WestReef Services Limited
Annual report
for the year ended 30 June 2023

Contents

Directory

Directors	Gareth Richard Allen Robert Frederick Blake Burdekin Steven William Grave Kieran Sweetman Vanessa Clare Van Uden
Registered office	80 Russell Street Westport, New Zealand
Issued capital	1,666,000 Ordinary shares
Shareholders	Buller Holdings Limited 1,666,000
Auditor	Ernst & Young (Christchurch), on behalf of the Auditor-General
Solicitors	Lane Neave 141 Cambridge Terrace, Christchurch
Banker	Westpac
Company number	643869

Directors' report

In the opinion of the directors of WestReef Services Ltd, the financial statements and notes, on pages 9 to 30:

- 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 2023 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 30 for issue on date shown below.

For and on behalf of the Board:

Director: Steven Grave

Date: 17th Oct 2023

Director: Gareth Allen

Date: 17th Oct 2023

General Manager's report

The 2023 year was a challenging yet successful year of operation for WestReef. We can be proud of our achievements relating to business resilience and continuity, development, and financial performance.

Several large projects were completed successfully across the business during the financial year. These included the Alma Road Emergency Housing Development and Westport Water Trunk main renewal. We were also successful in a variety of other tender opportunities across the business.

Financial results for the year were pleasing however, like the rest of New Zealand, we continued to operate in a high inflationary environment. Effects of price escalation on items such as fuel, wages and materials / consumables were evident, and this had a noticeable effect on our margin. Revenue generated for the period exceeded budget at $22m and we concluded the year with a profit before tax and distributions of just over $2m. The after tax profit was $0.7m.

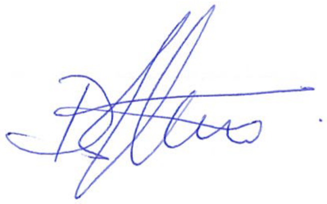
Uncertainty was cast across all Council Controlled Organisations (CCOs) that deliver three waters maintenance services in late December. Government indicated that staff, plant and equipment would transfer from CCO's to the new three waters entity. Early in the new year government reversed their position regarding this which was welcomed. Despite the above uncertainty, we successfully negotiated and signed a new three waters maintenance contract with Buller District Council. This commenced in January 2023 and is a 9-year (total) contract.

We have continued to focus and invest heavily in staff training and Health and Safety. Additional resource was implemented with the addition of a Health and Safety Officer early in 2023. We were again successful in external audits with renewal of all Health and Safety and Quality Accreditations. Overall when compared to the previous five years our Helath and Safety trends are pleasing and depict a reduction overall. Our auditing programme is also trending in a positive direction exceeding the previous year. This is really encouraging and can be attributed to dedication from our entire team.

Overall staff turnover was down on previous years and staff turnover in the first 12 months of employment increased on the previous year however both figures sat below the national average. We experienced an increasingly competitive labour market locally due to Stockton Coal Mine (international coal prices) and the recently operational Sand mine. This is a business risk that is set to continue for us moving forward.

After disappointment last year, we continued in search of securing a site for a new depot for WestReef. Buller Holdings Limited entered into an unconditional sale and purchase agreement for a section of Hamilton's farm (approx. 40ha). A significant section of this land is elevated and allows for achieving future business strategies. Considerable work was also undertaken on preparing for implementation of our new business IT systems which will 'go-live' on 1st July 2023.

Westreef is well positioned and remains in a robust position with many opportunities and challenges ahead. Our success is attributable to the ongoing effort of all WestReef employees, Buller Holdings Ltd CEO and Board of Directors. I would like to specifically recognise and thank all staff, especially our management team for their continued hard work and dedication.



Dylan Taylor

General Manager

Date: 17th Oct 2023

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF WESTREEF SERVICES LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of WestReef Services Limited (the company). The Auditor-General has appointed me, Johnathan Hodge, using the staff and resources of Ernst & Young, 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 22 to 30, that comprise the statement of financial position as at 30 June 2023, 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 page 19.

In our opinion:

- the financial statements of the company:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and

- the performance information of the company 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 2023.

Our audit was completed on 17 October 2023. 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 financial statements and 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 20 to 21, 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 (including International*

Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

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

John Hodge.

Johnathan Hodge
Ernst & Young
On behalf of the Auditor-General
Christchurch, New Zealand

WestReef Services Limited
Statement of comprehensive income
For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Revenue	7	**21,989**	20,877
Other income	8	**66**	179
		22,055	21,056
Expenses			
Employee benefits expense		**(6,426)**	(5,868)
Depreciation of property, plant, and equipment	15	**(831)**	(735)
Depreciation of right-of-use assets	16	**(114)**	(93)
Other operating expenses	9	**(12,693)**	(11,622)
Total operating expenses		**(20,064)**	(18,318)
Finance income - net	6	**23**	16
Subvention payment expense	24	**(1,137)**	(1,300)
Profit before income tax		**877**	1,454
Income tax expense	10	**(7)**	(37)
Profit for the year		**870**	1,417
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**870**	1,417
Profit for the year is attributable to:			
Owners of WestReef Services Limited		**870**	1,417
		870	1,417
Total comprehensive income for the year is attributable to:			
Owners of WestReef Services Limited		**870**	1,417
		870	1,417

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

	Notes	**2023 $'000**	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**658**	2,681
Trade and other receivables	12	**3,489**	3,384
Inventories	13	**314**	81
Investments	14	**2,130**	1,500
Related party loan	24	**1,000**	-
Total current assets		**7,591**	7,646
Non-current assets			
Property, plant, and equipment	15	**5,112**	4,615
Deferred tax assets	17	**165**	172
Right-of-use asset	16	**349**	26
Total non-current assets		**5,626**	4,813
Total assets		**13,217**	12,459
LIABILITIES			
Current liabilities			
Trade and other payables	18	**1,961**	2,088
Employee entitlements	19	**629**	599
Contract liabilities	7	**-**	185
Lease liabilities	16	**102**	6
Subvention payable	24	**1,137**	1,300
Total current liabilities		**3,829**	4,178
Non-current liabilities			
Lease liabilities	16	**258**	21
Total non-current liabilities		**258**	21
Total liabilities		**4,087**	4,199
Net assets		**9,130**	8,260
EQUITY			
Share capital	20	**1,666**	1,666
Retained earnings	21	**7,464**	6,594
Total equity		**9,130**	8,260

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

	Attributable to equity holders of the Company		
	Share capital $'000	**Retained earnings $'000**	**Total equity $'000**
Balance as at 1 July 2021	1,666	5,177	6,843
Comprehensive income			
Profit for the year	-	1,417	1,417
Balance as at 30 June 2022	1,666	6,594	8,260
Balance as at 1 July 2022	1,666	6,594	8,260
Comprehensive income			
Profit for the year	-	870	870
Balance as at 30 June 2023	1,666	7,464	9,130

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

	Notes	**2023 $'000**	2022 $'000
Cash flows from operating activities			
Receipts from customers		**21,941**	20,528
Interest received		**51**	19
Receipts from government grant		**35**	201
Payments to suppliers and employees		**(20,792)**	(17,360)
Interest paid on leases		**(28)**	(3)
Subvention payment made		**(1,300)**	(1,300)
Net cash inflow from operating activities		**(93)**	2,085
Cash flows from investing activities			
Proceeds from sale of property, plant, and equipment		**133**	182
Payments for property, plant, and equipment		**(1,330)**	(1,658)
Payments for investments		**(630)**	(1,500)
Short term deposits		**-**	2,304
Net cash outflow from investing activities		**(1,827)**	(672)
Cash flows from financing activities			
Principal elements of lease payments		**(103)**	(96)
Net cash outflow from financing activities		**(103)**	(96)
Net (decrease) / increase in cash and cash equivalents		**(2,023)**	1,317
Cash and cash equivalents at the beginning of the financial year		**2,681**	1,364
Cash and cash equivalents at the end of the financial year	11	**658**	2,681

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

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 financial statements 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.

(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.

In its application of NZ IFRS 15, the Company has continued its revenue recognition accounting policy. This recognises revenue over time. The majority of the Company'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 measure 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 the Company 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. The Company 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 the Company is not considered significant and therefore has not been separately disclosed.

(iii) Interest income

Interest is recognised using the effective interest rate method.

1 Summary of significant accounting policies (continued)

(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 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. 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.

(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.

1 Summary of significant accounting policies (continued)

(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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL 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.

(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 the 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.

1 Summary of significant accounting policies (continued)

(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 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	2 - 4 years
• Plant	2.5 - 18 years
• Office equipment	2.5 - 12.5 years
• Office furniture and 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.

(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 16. 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.

1 Summary of significant accounting policies (continued)

(k) Leases (continued)

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) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) 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.

(n) 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 movements 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.

(o) Contributed equity

Ordinary shares are classified as equity.

(p) 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 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. There were no balances for 2023 and as such no risk free discount rate was required (2022: 6.8%).

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	
		2023	2022
Health and safety	Medical treatment injuries target: Nil	5 (Not achieved)	6 (Not achieved)
	Serious harm accidents target: Nil	Nil (Achieved)	Nil (Achieved)
	LTI target: Nil	3 (Not achieved)	4 (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 – 14.4%. 4.1% below the national average of 18.5% in the construction industry. This is positive as it is below the national average. Achieved.	Total turnover – 9.5%. 21.5% below the national average of 31% in the construction industry. This is positive as it is below the national average. Achieved.
	Client satisfaction – Min 12 meetings per year	8 meetings (Not achieved).	12 meetings. (Achieved)
	Renewal of TQS1 certification	Audit completed April 2023.	Audit completed April 2022.
Employee development and satisfaction	Undertake staff satisfaction survey (every 2nd year)	Survey undertaken September 2022. Achieved.	Survey undertaken September 2020. Next survey due September 2022. Achieved.
	Weekly department staff meetings	Regular weekly meetings held. Achieved.	Regular weekly meetings held. Achieved.
Financial (000's)	Revenue (Target: $13,395)	$22,055	$21,056
	Expenditure (Target: $12,076)	$20,064	$18,318
	Net operating surplus (Target: $1,319)	$1,991	$2,738
	Provision for capex (Target: $1,115)	$1,328	$1,658
	Competitively procured revenue (Target: 45%)	97% Achieved	86% Achieved
	Ratio of shareholders funds to total assets (Target: 60%)	69% Achieved	66% Achieved
Environmental	Number of enforcement notice (Target: Nil)	Nil (Achieved)	Nil (Achieved)
Community	Support minimum 25 community activities	48 Community activities supported.	33 Community activities supported.

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 2023 as below and has been updated for changes in director's interests during the year.

Director	Entity	Position
Gareth Allen	Buller Holdings Ltd	Director
	Buller Recreation Ltd	Director
	Explore Murchison Ltd	Director
	Buller Chartered Accountants 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
	Cleine Investments Ltd	Shareholder (as Trustee)
	Hirere Farm Ltd	Shareholder (as Trustee)
	Gatsby Ltd	Director
	Westlink Investments	Director
	Westlink Trust Company 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	Corde 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
Kieran Sweetman	Buller Holdings Ltd	Director
	Buller Recreation Ltd	Director
	WestReef Services Ltd	Director
	Rochester Hall	Trustee
Vanessa Van Uden	Admin & Business Solutions Ltd	Director
	Pan Adventures Ltd	Director
	CheckIn Ltd	Director
	Buller Holdings Ltd	Director
	Buller Recreation Ltd	Director
	WestReef Services Ltd	Director

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.

4 Statutory information (continued)

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 2023 (2022: nil). Fees for director services are reflected within the parent's financial records.

Distributions

No distribution (2022: nil) to Buller Holdings Ltd has been made. A subvention of $1,137,000 (2022: $1,300,000) has been provided for.

Employee's remuneration

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

(200,000 - 210,000)	**1**
(130,000 - 140,000)	**1**
(120,000 - 130,000)	**2**
(110,000 - 120,000)	**2**
(100,000 - 110,000)	**5**
Total:	**11**

Donations

No donations were made.

Auditor's remuneration

Auditor's remuneration for the year totalled $49,712 (2022: $34,600).

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 year.

(b) Financial instruments by category

Financial assets as per statement of financial position	Measured at amortised cost $'000	Total $'000
At 30 June 2023		
Trade and other receivables	2,940	2,940
Investments	2,130	2,130
Cash and cash equivalents	658	658
	5,728	5,728
At 30 June 2022		
Trade and other receivables	3,323	3,323
Investments	1,500	1,500
Cash and cash equivalents	2,681	2,681
	7,504	7,504

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 2023		
Lease liabilities	360	360
Trade and other payables	1,961	1,961
	2,321	2,321
At 30 June 2022		
Lease liabilities	27	27
Trade and other payables	2,088	2,088
	2,115	2,115

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

6 Finance income - net

	2023 $'000	2022 $'000
Finance costs		
Interest paid on lease liabilities	**(28)**	(3)
Total finance costs	**(28)**	(3)
Finance income		
Interest received	**51**	19
Total finance income	**51**	19
Net finance income	**23**	16

7 Revenue

	2023 $'000	2022 $'000
Revenue from contracts with customers	**21,961**	20,695
Gain on sales of assets	**28**	182
Total revenue	**21,989**	20,877

Contract liabilities

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

	2023 $'000	2022 $'000
Revenue received in advance	-	185

8 Other income

	2023 $'000	2022 $'000
Wage subsidies received in relation to COVID-19 and Apprenticeships	**66**	179

9 Operating expenses

	2023 $'000	2022 $'000
Professional service fee	**41**	59
Audit fees	**50**	35
Management fees	**539**	474
Fuel costs	**616**	549
Subcontractor costs	**4,199**	4,600
Repairs and maintenance	**11**	6
Rental expenses	**-**	4
Insurance costs	**131**	112
License costs	**147**	201
Training expenses	**145**	63
Loss on sale of assets	**-**	8
Other expenses	**6,814**	5,511
	12,693	11,622

10 Income tax expense

	2023 $'000	2022 $'000
(a) Income tax expense		
Deferred tax	**7**	37
Income tax expense	**7**	37
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**877**	1,454
Income tax at 28%	**246**	407
Tax effects of:		
• Deferred tax adjustment	**-**	57
• Group loss offset	**(246)**	(428)
• Prior period adjustments	**6**	-
• Other adjustment	**1**	1
Income tax expense	**7**	37

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

	2023 $'000	2022 $'000
Cash at bank and in hand	**658**	681
Short term deposits	**-**	2,000
	658	2,681

12 Trade and other receivables

	2023 $'000	2022 $'000
Trade receivables	**2,878**	3,321
Prepayments	**553**	63
Other receivables	**58**	-
	3,489	3,384

13 Inventories

	2023 $'000	2022 $'000
Quarry aggregate and other inventory	**314**	81
	314	81

14 Investments

	2023 $'000	2022 $'000
Short-term deposits with maturities of 4-6 months	**2,130**	1,500
	2,130	1,500

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	Total $'000
At 30 June 2022					
Cost	1,892	110	273	8,382	10,657
Accumulated depreciation	(1,196)	(81)	(117)	(4,648)	(6,042)
Net book amount	696	29	156	3,734	4,615
Year ended 30 June 2023					
Opening net book amount	696	29	156	3,734	4,615
Additions	178	15	21	1,114	1,328
Depreciation charge	(181)	(20)	(15)	(615)	(831)
Closing net book amount	693	24	162	4,233	5,112
At 30 June 2023					
Cost	2,070	125	294	9,496	11,985
Accumulated depreciation	(1,377)	(101)	(132)	(5,263)	(6,873)
Net book amount	693	24	162	4,233	5,112

16 Leases

(a) Amounts recognised in the statement of financial position

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

	2023 $'000	2022 $'000
Right-of-use assets net book value		
Land and buildings	**329**	-
Equipment	**20**	26
	349	26
Lease liabilities		
Current	**102**	6
Non-current	**258**	21
	360	27

During the year ended 30 June 2023, additions to the right-of-use assets were $437,000 (2022: $30,000).

16 Leases (continued)

(b) Amounts recognised in the statement of comprehensive income

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

	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets		
Land and buildings	**(108)**	(88)
Equipment	**(6)**	(5)
	(114)	(93)
Interest expense (included in finance cost)	**(28)**	(3)
	(28)	(3)

The total cash outflow for leases in the year ended 30 June 2023 was $130,860 (2022: $99,113).

(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

	2023 $'000	2022 $'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	**(99)**	(8)
Lease liabilities	**101**	7
Property, plant, and equipment	**-**	9
Accruals	**8**	13
Employee entitlements	**155**	151
Net deferred tax assets	**165**	172

	Right-of-use asset $'000	**Lease liabilities $'000**	**Property, plant, and equipment $'000**	**Other provisions $'000**	**Employee entitlements $'000**	**Total $'000**
At 1 July 2021	(25)	26	40	6	162	209
(Charged) / credited to the statement of comprehensive income	17	(19)	(31)	7	(11)	(37)
At 30 June 2022	(8)	7	9	13	151	172
At 1 July 2022	(8)	7	9	13	151	172
(Charged) / credited to the statement of comprehensive income	(91)	94	(9)	(5)	4	(7)
At 30 June 2023	(99)	101	-	8	155	165

18 Trade and other payables

	2023 $'000	2022 $'000
Trade creditors	**1,303**	1,374
Accrued expenses	**658**	714
	1,961	2,088

19 Employee entitlements

	2023 $'000	2022 $'000
Current		
Annual leave and long service leave	**629**	599
	629	599

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. There were no balances for 2023 and as such no risk free discount rate was required (2022: 6.8%).

20 Share capital

	2023 Shares	2022 Shares	2023 $'000	2022 $'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 2023, there were 833,000 Class A ordinary shares (2022: 833,000) and 833,000 Class B ordinary shares (2022: 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:

	2023 $'000	2022 $'000
Balance at 1 July	**6,594**	5,177
Net profit for the year	**870**	1,417
Balance at 30 June	**7,464**	6,594

22 Contingencies

There is $539,788 in Performance Bonds outstanding with Westpac as at 30 June 2023 (2022: $539,788). Apart from that there were no other contingent liabilities outstanding as at 30 June 2023 (2022: nil).

23 Commitments

As at 30 June 2023 the Company had no capital commitments (2022: 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, S W Grave, K J Sweetman and V C Van Uden. All of these persons were also directors during the year ended 30 June 2022.

(b) Key management and personnel compensation

For the year ended 30 June 2023, total compensation for key management personnel amounted to $202,000 (2022: $179,000). 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:

	2023 $'000	2022 $'000
Short-term employee benefits	**197**	174
Post-employment benefits	**5**	5
	202	179

(c) Transactions with Buller District Council ('the Council')

	2023 $'000	2022 $'000
Services received from the council	**122**	105
Services provided to the council	**15,208**	12,509
Amounts owing to the council	**27**	7
Amounts receivable from the council	**1,877**	2,007
Subventions paid to the council	**1,300**	1,300
Subventions payable to the council	**1,137**	1,300

The Company does not expect to receive tax losses from Buller District Council to offset against its taxable profits for the year ended 30 June 2023 (2022: $779,000).

(d) Transactions with Buller Holdings Limited ('BHL')

	2023 $'000	2022 $'000
Management fees	**539**	474
Other services	**29**	28
Amounts owing to BHL	**149**	101
Services provided to BHL	**39**	37
Amounts receivable from BHL	**4**	4
Loan receivable from BHL	**1,000**	-

The Company expects to receive tax losses from Buller Holdings Limited amounting to $30,000 (2022: $nil) to offset against its taxable profits.

24 Related party transactions (continued)

On 14 November 2022, the Company loaned $1,000,000 to BHL. The loan is non-interest bearing and due for repayment on 30 September 2023, or earlier if demanded.

(e) Transactions with Buller Recreation Limited ('BRL')

	2023 **$'000**	2022 $'000
Services provided to BRL	**36**	36
Amounts receivable from BRL	**3**	4
Services provided by BRL	**10**	10

The Company expects to receive tax losses from Buller Recreation Limited amounting to $846,000 (2022: $750,000) 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.