ltd	Director
	Lyttleton Port Company Ltd (retired 29 October 2020)	Director
	Mainpower NZ Ltd	Director
	WestReef Services Ltd	Chairman
	Mt Cass Wind Farm Ltd	Director
	Greenpower New Zealand Ltd	Director
	Oversight Group for New Zealand upgrade programme, Ministry of Transport	Chairman
Gareth Allen	Buller Holdings Ltd	Director
	Buller Recreation Ltd	Director
	Explore Murchison Ltd	Director
	FT Dooley Ltd	Director
	Garry Anderson Investments Ltd	Shareholder (as Trustee)
	Glengarry 2010 Investments	Shareholder (as Trustee)
	Mokihinui Lyell Back Country Trust	Auditor
	St Canice's School Board	Trustee
	WestReef Services Ltd	Director

4 Statutory information (continued)

Director	Entity	Position
Jan Coll	Buller Electric Power Trust	Trustee
	Buller Holdings Ltd	Director
	Buller Recreation Ltd	Director
	Chris J Coll Surveying Ltd	Director/Shareholder
	Denniston Heritage Trust	Trustee
	WestReef Services Ltd	Director
Robert Burdekin	KIROB Ltd	Director/Shareholder
	Buller Fire & Safety Ltd	Director/Shareholder
	Beulah Ridge Ltd	Shareholder
	Kaniams Ltd	Director
	Granity School	Trustee
	Buller Holdings Ltd	Director
	WestReef Services Ltd	Director
	Buller Recreation Ltd	Director
Steven Grave	Sicon Ltd	Chairman
	Delta Utility Services Ltd	Director
	Whitestone Contracting Ltd	Director
	Steve Grave Consulting Ltd	Director
	Fulton Hogan Ltd	Shareholder
	Buller Holdings Ltd	Director
	WestReef Services Ltd	Director
	Buller Recreation Ltd	Director

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4 Statutory information (continued)

Use of company information by directors

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.

Shareholding by directors

No directors hold shares in the company.

Remuneration and other benefits to directors

No director of the company has received or become entitled to receive any benefit.

Indemnity and insurance: directors and employees

Directors and officer's liability insurance is held with QBE Insurance (International) Ltd.

Director's Remuneration

No director's fees were paid in 2021 (2020: Nil). Fees for Director services are reflected within the Parent's financial records.

Distributions

No distribution (2020: Nil) to Buller Holdings Ltd has been made. A subvention of $1,351,639 (2020: $1,222,813) has been provided for.

Employee's Remuneration

Remuneration and other benefits for the year totalling more than $100,000 were as follows:

(170,000 - 180,000)	1
(120,000 - 130,000)	1
(110,000 - 120,000)	1
(100,000 - 110,000)	3
Total:	**6**

Donations

No donations were made.

Auditor's Remuneration

Auditor's remuneration for the year totalled $33,600 (2020: $32,700).

5 Financial instruments

(a) Capital risk management

WestReef Services Limited belongs to a group of companies that includes Buller Recreation Limited, and Buller Holdings Limited as the parent entity ('the Group'). The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain a strong capital base to maintain shareholder and creditor confidence and to sustain future development of the business.

The Company does not have any exposure to external debt and is not subject to any externally imposed capital requirements.

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Company's management of capital during the period.

(b) Financial instruments by category

Financial assets as per statement of financial position	**Measured at amortised cost $'000**	**Total $'000**
At 30 June 2021		
Trade and other receivables	2,999	2,999
Investments	2,304	2,304
Cash and cash equivalents	1,364	1,364
	6,667	6,667
At 30 June 2020		
Trade and other receivables	1,762	1,762
Investments	2,420	2,420
Cash and cash equivalents	1,074	1,074
	5,256	5,256

Prepayments do not meet the definition of a financial asset and have been excluded from the above table.

Financial liabilities as per statement of financial position	**Measured at amortised cost $'000**	**Total $'000**
At 30 June 2021		
Lease liabilities	92	92
Trade and other payables	1,931	1,931
	2,023	2,023
At 30 June 2020		
Lease liabilities	113	113
Trade and other payables	1,347	1,347
	1,460	1,460

Employee entitlements do not meet the definition of a financial liability and have been excluded from the above table.

6 Finance income - net

	2021 $'000	2020 $'000
Finance costs		
Interest paid on lease liabilities	(10)	(5)
Total finance costs	(10)	(5)
Finance income		
Interest received	25	79
Total finance income	25	79
Net finance income	15	74

7 Revenue

	2021 $'000	2020 $'000
Revenue from contracts with customers	19,059	13,137
Gain on sales of assets	3	42
Total revenue	19,062	13,179

Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	2021 $'000	2020 $'000
Revenue received in advance	123	-

8 Other income

	2021 $'000	2020 $'000
Wage subsidies received in relation to COVID-19	52	593

9 Operating expenses

	2021 $'000	2020 $'000
Professional service fees	42	15
Audit fees	34	33
Management fees	372	378
Fuel costs	295	302
Subcontractor costs	5,679	2,344
Repairs and maintenance	4	8
Sponsorships	60	64
Rental expenses	3	3
Insurance costs	136	136
Licence costs	195	165
Training expenses	42	68
Loss on sale of assets	4	-
Other expenses	4,121	2,651
	10,987	6,167

10 Income tax expense / (benefit)

	2021 $'000	2020 $'000
(a) Income tax expense / (benefit)		
Current tax	-	-
Deferred tax	22	(8)
Income tax expense / (benefit)	22	(8)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	737	148
Income tax at 28%	206	41
Tax effects of:		
• Deferred tax adjustment	17	(25)
• Group loss offset	(201)	-
• Other adjustment	(1)	(24)
Income tax expense / (benefit)	22	(8)

WestReef Services Limited is a part of a Tax Consolidated Group with Buller Holdings Limited and Buller Recreation Limited. Consequently, all tax profits and losses are offset within the Group or payable as a subvention payment to Buller District Council.

11 Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank and in hand	1,064	1,074
Short term deposits	300	-
	1,364	1,074

12 Trade and other receivables

	2021 $'000	2020 $'000
Trade receivables	2,981	1,686
Prepayments	57	23
Other receivables	18	76
	3,056	1,785

13 Inventories

	2021 $'000	2020 $'000
Quarry aggregate and other inventory	111	208
	111	208

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14 Investments

	2021 $'000	2020 $'000
Short-term deposits with maturities of 4-6 months	2,304	2,420
	2,304	2,420

Investments are represented by short-term deposits which have maturities greater than three months from the date of acquisition.

15 Property, plant, and equipment

	Plant $'000	Office equipment, furniture, and fittings $'000	Leasehold improvements $'000	Vehicles $'000	Work in progress $'000	Total $'000
At 1 July 2019						
Cost	1,570	119	275	6,224	-	8,188
Accumulated depreciation	(928)	(85)	(63)	(3,721)	-	(4,797)
Net book amount	642	34	212	2,503	-	3,391
At 30 June 2020						
Cost	1,476	65	273	6,332	131	8,277
Accumulated depreciation	(866)	(47)	(81)	(3,723)	-	(4,717)
Net book amount	610	18	192	2,609	131	3,560
Year ended 30 June 2021						
Opening net book amount	610	18	192	2,609	131	3,560
Additions	171	32	-	789	-	992
Disposals	(38)	-	-	(4)	(131)	(173)
Depreciation charge	(162)	(17)	(19)	(445)	-	(642)
Closing net book amount	582	34	173	2,948	-	3,737
At 30 June 2021						
Cost	1,601	98	273	7,074	-	9,046
Accumulated depreciation	(1,019)	(64)	(100)	(4,126)	-	(5,309)
Net book amount	582	34	173	2,948	-	3,737

16 Leases

(a) Amounts recognised in the Statement of financial position

The Statement of financial position shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Right-of-use assets net book value		
Land	22	49
Buildings	66	55
Equipment	-	6
	88	110
Lease liabilities		
Current	92	90
Non-current	-	23
	92	113

Additions to the right-of-use assets during the year ended 30 June 2021 were $nil (2020: $210,773). During the year, the existing building lease was renewed for a further 2 year term.

(b) Amounts recognised in the Statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Depreciation charge of right-of-use assets		
Land	(27)	(27)
Buildings	(65)	(67)
Equipment	(6)	(6)
	(98)	(100)
Interest expense (included in finance cost)	(10)	(5)
	(10)	(5)

The total cash outflow for leases in the year ended 30 June 2021 was $105,438 (2020: $103,246).

(c) Extension and termination options

Extension and termination options are included in the land and building leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

17 Deferred tax

	2021 $'000	2020 $'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	**(25)**	(31)
Lease liabilities	**26**	31
Property, plant, and equipment	**40**	58
Accruals	**6**	11
Employee entitlements	**162**	162
Net deferred tax assets	**209**	231

	Right-of-use asset $'000	Lease liabilities $'000	Property, plant, and equipment $'000	Other Provisions $'000	Employee entitlements $'000	Total $'000
At 1 July 2019	-	-	62	20	141	223
(Charged) / credited to the statement of comprehensive income	(31)	31	(4)	(9)	21	8
At 30 June 2020	(31)	31	58	11	162	231
At 1 July 2020	(31)	31	58	11	162	231
(Charged) / credited to the statement of comprehensive income	6	(5)	(18)	(5)	-	(22)
At 30 June 2021	(25)	26	40	6	162	209

18 Trade and other payables

	2021 $'000	2020 $'000
Trade creditors	**1,471**	928
Accrued expenses	**460**	419
	1,931	1,347

19 Employee entitlements

	2021 $'000	2020 $'000
Current		
Annual leave and long service leave	**548**	549
	548	549

The associated expenses are recognised within 'Other operating expenses' in the statement of comprehensive income.

The Company estimates the employee entitlements for long service leave and retirement leave using actuarial assumptions. These include the probability of an employee receiving the benefit, wage inflation, and an appropriate risk-free discount rate of 6.8%.

	2021 $'000	2020 $'000
Non-current		
Retirement leave	**32**	28
	32	28
Total Provisions	**580**	577

20 Share capital

	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares	**1,666,000**	1,666,000	**1,666**	1,666
	1,666,000	1,666,000	**1,666**	1,666

Ordinary shares

At 30 June 2021, there were 833,000 Class A ordinary shares (2020: 833,000) and 833,000 Class B ordinary shares (2020: 833,000) issued and fully paid up with no par value.

The only holder of ordinary shares has voting and dividend rights.

21 Retained earnings

Movements in retained earnings were as follows:

	2021 $'000	2020 $'000
Balance at 1 July	**4,462**	4,306
Net profit for the year	**715**	156
Balance at 30 June	**5,177**	4,462

22 Contingencies

There is $539,788 in Performance Bonds outstanding with Westpac as at 30 June 2021 (2020: $130,000). Apart from that there were no other contingent liabilities outstanding as at 30 June 2021 (2020: $Nil).

23 Commitments

As at 30 June 2021, the Company had a capital commitment for a new Mercedes tipper truck for $261,000. The Company has also entered into an agreement to purchase a new depot site subject to due diligence (2020: $Nil).

24 Related party transactions

The Company is wholly owned by Buller Holdings Limited and is registered under the Companies Act 1993. The Buller District Council (BDC) is the ultimate parent entity.

(a) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows: G R Allen, R F Burdekin, J C Coll, S W Grave, B J Wood. All of these persons were also directors during the year ended 30 June 2020. R F Burdekin and S W Grave were appointed directors on 1 April 2020.

The services of Chris J Coll Surveying Ltd, a company of which J C Coll is a shareholder and director, were used to the value of $22,577 (2020: $3,631). An amount of $13,348 (2020: $3,631) was owing at balance date. No related party debts have been written off or forgiven during the year (2020: $Nil).

(b) Key management and personnel compensation

For the year ended 30 June 2021, total compensation for key management personnel amounted to $178,000 (2020: $163,000). The key management personnel are the senior leadership team with the greatest authority for the strategic direction and management of the Company.

Key management personnel compensation comprises:

	2021 $'000	2020 $'000
Short-term employee benefits	**173**	159
Post-employment benefits	**5**	4
	178	163

(c) Transactions with Buller District Council

	2021 $'000	2020 $'000
Services received from the council	**110**	85
Services provided to the council	**10,490**	6,691
Amounts owing to the council	**7**	6
Amounts receivable from the council	**2,254**	932
Subventions paid to the council	**1,274**	1,220
Subventions payable to the council	**1,300**	1,223

The Company expects to receive tax losses from Buller District Council amounting to $342,000 (2020: $nil) to offset against its taxable profits.

24 Related party transactions (continued)

(d) Transactions with Buller Holdings Limited

	2021 $'000	2020 $'000
Management fees	**372**	378
Other services	**28**	28
Amounts owing to BHL	**38**	53
Services provided to BHL	**39**	36
Amounts receivable from BHL	**3**	3

The Company does not expect to receive tax losses from Buller Holdings Limited to offset against its taxable profits (2020: none).

(e) Transactions with Buller Recreation Limited

	2021 $'000	2020 $'000
Services provided to BRL	**36**	30
Amounts receivable from BRL	**4**	2
Services provided by BRL	**11**	12
Amounts owing to BRL	**-**	3
Sponsorship paid to BRL	**60**	60

The Company expects to receive tax losses from Buller Recreation Limited amounting to $376,000 (2020: $nil) to offset against its taxable profits.

25 Events occurring after the reporting period

There were no events occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.

26 Legislative compliance

The Company completed its Annual report on 2 December 2021 and therefore did not meet the requirements of section 67 of the Local Government Act 2002 which requires the Board of Directors to complete the Company's Annual Report within 5 months after the end of the financial year.