



GROUP ANNUAL REPORT  
FOR THE YEAR ENDED 31 MARCH **2010**

# DIRECTORY

|                            |   |
|----------------------------|---|
| <b>Trustees</b>            | Williams, Mr A (Chair)<br>Buchanan, Mr R (Deputy Chair)<br>Clayton, Mr J<br>Dooley, Mr F<br>Lockington, Mr M<br>Smith, Mr R<br>Wilson, Mr B |
| <b>Executives</b>          | Chang, Dr J (Chief Executive),<br>Dawson, Mr M (Chief Financial Officer),<br>Gilbertson, Mr W (Chief Operating Officer)                     |
| <b>Registered Office</b>   | 1st Floor, 112 Mackay Street<br>P O Box 451, Greymouth  |
| <b>Advisory Body</b>       | Cox, Mr G (Chair)<br>Gemmell, Mr B<br>Isles, Mr J<br>Rushbrook, Mr K<br>Steele, Mr D  |
| <b>Legal Advisors</b>      | Buddle Findlay<br>Duncan Cotterill  |
| <b>Bankers</b>             | Westpac   |
| <b>Investment Advisors</b> | Bancorp Treasury Services Ltd<br>JBWere (NZ) Ltd  |
| <b>Tax Advisors</b>        | KPMG  |
| <b>Auditors</b>            | Audit New Zealand<br>On behalf of the Controller and Auditor-General  |

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# HIGHLIGHTS & KEY NUMBERS

**\$7.8m**  
Group Realised Income

**\$8.7m**  
Mark-to-Market Unrealised Gains

**\$16.5m**  
Total Group Revenue

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**\$9.7m**  
Group Net Surplus

**\$11.3m**  
Total Group Comprehensive Income

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**\$2.5m**  
Total Operating Expenses DWC

**\$3.0m**  
Community Distribution

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**\$18.0m**  
MDI Funding  
Subject to conditions

**\$88.3m**  
Realised Revenue Generated Since 2001

**\$112.3m**  
Group Net Assets



# PIONEERING SPIRIT OF THE

## 1868

Hannah's Shoes opened their first store in Charleston.



## 1893

New Zealand's longest serving Prime Minister, Richard Seddon, served 4,787 days (13.11 years) from 27 April 1893 to his death on 10 June 1906, having settled in Waimea on his arrival from England.



## 1888

Reefton was the first place in New Zealand, and said to be the first in the Southern Hemisphere in contention with Tamworth, NSW, to have electric street lights.



## 1908

Founded in 1916, the New Zealand Labour Party was born out of the Blackball 'crib time' Miners' Strike in 1908.

# WEST COAST

# CONTENTS

## 1909

Postie Plus had its beginnings in 1909 when Thomas Dellaca bought a barber's shop at Globe Hill near Reefton. The store was later converted to a footwear and drapery store before relocating the business to Reefton in 1919.



## 1931



Guy Menzies made the first Trans-Tasman solo flight from Sydney to New Zealand on 7 January 1931, crashing near Harihari. (Photo courtesy of Richard Waugh's Collection)



New Zealand's first airline took flight in December 1934 operating between Hokitika and Haast. (Photo courtesy of Richard Waugh's Collection)

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# CHAIRMAN'S REPORT



Trustees are focused on meeting the objects of the Trust Deed and the needs of the community.

## Introduction

Development West Coast (DWC) has recovered well from the significant financial challenges of the last two years. I am delighted to report strong year end results, not only on the financials but also on the operational front.

We recorded a healthy \$16.5m Total Group Revenue (including mark-to-market unrealised gains) compared to \$2m (including mark-to-market unrealised losses) in 2009.

We have maintained a conservative investment strategy and, at balance date, had 62.3% of the fund invested in cash and bonds.

DWC has been working on delivering its outcomes in a more efficient manner. As a result of our efforts we have managed to reduce DWC's Total Operating Expenses from \$2.9m (2009) to \$2.5m (2010). The Group Total Operating Expenses also dropped from \$4.5m (2009) to \$3.6m (2010).

During the year Trustees and Management focused on exiting distressed assets and lending, and have now successfully dealt with most of the 'at-risk' Distributions.

The Trust continues to support the West Coast through Community Distributions and Projects, investing \$3m into the region during 2010. This is in addition to the main Distribution activity of investing in West Coast businesses to ultimately benefit the whole West Coast community.

As a result of the recovery in the financial markets and work undertaken on Distribution Assets, the Group's year end Net Assets were \$112.3m compared to \$101.0m in 2009.

## Laying the Foundation for the Future

In April 2011 DWC will celebrate the 10<sup>th</sup> anniversary of its founding. DWC and the West Coast communities have shared many experiences since 2001, all adding to the institutional knowledge of DWC. Learning from past experiences while remaining innovative in its operations will ensure DWC's success into the future.

Trustees must balance the needs of current communities with those of the future inhabitants of the West Coast. Trustees must also balance the requirement to promote sustainable economic benefits and employment opportunities with DWC's social responsibility.

The key objects of the Deed are to:

- ▶ Promote sustainable employment opportunities in the West Coast Region; and
- ▶ Promote sustainable economic benefits for the West Coast Region.

Success for DWC would see this organisation leading and facilitating the efforts to develop a sustainable, vibrant and diversified West Coast economy while growing the Fund in real terms. A skilled and resourced community will be the foundation of economic growth for the West Coast.

## Governance Matters

Trustees and Management have worked solidly throughout the year to review internal policies, focus on delivering economic benefits to the West Coast community and develop strategies to grow the Trust Fund for the benefit of present and future generations.

The adoption of a Board Charter in October 2009 was an important step in establishing an operating framework for Trustees, including rules of conduct, meeting procedures and obligations in respect of conflicts of interest.

I believe the adoption of the Charter will contribute to growing the Trust in a commercial, ethical and transparent manner.

Trustees have implemented strategies to reduce the risk profile of DWC's Distribution Assets to a level they believe is manageable and appropriate.

As Chair, I have sought to provide greater transparency to the community with full disclosures made after each meeting of Trustees to local media and regular reporting to our key stakeholders.

## Our Role in the Community

DWC has invested \$3m into community related activities during the 2010 financial year to help meet its objective of promoting the West Coast economy.

DWC continues to contribute towards improving the quality of life for West Coast communities and families

by funding \$1.2m p.a\* across the three West Coast Districts through to March 2022 under the Major District Initiative (MDI) policy.

## Acknowledgements

I would like to acknowledge the contribution of my fellow Trustees during the year.

I would also like to thank the members of the Advisory Body.

On behalf of Trustees, I would like to note our appreciation to the Chief Executive, and to all staff for their efforts.

Finally, I would like to thank our key stakeholders and industry partners for their support and belief that this organisation can indeed make a difference to the lives of West Coast people and the future economy of the region.



Tony Williams  
Chairman

\* \$1.2m p.a assigned to MDI is subject to DWC's annual financial performance and is governed by the terms and conditions of DWC's policies.



Back Row: Barry Wilson, Bruce Smith, John Clayton, Mark Lockington  
Front Row: Robert Buchanan (Deputy Chair), Tony Williams (Chair), Frank Dooley.

# CHIEF EXECUTIVE'S REPORT



In the midst of 'The Great Recession' we remained focused on returning DWC to profitability and delivering tangible benefits to the West Coast communities

## Overview

The 2010 financial year went quickly for DWC. Notwithstanding this, Management and Staff successfully completed the restructuring of its business and operations during the year.

In the midst of 'The Great Recession' we remained focused on returning DWC to profitability and delivering tangible benefits to the West Coast communities.

The Board and Management worked diligently and systematically throughout the year managing DWC out of distressed Distribution Assets whilst initiating new and exciting programmes to assist West Coast businesses and organisations. DWC continued to prospect for new commercial opportunities and investments with the potential to grow the West Coast economy. Despite the challenging economic trading conditions, our efforts during the year have delivered positive and desirable year-end financial results.

## Financial Results



### Operating Revenue

With the international equity market settling down and better than expected returns from bond investments, Total Group Income of \$7.8m, and unrealised gains from investments (mark-to-market) of a further \$8.7m, delivered a combined year end Total Group Revenue of \$16.5m.



### Operating Expenses

As a result of DWC's operational restructuring and a policy of curtailing operational expenses, Management is pleased to report DWC's Total Operating Expenses for 2010 were \$2.5m - a reduction of almost 14% on \$2.9m in 2009. Incorporated in the Total Operating Expenses are the residual costs of managing the remaining distressed assets and loans during the year.

Efforts were put in place to manage the Group's operating expenses tightly and this resulted in a marked decrease to \$3.6m compared to \$4.5m in 2009.



### Provisioning

With improved management of the Group's investment assets and lending, we have dramatically reduced losses and therefore the level of provisioning for 2010 - down to approximately \$140,000 for the Group. This compares with \$3.9m of provisioning of impaired Distribution Assets in 2009 (*this was partially offset by the reversal of asset impairment of \$1.1m*). Results for 2010 demonstrate a solid turnaround in the space of a 12 month period.





### Unrealised Gains

In the last 12 months the financial market improvement had a positive impact on our investment portfolio. However, to say the global financial markets and economy have settled and are in full recovery mode is tenuous with economic fundamentals still fluctuating in the short term. Working closely with our investment advisors, the Group recorded an unrealised gain of \$8.7m from equity investments and other assets compared to an unrealised loss of \$8.8m in 2009.



### Community Distributions & Projects

DWC is committed to improving the well-being of West Coast communities through the direct financial support of local community organisations and investment in the development of significant community assets. However, the desire to help improve the lives of West Coasters has to be balanced with the necessity for the Trust Fund to grow at a minimum with the rate of inflation.

DWC distributed \$3m in the form of Community Distributions during 2010.



### End of Year Result

Under the Statement of Consolidated Income, the Group's 2010 net surplus was \$9.7m. Management is pleased with this turnaround, reversing the last two years' losses of \$10.0m in 2009 and \$7.0m in 2008.

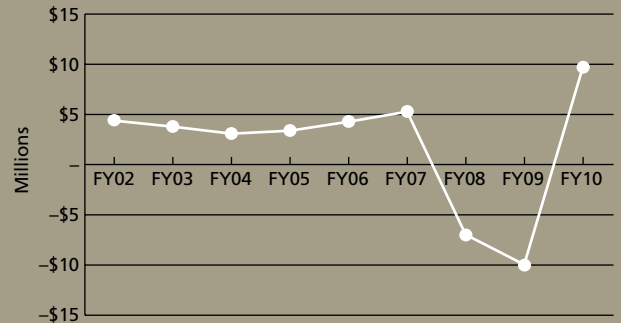


### Net Assets

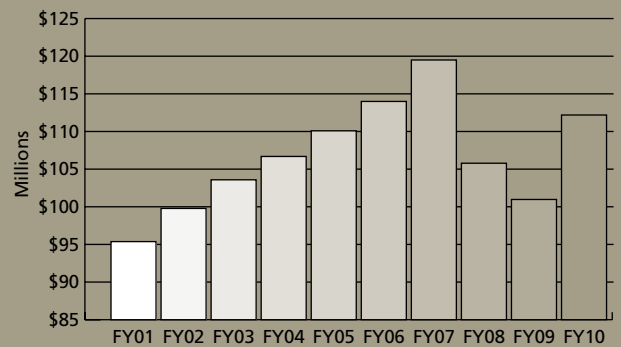
As at 31 March 2010, Group's net assets rose to \$112.3m from \$101.0m in 2009.

The Board and Management are committed to sustainably and responsibly growing the Fund and the net assets of DWC for the benefit of future West Coasters.

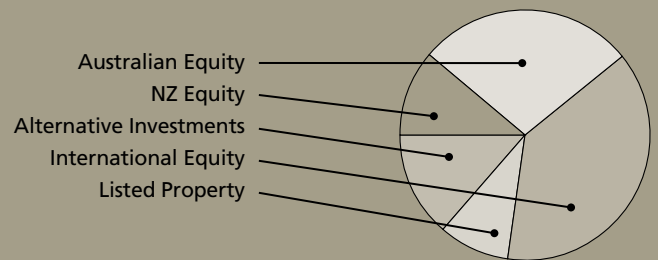
### Group Net Surplus



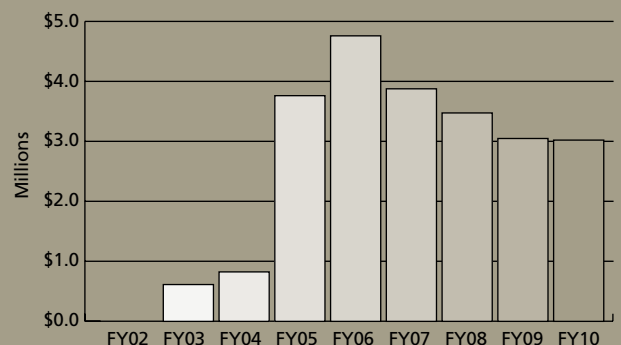
### Group Equity



### Growth Asset Portfolio



### DWC Community Projects Funding



## Investment Fund

The 2010 financial year provided good returns for the Investment Fund. The recovery in the world financial markets benefited DWC with equities returning over 35% for the year and fixed interest investments also providing positive gains. This result goes some way to recovering the losses recorded in the previous two financial years. It should be noted however that the funds are still not at the levels reached prior to the global financial crisis and the world economies continue to cause concerns and volatility in our results.

## Major Transactions

### ***NZ Sustainable Forest Products (NZSFP), Reefton***

DWC divested the assets of Forever Beech Ltd into NZSFP on commercial terms. Whilst DWC did lose money, there has been a strong net benefit to the West Coast and, in particular, Reefton. NZSFP has invested some \$7m re-commissioning the former Coastpine sawmilling and timber processing plant in Reefton. They have 20 fulltime employees and are actively looking to hire more staff to cater for their expanding operations.

### ***Top 10 Holiday Park, Franz Josef***

The Top 10 Holiday Park is a significant employer in the region. DWC purchased the land and buildings and leased the business back to the previous operator on normal commercial terms.

### ***Last Resort, Karamea***

The Last Resort is a significant employer in the region and Karamea is also identified as a potential growth area for West Coast tourism. DWC purchased the land and buildings and leased the business back to the previous operator on normal commercial terms.

### ***Punakaiki Crafts and Cafe, Punakaiki***

This is one of only three commercial properties opposite the entrance to the world famous Pancake Rocks. DWC purchased the land and building of the Punakaiki Craft Shop from the local cooperative. The purchase of the property secured a strategically valuable site with the possible option of redeveloping the site with the adjacent landowners, Department of Conservation and the Wild Coast Cafe. The business was sold in June 2010.

### ***Hukawai, Franz Josef***

The struggling ice climbing wall tourist operation was placed into receivership in July 2009. The assets, including the land and building, were sold by the Receiver to the owner and operator of the International Antarctic Centre (IAC) in Christchurch. DWC was delighted with the opportunity to attract a tourism industry expert such as the IAC to the West Coast region, and values IAC's expertise and the confidence shown by them in the West Coast tourism industry.



Mr W Gilbertson (Chief Operating Officer), Dr J Chang (Chief Executive), Mr M Dawson (Chief Financial Officer)

## Business Support

Throughout the year, DWC's Business Division directed its operational focus on building and improving internal capability and resources with the aim of making "business development" activities a core business function. A new structure has given clarity to both the West Coast business community and key stakeholders.

On the success of our Hokitika satellite office, we have opened another satellite office in Westport.

### Business Development

The Business Development team has focused on engaging businesses at local and district level and will continue to promote local business interest, district economic growth and manage commercial enquiries. The Business Development Managers are pivotal to the provision of services necessary to generate business growth in the region and will continue to act as DWC's frontline representatives.

### Business Services

Business Services has been focusing on developing and expanding the "DWC Business tool box" which includes such tools as business training, business mentoring, business events, advanced training initiatives and business start-ups. Business Services has maintained an ongoing role in education to ensure the successful outcomes from DWC's historic investments remain embedded and sustainable within the education and literacy areas.

## Road Map for 2011: A Year of Consolidation

2011 will have its challenges and opportunities. If we say 2009-2010 was a year of 'Change', then 2010-2011 will be a year of 'Consolidation'.

To ensure longevity and success of the positive changes we have introduced, we will need to take time and effort to make sure the new programmes, business processes and practises we have implemented are bedded down and operating effectively before we delve into other major new initiatives.

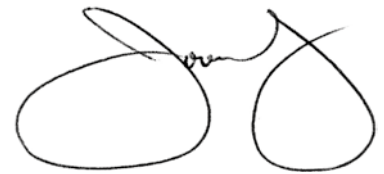
Management will continue to operate with the existing team and current operational structure.

| <b>Management</b>        |                                   |                      |                      |
|--------------------------|-----------------------------------|----------------------|----------------------|
| <b>Support Team</b>      | <b>Investment Team</b>            | <b>Business Team</b> |                      |
| Administration, Accounts | Distribution, Investment, Lending | Business Services    | Business Development |

## Word of Appreciation

I would like to take the opportunity to thank the Trustees and the Advisory Body members for their valuable contribution and support throughout the year.

It is important for me to acknowledge and thank my Management team and all DWC staff for their strong commitment and leadership demonstrated during the critical phase of change. Without them it would not have been possible to turn the organisation around and achieve the results we have in the last 12 months.



Dr John Chang  
Chief Executive

### Hélène Roosen – 1980-2009

In November 2009 we were saddened by the tragic death of Hélène Roosen while travelling to work.

Hélène had just been appointed to the position of Project Manager for the Regional Promotion project, working on the Regional Website development.

From Holland, Hélène had settled in Westport after a year of travelling and working in many parts of the world. She was passionate about the West Coast and an extremely intelligent young woman.





# INVESTMENT REVIEW

## Performance

For the year ended 31 March 2010 the DWC investment portfolio, managed by JBWere NZ Ltd and Bancorp Treasury Services Ltd, recorded a gross IRR (Internal Rate of Return) of 16.72%. This was a strong result in the face of the unprecedented financial stresses the global financial markets witnessed over the last few years. The portfolio continues to be conservatively positioned, with 62% of the assets held in Fixed Interest and Cash investments, with an average credit rating for the portfolio of A+.

In terms of individual asset class performance, the offshore equities had the largest return above its benchmark (the MSCI world index) – outperforming by 6.01% over the year. The only asset class to lag was Australian Equities which underperformed the benchmark index by 4.32%, but still returned 43.85% in New Zealand dollar terms.

## Outlook for the Year Ahead

The economy and corporate earnings gave nothing but positive news for the best part of 2009-10. This was reflected in the performance of the equity portion of the portfolio and the enhanced value of our fixed interest investments. It seems, however, that growth over the second half of 2010 will be weaker. The global economy is likely to be less of a tailwind for equities as the year progresses. Investors are sensitive to any sign of global growth losing momentum as we move into 2011. That said, the prospect of a slow recovery rather than renewed recession means we are comfortable with an investment strategy that has a bias towards quality income-generating assets that are shielded from the volatility that dominates global investment markets.

As advisors to DWC, we remain conscious of the requirement to constantly review the overall asset allocations within the Fund to ensure the capital value is preserved. The investment strategy balances risk and reward and has delivered strong historical returns.

Earl White, Bruce Robertson, Tom Phillips  
Investment Advisors



Earl White (Bancorp Treasury Services Ltd), Bruce Robertson and Tom Phillips (JBWere NZ Ltd).

## Statement of Investment Policy and Objectives

The Investment Fund of DWC is expected to produce a rate of return from its investments which is, after investment management expenses, at least 2% per annum in excess of the inflation rate over any 3 year period. At 31 March 2010 the Investment Fund totalled \$98,447,000.

The Statement of Investment Policy and Objectives (SIPO) was initially adopted in October 2001, and in April 2003 Trustees developed and implemented a Treasury Policy to complement the SIPO.

The SIPO and Treasury Policy are reviewed on an annual basis.

The Investment Fund's maximum asset allocations for the reported and ensuing financial years are as follows:

|  | 2010 - 11   | 2009 - 10   |
|--|-------------|-------------|
| Cash                                   | 100%        | 100%        |
| NZ Fixed Interest                      | 90%         | 90%         |
| <b>Total Cash &amp; Fixed Interest</b> | <b>100%</b> | <b>100%</b> |
| Australasian Equities                  | 18%         | 16%         |
| Australasian Property                  | 5%          | 10%         |
| International Equities                 | 21%         | 18%         |
| Alternative Investments                | 11%         | 11%         |
| <b>Total Equities</b>                  | <b>55%</b>  | <b>55%</b>  |

The Trustees continuously monitor, with the assistance of the Investment Advisors, the appropriateness of the adopted asset allocation strategy, performance of the appointed Fund Managers and other investment returns.





# DISTRIBUTION ASSETS

## Advisory Body

The Deed of Trust requires that Trustees appoint people to the Advisory Body who have particular skills to ensure the Body as a whole has specialised financial, commercial and entrepreneurial skills.

The Advisory Body assesses all Distribution applications over \$100,000, making recommendations to the Board of Trustees on these potential investments.

## Managing the Assets

### ***Cranberry Industry: Cranberries New Zealand Ltd***

DWC has been investing in the cranberry industry on the West Coast since 2004 through its subsidiary, Cranberries New Zealand Limited (CNZ).

DWC has reviewed this investment and will be concentrating on developing a West Coast cranberry industry through providing prospective cranberry growers with industry capability support and advice on developing a cranberry operation.

The long term objective is to achieve industry sustainability and scale with a regional annual harvest in excess of 100 tonnes.

It is likely this change in direction will require a restructuring of CNZ's balance sheet and ownership structure. It is envisaged this restructure will be completed by 1 September 2010.

### ***Teewah Holdings Limited: Hukawai Glacier Centre***



Current members of the Advisory Body are: John Isles, Keith Rushbrook, Bruce Gemmell, Gill Cox (Chair) and David Steele







Mr Richard Benton, Teewah Holdings Ltd

Mr Richard Benton, a Christchurch based owner/operator of the iconic International Antarctic Centre (IAC) purchased the Hukawai property from the Receivers. This has created the potential for significant economic benefit in Franz Josef.

Planning is underway to establish a new tourist attraction on the property. The IAC team will bring exciting ideas, industry knowledge and expertise to the proposed attraction and this will undoubtedly enhance the West Coast's image and reputation as a preferred choice of destination by both international and domestic tourists.



**NZ Sustainable Forest Products:  
Forever Beech Limited & Coastpine Limited**

In the early part of the financial year the Executive and Trustees worked towards realising the assets of Forever Beech Limited (FBL). In July 2009 the business and assets of FBL were sold to New Zealand Sustainable Forest Products (NZSFP). NZSFP also purchased the assets of DWC client, Coastpine Limited, and set up their forestry operation at the old Coastpine site in Reefton.

Although the sale of FBL and Coastpine assets crystallised losses for DWC, the Trust was pleased that the vision behind the original investment to establish a sustainable indigenous forestry industry on the West Coast had taken a significant step forward. The risk taken to get FBL to the 'proof-of-concept' stage resulted in an experienced industry operator coming into the region and investing significant funds into the Reefton-based operation which now employs over 20 staff.



NZSFP operation, Reefton





## DWC - Building a Solid Portfolio of Assets

The purchase of the land and buildings of the Franz Josef Top 10 Holiday Park, the Last Resort in Karamea and the Punakaiki Crafts & Café was seen as an important step in ensuring West Coasters retained assets in strategic West Coast locations. Each operation also represented a significant employer in their respective areas.

The property portfolio is steadily growing, and is intended to be a long term investment to benefit future generations. The acquisitions are solid investments and will improve DWC's balance sheet. These investments also support the tourism industry which is a key part of DWC's long term strategy.

### **Franz Josef Top 10 Holiday Park**

In February 2010 DWC purchased the Franz Josef Top 10 Holiday Park property, leasing the business back to the existing operators.

The park's accommodation ranges from a lodge, to motel units, through to powered campsites and can cater for 500 visitors. It is also a significant employer of at least 20 people in the area.

### **Last Resort, Karamea**

The purchase of the Last Resort property in Karamea in March 2010 was consistent with DWC's investment strategy of growing the total fund while at the same time promoting sustainable employment for the region.

The business remains with the previous owners, Dave Webster and Kathy Dunn, who now lease the facilities from DWC.

Last Resort has been a high profile accommodation and hospitality in Karamea, boasting 31 units, two bars and restaurants, while employing 18 people.

*"Development West Coast shares our vision and our optimism for the region's potential that is being realised with the Oparara Valley tracks and the potential opening of the Heaphy Track to mountain bikers. We are thrilled to have worked closely with Development West Coast" said Mr Webster.*







Donna Kilkelly, Jade Boulder Gallery

**Jade Boulder**

When the opportunity arose to purchase the Jade Boulder Café and Gallery, its long-time business manager took very little time to decide. Donna Kilkelly had been managing the business for 20 years and impressed DWC when she presented her well considered plans for the development.

Ms Kilkelly's plans entailed a partially refurbished café, together with a much improved retail experience. She has since opened up the jade trail and plans to increase sales of local art and jewellery while continuing to feature Ian Boustridge's jade carving. Café service will also be improved with a focus on regional products and dishes.

**Punakaiki Crafts & Cafe**

DWC purchased the land and building of Punakaiki Crafts and Café in July 2009. Although the business was recently sold (June 2010) to the Buller River Adventure Group, DWC has retained ownership of the property.

Punakaiki is an iconic location with over 400,000 tourists stopping to visit the renowned Pancake Rocks and blowholes annually.

With the Department of Conservation looking to redevelop their i-Site adjacent to the craft shop, DWC's ownership of the property ensures it will have input into any future development of this important tourism area.





# BUSINESS SUPPORT

## Business Development

DWC's Business Development Managers (BDM's), Helen Wilson and Peter Walls, are helping to foster business success and economic growth in the region.

The BDM's are the business community's first port of call for advice on the services and products DWC can offer. They travel regularly throughout the region to meet with and assist new and existing business owners.

In the last 12 months they have visited over 180 clients. Many of these have been referred on to DWC's Business Services team while others have resulted in commercial funding applications to DWC.

The BDM's have also spent time identifying economic and business development issues and opportunities in each district, coordinating economic and business development projects and liaising closely with relevant stakeholders throughout the region.



| District                     | Visits     |
|------------------------------|------------|
| Westland District            | 62         |
| Grey District                | 51         |
| Buller District              | 69         |
| <b>Total Client Contacts</b> | <b>182</b> |



Pictured with Helen is long time capsicum grower, Richard Fairbrass, of Westport.

## Industry Support

### **West Coast Focus Farms**

Initiated by West Coast dairy farmers, this project aims to establish best farm management practice under West Coast conditions, providing farmers with the knowledge to increase farm profitability and productivity.

The project is jointly funded by Westland Milk Products, Dairy NZ, ARL Ravensdown and DWC.

Four farms located in different areas across the West Coast are monitored. Data is collected, analysed and the information disseminated to all West Coast dairy farmers via web sites, Westland Milk Products' weekly newsletters and regular field days.

### **Minerals Resource Assessment**

Led by GNS Science, and in partnership with Minerals West Coast, the West Coast Regional Council and the three local authorities, DWC is undertaking an assessment of the region's minerals deposits. The assessment will be followed by an economic impact assessment of the data by the New Zealand Institute of Economic Research (NZIER) to assess the economic value of the mineral resource to the West Coast region.

According to Minerals West Coast, the value-add of the mineral industry to the West Coast is worth approximately \$400 million per year; as much as the dairy and tourism industries in the region combined.

Once the economic impact assessment has been completed, an action plan will be developed that includes commercialisation opportunities which will be communicated with potential investors from the global extractive industries sectors.

### **West Coast Energy Strategy**

The combined impacts of scarcity of energy supply, the movement to low carbon energy sources and increasing demand for energy has resulted in a focus on renewable energy generation and, for the West Coast in particular, hydro electricity development.

DWC will be managing the development of a renewable energy strategy over 2010. This work will build on the 2008 West Coast Renewable Energy Assessment and seek to identify energy generation options for the region. The project has been jointly funded by DWC, The Energy Efficiency and Conservation Authority (EECA) and the West Coast Regional Council.

### **Regional Website - [www.westcoastnz.com](http://www.westcoastnz.com)**

DWC and Tourism West Coast have collaborated to deliver a new website combining Tourism West Coast's promotional website, [www.west-coast.co.nz](http://www.west-coast.co.nz), and the original regional website, [www.westcoastnz.com](http://www.westcoastnz.com).

The new site was designed to be a one-stop shop for information on the region. With improved internet 'search-ability' mechanisms in place, the site utilises a shared database of activities, accommodation, businesses and services on the West Coast.

Features include a comprehensive regional events calendar and a strong social media presence with Twitter, Facebook, blogs and YouTube channels.

The site also includes the ability to run campaigns promoting the West Coast as a whole, across all sectors, and which West Coast businesses can be involved in.

The project was made possible through the Regional Promotion Project funded by DWC in partnership with NZTE.

### **Horticulture Opportunity**

Horticulture has been recognised as a significant growth opportunity for the region, particularly in Buller where the combination of affordable land, low incidences of frost and easy road access has seen crops such as black passionfruit, tamarillos, feijoas, limes and blueberry thrive. The West Coast has a competitive advantage with its abundant water supply.

As part of the Regional Partnership Strategy Fund and in partnership with New Zealand Trade and Enterprise (NZTE), DWC will be undertaking research and development on the potential for growth of the West Coast horticulture sector.

DWC Business Development Manager, Helen Wilson, has been investigating the potential for new horticultural opportunities in the Westport and Karamea regions in the last year.







## Business Services

Nicky Cooper and Julie Kissell manage and administer DWC's business 'tool box'.

The tool box offers a wide range of services, from business information and training opportunities, to research and development advice along with business mentoring.

The service aims to assist and support the business environment, inspiring businesses to grow and fulfil their potential.

## Business Events

Business events are providing West Coast business people with the opportunity to build on their contacts and network effectively. Through tapping into a range of experienced and conversant guest speakers, participants stay informed of national and global trends and learn of emerging new business practises.

Below is a list of networking events hosted over the past year:

| Date          | Location  | Event              | Topic                                       | Guest Speakers  |
|---------------|-----------|--------------------|---|---|
| July 2009     | Greymouth | Business Breakfast | Ethics, innovation and leadership           | Kevin Vincent (NZIM Southern)   |
| November 2009 | Westport  | Business Breakfast | The effects of the global downturn on trade | Dr Ganesh Nana (BERL)<br>Peter Townsend (CECC)<br>Rob Lawrence (CECC) |
| November 2009 | Greymouth | After 5 Networking | The effects of the global downturn on trade | Dr Ganesh Nana (BERL)   |
| December 2009 | Westport  | Workshop           | Cranberry opportunities                     | Kevin Talbot (Ocean Spray)  |
| March 2010    | Greymouth | After 5 Networking | Ethical business behaviour                  | Tom McBrearty (NZIM Southern)   |



## Advanced Business Training

DWC has been positioning itself to become the 'Business Hub' acting as a training and information portal for West Coast businesses. The objective is to provide a 'one-stop-shop' for businesses to contact and access an assortment of advice and training on relevant business topics.

The intention is to engage with other training providers, such as the University of Canterbury and NZ Institute of Management, to provide a higher level of training to complement that provided through the Enterprise Training contract.

Additionally, it is envisaged business advisors such as those from the Canterbury Chamber of Commerce, Canterbury Development Corporation and Biz Mentors would also 'link-in' to the Hub to enable an efficient use of resources, range of topics and presenters.

In addition to technical training, it is important for West Coast business people to learn 'soft' skills, and these courses will also be provided through the Hub.

Establishing a website portal to the Hub will be essential to create a seamless service for West Coast businesses to access the training and information available via DWC.





### **Business Mentors New Zealand (Start Up Programme)**

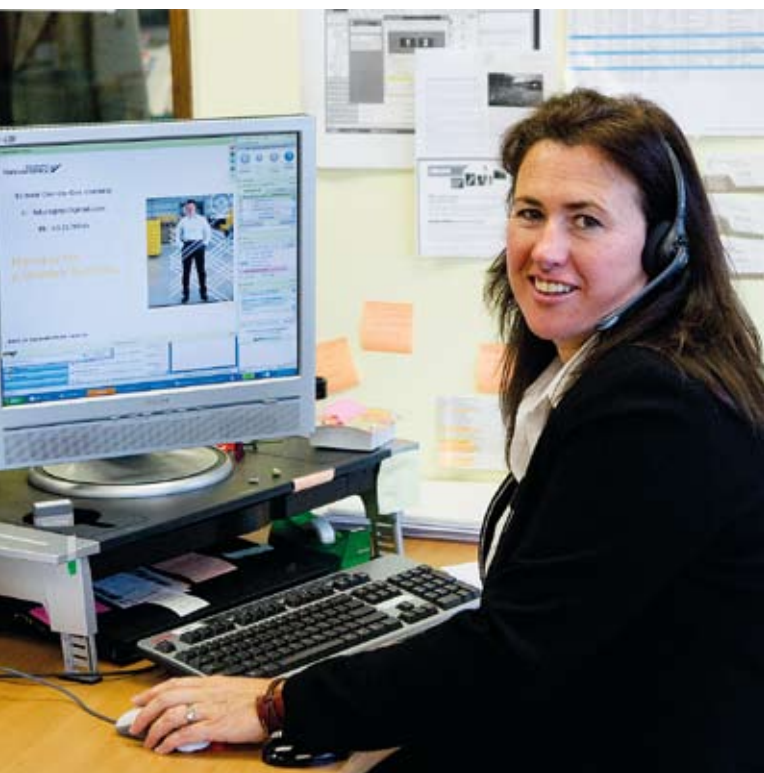
In the last financial year 23 West Coast businesses have benefited from the expertise, ideas and follow up coaching given by our "Business Mentors", Hugh Jones and Roger Gowans. In addition to these businesses, mentoring has also continued to be provided to a further 60 existing clients coastwide, demonstrating the value people are putting on this service.

The mentors have provided start up businesses with practical and focused advice resulting in sound business planning, a realistic expectation of financial return, peace of mind, inspiration and a sounding board to bounce ideas off for growing the business.

*"Hugh brings an outside perspective to our business, his experience means he sees the whole picture, he guides us to where we should be heading, warns us of common business pitfalls and provides solutions to our problems"*  
Scenicland Plumbing Services Ltd - Paul Smith

### **Business Information Zone (BIZ)**

BIZ is a specialist business information and referral service providing information to SME's on key matters, including business start ups, exporting, and assistance from Government agencies. DWC holds the BIZ contract for the West Coast and assisted over 300 businesses with finding organisations, training and resources to help start and grow their business.



### **Enterprise Training Programme**

Enterprise Training was a national programme implemented by NZTE with the aim of up-skilling business owners on the operational, financial and marketing aspects of their enterprises.

DWC has administered the programme on the West Coast over the last 6 years. It has provided a vehicle for local operators to keep abreast of national industry trends and developments in their sectors. DWC has formally interacted over 800 times with small and medium business owners on the West Coast in the past year.

| Enterprise Training Course Title | Workshops Delivered | Participants | Follow Up Coaching Delivered |
|----------------------------------|---------------------|--------------|------------------------------|
| Maori Trustee Training           | 5                   | 35           | 12                           |
| Strategies for Making a Profit   | 1                   | 19           | 15                           |
| Make Your Business Worth Selling | 1                   | 9            | 2                            |
| Marketing on a Shoestring        | 3                   | 48           | 18                           |
| Employee Contracts               | 3                   | 31           | 23                           |
| Performance & Personalities      | 3                   | 53           | 12                           |
| Business Planning                | 4                   | 38           | 10                           |
| Introduction to Sustainability   | 2                   | 11           | 5                            |
| Social Media Marketing           | 3                   | 37           | 11                           |
| Plan a Greener Business Webinar  | 1                   | 9            | 7                            |
| Seriously Sustainable Webinar    | 1                   | 13           | 6                            |
| Essential Leadership Skills      | 3                   | 29           | 16                           |
| West Coast Tourism Marketing     | 6                   | 71           | 24                           |
| Want More Profit & Cash?         | 3                   | 26           | 18                           |
| Finish Your Business Plan        | 3                   | 16           | 8                            |
| Questions to Ask Your Accountant | 2                   | 18           | 8                            |
|                                  | <b>44</b>           | <b>463</b>   | <b>195</b>                   |

#### **Enterprise Training Transactions**

|                                  |                  |
|----------------------------------|------------------|
| Workshop Participants            | 463              |
| Follow-Up Coaching               | 195              |
| SME Interviews                   | 145              |
| <b>Total Client Transactions</b> | <b>803</b>       |
| <b>Contract Value to DWC</b>     | <b>\$209,000</b> |

### **Webinar**

Of special interest during this contract term was the webinar (seminar over the internet) series that 20 West Coast SME's 'attended' online. The webinar was the first conducted in New Zealand through the NZTE programme and proved very successful for all parties.

The presenter delivered the business topic from Invercargill while attendees participated from their home or office computers in Charleston, Franz Josef, Blackball, Hokitika, Christchurch, Greymouth and Karamea.

# COMMUNITY SUPPORT

## Grants and Projects

DWC was pleased to support a range of community organisations and projects totalling \$3 million over the year. Support is provided through grants, donations, CEO discretionary funding or DWC led projects. The following pages highlight a selection of the organisations and projects we supported during the year.



*Pictured at the Awards are Hon Sir Anand Satyanand, GNZM, QSO, Governor-General of NZ, Mel Kaye, Migrant Services Manager, and Joris de Bres, Race Relations Commissioner.*

## New Coasters

In May 2008 a small group of key players, including Helen Wilson of DWC, embarked on an ambitious venture aimed at improving the settlement of our immigrant workforce. Initial funding from DWC, the Ministry of Social Development's 'Settling In' Project and Solid Energy provided the start-up resources for the Migrant Services Project. DWC also supported the project by hosting the Migrant Services Manager, Mel Kaye, in their office and providing her with office equipment, telephone, reception and professional support.

Formally incorporated in June 2009, New Coasters initiates and promotes events that contribute to the social, economic and cultural well being of our distinct communities.

New Coasters has had much to celebrate in the last year having attracted positive recognition both regionally and nationally. Through the work of Ms Kaye, it has exceeded the community outcomes and this success is reflected in the ongoing interest and feedback from the Ministry of Social Development, the Office of Ethnic Affairs, Work and Income NZ and the Race Relations Commissioner. Regionally, the three district Mayors also recognise New Coasters' standing and beneficial economic and social development influence in the community.

During the year and in collaboration with a DWC Education for Enterprise (E4E) project, New Coasters worked with children from Blaketown Primary School to produce a set of booklets written by children for children introducing the West Coast to new migrants. The project won a Diversity Award from the Human Rights Commission in recognition of the outstanding contribution to positive race relations.

In June this year, Ms Kaye and members of the West Coast Filipino community were also featured on TVNZ's Asia Down Under.

DWC continues to support New Coasters and applauds its achievements.

## Around Brunner

DWC granted \$20,000 to this event which has established itself as one of the premier cycle events in the South Island, setting a standard for other cycling events to compare and benchmark themselves against.

The 2010 event attracted 1,140 participants with 90% of the entries coming from off the Coast and, with their supporters, contributes well in excess of \$700,000 of economic benefit to the West Coast over a weekend (*based on the initial economic assessment report*).



Photo courtesy of Michael Buckley



### **Education for Enterprise (E4E)**

December 2009 saw the completion of the three year E4E project. E4E gave West Coast students the opportunity to learn outside the classroom through planning and carrying out initiatives that met real needs in schools, communities or businesses. Students completed diverse projects such as producing books, making costumes, painting murals, designing public amenities, conducting surveys, mapping rivers, planting landscapes, growing vegetables, and reconditioning and restoring an 80-year old rock wagon.

Students had to liaise with a range of organisations from local businesses to central government and in the process learnt to plan, present, implement and deliver a project.

|                               |       |
|-------------------------------|-------|
| Schools Involved              | 14    |
| Projects Initiated            | 235   |
| Community / Business Partners | 176   |
| Student Interactions          | 5,725 |

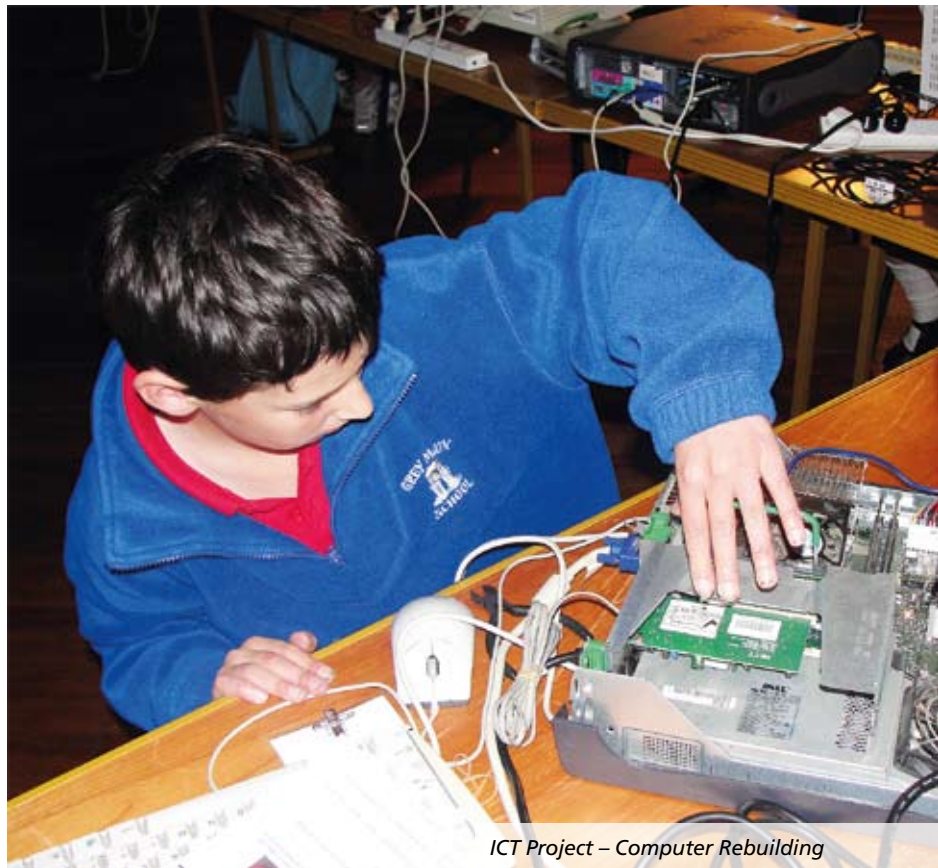


*Hokitika Primary School – DWC Christmas Card Design Winners, 2009*

### **West Coast ICT Facilitator**

A partnership between the Ministry of Education and DWC has ensured West Coast schools received professional development to build the capability of teachers for the use of ICT in their classrooms.

With the assistance of a dedicated ICT Facilitator, West Coast teachers have become proficient in the use of modern ICT teaching techniques, including interactive whiteboards, creating wiki's, digital stories, classroom blogs, i-Movies and digital microscopes.



*ICT Project – Computer Rebuilding*





### **A Day at the Beach**

"A Day at the Beach" 2009 was a near month-long, community-run festival aimed at illustrating the benefits of working together to inspire volunteer action throughout the West Coast region.

The concept was sparked by a group of young West Coast leaders wanting to give something back to their region. After 8 weeks of organising, the festival began to take shape. 71 schools, businesses and other organisations pledged their support and over \$30,000, including a \$20,000 grant from DWC, was raised by a passionate team of regional conveners, the award-winning Te Wai Pounamu Foundation Trust (TWP).

At first light on 1 September 2009, a small team of adventurers left Karamea; one young local man on foot and the others in two vans brimming with food, film equipment, information and excitement. The day began with a local kaumatua performing a dawn karakia to open what was about to be the most exciting community development initiative the West Coast had ever seen. The festival would run for 24 days, involve 13 days of community action, seven nights of learning and interaction, 10 towns, and the challenge for one man of a 400km coastal journey on foot undertaken to inspire young people throughout the West Coast communities.

Festival goers were involved in energetic activities at the region's major beaches, including planting 5,000 eco-sourced native seedlings and removing over 6 tonnes of waste. After dark, participants' efforts were celebrated in local venues with live entertainment, food, and inspirational guest speakers from around New Zealand who toasted the Coast and provided a forum to discuss the development of the region.

The action resulted in less rubbish landing on our beaches, and the beautification of our coastlines for tourists. Awareness was raised on a massive scale which will result in less waste from the West Coast entering the marine environment, thus helping to protect our marine mammals and seabirds.



The festival attracted national media interest with over 50 media features; half a million people experienced the festival via ONE News, various local and regional newspapers, Radio NZ, local radio stations, news websites, and other third party websites also featured the event. The festival was broadcast through [www adayatthebeach.org.nz](http://www adayatthebeach.org.nz) and social networking tools where live multimedia updates of festival events were watched regularly by over 5,000 online festival goers from New Zealand and 24 other countries.

After 24 days and nights, a team of tired but satisfied organisers landed in Franz Josef for the finale. They had run 22 events, attracted over 2,000 local participants, and inspired huge numbers of residents who heard about the action. All the while a young film crew captured the important events, people and places as if seasoned broadcasters, and a short film is set to premier in September 2010 and will continue to drive an increase in West Coasters' pride in their coastlines and immense natural resources.

This ambitious undertaking was powered by an incredible effort convened by a small but passionate group of young volunteers. It has benefited the region's economy, community, and environment, and sets an exciting example for youth leadership locally and in other regions of New Zealand. "A Day at the Beach" has put the West Coast on the map for all the right reasons: breathtaking scenery, innovative events, and residents who are now recognised by many as willing to take a positive stand for the importance of New Zealand's coasts and oceans.

The festival was a National Finalist in the Ministry for the Environment's 2010 Green Ribbon Awards and Winner of the 2009 Trustpower Community Award for Heritage and Environment. The results speak for themselves - the "A Day at the Beach" festival was a huge success for the region.

*Article courtesy of Te Wai Pounamu Foundation Trust*



Pictured at the 2010 Green Ribbon Awards: Alana McCrossin, Guy Ryan, Hon Dr Nick Smith, Nicole McCrossin, Chris Auchinvole MP and Louis Brown.





## CEO Discretionary Funding

### CEO Discretionary Distributions for 2009-10

|  |                 |
|--|-----------------|
| A Day at the Beach                                   | \$200           |
| Brunner Industrial Site Coordinating Committee       | \$1,500         |
| Buller Basketball Association                        | \$500           |
| Buller Boardriders' Club                             | \$1,546         |
| Coal Town Trust                                      | \$1,050         |
| Excelsior Rugby Football Club                        | \$250           |
| Grey District Council - Pounamu Trail Interpretation | \$3,000         |
| Greymouth Golf Club                                  | \$2,000         |
| Hokitika Golf Club                                   | \$2,000         |
| Karamea Golf Club                                    | \$500           |
| John Machejefski Memorial Cycle Race                 | \$250           |
| Kumara Racing Club                                   | \$1,000         |
| Nelson Dog Training Club Inc                         | \$300           |
| New Coasters Inc                                     | \$400           |
| Reefton Golf Club                                    | \$500           |
| Ronald McDonald House                                | \$500           |
| Ross Fireworks Festival Committee                    | \$300           |
| South Westland Bowhunters' Club                      | \$500           |
| Tax Agents NZ Inc                                    | \$2,000         |
| West Coast Art in the Park                           | \$500           |
| West Coast Hockey Association                        | \$1,500         |
| Westland Tai Poutini National Park                   | \$2,000         |
| Westland Trefoil Guild - Girl Guides NZ              | \$500           |
| Westport Golf Club                                   | \$1,000         |
| Westport Returned Soldiers Bowling Club              | \$445           |
| Westport Trotting Club                               | \$2,000         |
| Whataroa Golf Club                                   | \$250           |
|  | <b>\$26,491</b> |

### ***Tax Agents Institute of New Zealand***

DWC was a sponsor of the Tax Agents Institute of NZ 2010 Annual Conference held in Greymouth.

120 members and partners attended the conference. The accommodation sector in Greymouth benefited, and the side trips provided by the organisers to Blackball, Hokitika and Punakaiki enabled attendees to appreciate a range of West Coast scenery while spreading the economic benefit across multiple districts. Hon Peter Dunne, Minister of Revenue, also made his first official visit to the West Coast during the conference which was held between the Kingsgate Greymouth and Shantytown facilities.

### ***Pounamu Heritage Trail***

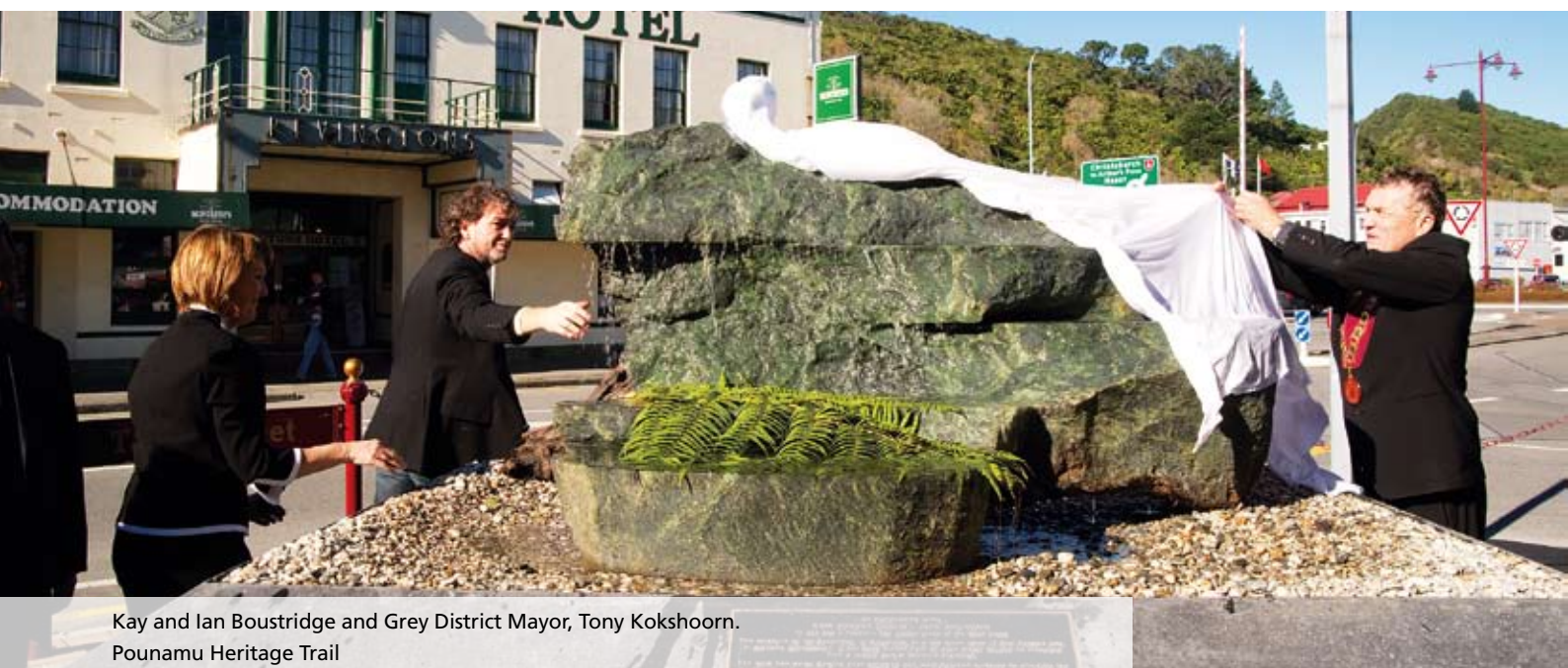
The Grey District Council created a Pounamu Heritage Trail to celebrate Westland's 150 years. The key feature was a pounamu boulder, together with interpretation panels, outlining the history of the purchase of Westland from the local Iwi. The interpretation panels were created in close consultation with and approval of Te Runanga o Ngati Waewae.

DWC co-sponsored the interpretation panels for the trail.

### ***Buller Board Riders' Club***

The Buller Board Riders' Club runs the annual Labour weekend Cape Classic Surfing contest, held at Tauranga Bay. The contest is the first event on the South Island Surfing Association competition circuit.

For the past three years, DWC has been a sponsor of the event which attracts a number of national competitors and their supporters to Westport, enjoying the stunning scenery and superb competition and atmosphere.



Kay and Ian Boustridge and Grey District Mayor, Tony Kokshoorn.  
Pounamu Heritage Trail



**Art in the Park**

Art in the Park showcases talent from all areas of the arts and is enjoyed by many members of the community in a relaxed and entertaining environment. Having outgrown its original venue at Dixon Park, Art in the Park now takes place annually at Shantytown and generates positive feedback from artists and visitors alike.

DWC has sponsored this event since its inception and recognises the achievements of the organising committee in establishing and growing this successful event.



Opening of the Brunner Mine Site Redevelopment





# MAJOR DISTRICT INITIATIVES

MDI funding of \$400,000 per annum is available to each District, ceasing in March 2022. Subject to DWC's own financial performance, funding is accrued and available for draw down at a rate of \$100,000 per quarter per District for approved projects. The following is a schedule of approved MDI projects to date.

## Buller

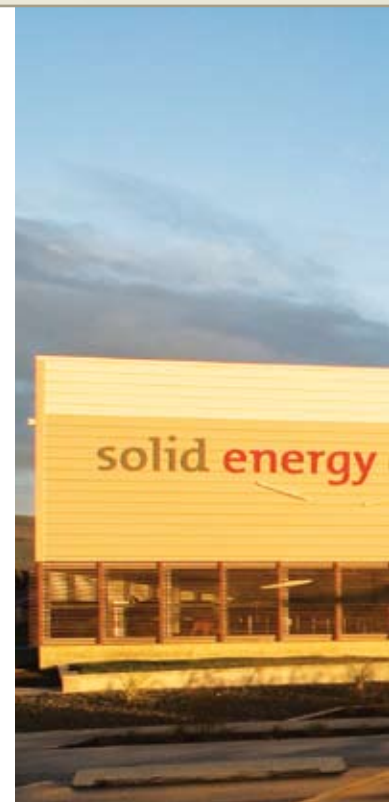
|                        |           |
|------------------------|-----------|
| Solid Energy Centre    | 6,000,000 |
| Arts & Cultural Centre | 700,000   |
|                        | <hr/>     |
|                        | 6,700,000 |

## Grey

|                          |           |
|--------------------------|-----------|
| Aquatic Centre           | 6,000,000 |
| Cobden Sports Complex    | 50,000    |
| West Coast Theatre Trust | 400,000   |
| Grey United Tennis Club  | 20,000    |
| Westurf Recreation Trust | 100,000   |
|                          | <hr/>     |
|                          | 6,570,000 |

## Westland

|                                    |           |
|------------------------------------|-----------|
| Westland i-Site                    | 296,952   |
| Hokitika Regent Theatre (Stage I)  | 340,000   |
| Library Relocation                 | 489,392   |
| Donovan's Store Refurbishment      | 78,375    |
| Hokitika Gorge Upgrade             | 82,014    |
| Westland Boys' Brigade Hall        | 247,349   |
| Hokitika Regent Theatre (Stage II) | 570,000   |
|                                    | <hr/>     |
|                                    | 2,104,082 |



## DWC Investing to Grow the West Coast's Community Assets

### Greymouth Aquatic Centre

*"The Greymouth Aquatic Centre would not have been possible without the significant financial contribution received (\$6m over 15 years) from Development West Coast.*

*The Greymouth Aquatic Centre has been operating now nearly one year and it has had a significant impact on the local community. Attendance projections for the first year at 120,000 have been exceeded with 133,000 through the door to date. A variety of users and user groups regularly utilise the facilities such as the Stroke Support Group, Over 50's, aqua jogging programme, Underwater Club, Surf Club, Swim Club and many of the district's and region's schools to name a few.*

*It has been noticeable that this new facility is being used regularly by a far wider range of people of all ages than at the old pool."*

Kevin Beams  
Support Services Manager, Grey District Council







## Solid Energy Centre

*"The Solid Energy Centre and NBS Theatre has had a positive impact on our community. To witness the large numbers of young children and those not so young participating in the many sports, performing arts and recreation catered for in these new facilities makes all the effort extremely satisfying.*

*The pride shown in these facilities by our community has also had an impact on visitors, corporate partners and the health and education sector, when it comes to attracting people to come to the Buller District to live, work or play.*

*Development West Coast recognised the importance of good community facilities in our quest to sustain and develop our region."*

Pat McManus  
Mayor, Buller District Council

## NBS – Performing Arts Centre

*"To have a live performance venue able to seat 400 people, a digital cinema and digital screen room with state of the art equipment for a small community is a major achievement for Buller and something we can all be proud of. A subsequent result of creating better quality facilities is more people participating in activities they haven't tried before or thought that they wouldn't do again. This has been an added bonus that was unplanned but that our community has made happen through displaying the enthusiasm they have for their own community".*

Craig Scanlon  
Community & Environmental Services Manager, Buller District Council







## Hokitika Regent Theatre

*"DWC's \$340,000 first stage contribution towards the refurbishment of Hokitika's Regent Theatre enabled it to reopen in October 2009, re-strengthened and weather-sealed, as the first completely digital mainstream cinema in New Zealand, complete with 3D capability. People from Westland now get new movies the first night they are released in the technology. As a result, the first six months' saw over 13,000 film patrons, compared with 2,800 for the last year financial year prior to the upgrade.*

*In 2009 DWC approved a second grant of \$570,000 towards further work which will improve the live performance facilities, disabled access, heating, ventilation system and seating.*

*The MDI contributions have been matched by tens of thousands of hours of volunteer work and much business sponsorship, together breathing life back into a heritage building that only three years ago was nearly lost to the town."*

Bruce Watson

Chair, Westland Community Centre Incorporated





## Westland i-SITE

*The new location of the Hokitika i-SITE gives us the chance to represent Hokitika and provide a 100% West Coast welcome to visitors as they arrive into the town, and encouraging visitors to extend their stay by providing local knowledge, promoting our town and surrounding areas with all the attractions, activities and accommodation we have to offer. The upgrade and better location will have a wider economic benefit, boosting returns for businesses located throughout the town, not only for the tourism operators, but also the hospitality and retail sectors.*

Lisa De Rooy  
Manager, Westland i-SITE



## Hokitika Gorge

*"This project has involved collaboration between the Department of Conservation, Westland District Council and Development West Coast all contributing to the development of visitor facilities based at the Hokitika Gorge. These new facilities, toilets, track and parking area, all help to showcase the natural beauty of the Hokitika Gorge and, since completion, they have been well used by both locals and visitors to the area. The increased demand is already putting pressure on to extend the parking to cater for greater numbers."*

Peter Walls  
Senior Business Development Manager, Development West Coast





# MRI EVALUATION

In 2005 DWC applied to the Government's Major Regional Initiative Fund seeking funding to carry out a portfolio of projects from Karamea to Haast with the aim of building a sustainable world class tourism industry on the West Coast. The application was successful and saw DWC receiving \$2 million from NZTE for the project to complement a further \$2.5 million approved by DWC.

A Steering Committee comprising representatives from the Department of Conservation (Mike Slater) Ngai Tahu (Anake Goodall), Tourism West Coast (Matt Ewen) and DWC Trustees was established to provide governance to the project. Latterly the 3 District Council CEO's have also attended Steering Committee meetings.

Most projects were completed by June 2009 and involved a significant contribution from local tourism operators and promotion groups throughout the Coast. This contribution has been greatly appreciated and was critical to achieving the outcomes of the many projects.

An independent evaluation has been undertaken on the outcomes achieved from the MRI projects to date. When finalised, this evaluation should provide some direction for any future involvement in the tourism industry.

## **Projects Undertaken:**

- ▶ Buller Marketing Strategy – marketing guidelines
- ▶ Buller Promotion Association – Visitor strategy implementation
- ▶ Cape Foulwind – business opportunities identified
- ▶ Denniston – new tourist attraction
- ▶ Ecotourism Ornithology – Regional Birding web site
- ▶ Glaciers – Issues and Option report and Destination Management Plan
- ▶ Heaphy – survey of track users – marketing & commercial opportunities
- ▶ Moana – Issues impacting development reinforced Grey DC collaboration project
- ▶ Mountain Bike – Old Ghost Road – feasibility study
- ▶ Mountain Bike – Franz Josef – track development
- ▶ Oparara Valley Project – Provision of two new walking opportunities
- ▶ Punakaiki – Issues and Options report and Destination Management Plan
- ▶ Ross Goldfields – capability building and developing additional attractions/products
- ▶ Regional Visitor / DOC Centres – Review of structure and confirmation of i-SITE network going forward
- ▶ Regional Visitor / DOC Centres Stage2 – Implementation of recommendations from initial review. Current project
- ▶ Shantytown – Capability building and capital developments
- ▶ Southern South Westland World Heritage – Area-Issues & Options Report and Tourism Development Strategy
- ▶ Tracks – commercial opportunities investigated
- ▶ Water – commercial opportunities investigated
- ▶ Signage – Signage strategy prepared (Draft) for consultation with stakeholders. To be finalised



# STATEMENT OF RESPONSIBILITY

Trustees and Management of Development West Coast accept responsibility for the preparation of these Financial Statements and the judgements used in them.

We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

We are of the opinion that these Financial Statements fairly reflect the financial position and operations of Development West Coast and Group for the year ended 31 March 2010.

Signed for and on behalf of the Trustees and Management.



**TONY WILLIAMS**  
**Chairman**  
17 August 2010



**DR JOHN CHANG**  
**Chief Executive**  
17 August 2010





# AUDITOR'S OPINION

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Audit Report

### To the readers of Development West Coast and Group's financial statements for the year ended 31 March 2010

The Auditor-General is the auditor of Development West Coast and group. The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of Development West Coast and group, on her behalf, for the year ended 31 March 2010.

#### Unqualified opinion

In our opinion:

- The financial statements of Development West Coast and group on pages 34 to 56:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflects:
    - Development West Coast and group's financial position as at 31 March 2010; and
    - the results of their operations and cash flows for the year ended on that date.

The audit was completed on 17 August 2010, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and the Auditor, and explain our independence.

#### Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Trustees;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Trustees and the Auditor**

The Trustees are responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of Development West Coast and group as at 31 March 2010 and the results of their operations and cash flows for the year ended on that date.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 22 of the Trust Deed.

### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in Development West Coast or its subsidiaries.



Ian Lothian  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

#### **Matters Relating to the Electronic Presentation of the Audited Financial statements**

This audit report relates to the financial statements of Development West Coast (the Trust) and group for the year ended 31 March 2010 included on the Trust's website. The Trust's Board of Trustees is responsible for the maintenance and integrity of the Trust's website. We have not been engaged to report on the integrity of the Trust's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and the related audit report dated 17 August 2010 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.



**Statement of Consolidated Income** for the Year Ended 31 March 2010

|  | Note | Consolidated  |                 | Parent        |                |
|--|------|---------------|-----------------|---------------|----------------|
|  |      | 2010<br>\$000 | 2009<br>\$000   | 2010<br>\$000 | 2009<br>\$000  |
| Finance Income   | 4    | 6,597         | 9,403           | 6,870         | 9,828          |
| Trading Sales  |      | 694           | 448             | 0             | 0              |
| Other Operating Income                                       |      | 526           | 824             | 536           | 820            |
| <b>Total Income</b>  |      | <b>7,817</b>  | <b>10,675</b>   | <b>7,406</b>  | <b>10,648</b>  |
| Operating Expenses   | 5    | 3,609         | 4,480           | 2,469         | 2,911          |
| <b>Surplus before Community Distributions &amp; Projects</b> |      | <b>4,208</b>  | <b>6,195</b>    | <b>4,937</b>  | <b>7,737</b>   |
| Community Distributions & Projects                           | 6    | 3,022         | 3,049           | 3,022         | 3,049          |
| <b>Surplus before Impairment of Assets</b>                   |      | <b>1,186</b>  | <b>3,146</b>    | <b>1,915</b>  | <b>4,688</b>   |
| Impairment of Distribution Assets                            |      | 140           | 3,866           | 1,004         | 3,668          |
| Impairment of Other Assets                                   | 7    | 0             | (1,130)         | 0             | 0              |
| Impairment of Available for Sale Investments                 |      | 0             | 1,666           | 0             | 1,666          |
| Investment Mark-to-Market (Profit)/Loss                      |      | (8,677)       | 8,767           | (8,677)       | 8,767          |
| <b>Surplus/(Deficit) for the Year before Tax</b>             |      | <b>9,723</b>  | <b>(10,023)</b> | <b>9,588</b>  | <b>(9,413)</b> |
| Taxation   | 8    | 0             | 0               | 0             | 0              |
| <b>Surplus/(Deficit) for the Year</b>                        |      | <b>9,723</b>  | <b>(10,023)</b> | <b>9,588</b>  | <b>(9,413)</b> |
| <b>Attributable to:</b>                                      |      |               |                 |               |                |
| Non Controlling Interests                                    |      | (220)         | (254)           |               |                |
| Parent   |      | 9,943         | (9,769)         |               |                |
| <b>Surplus/(Deficit) for the Year</b>                        |      | <b>9,723</b>  | <b>(10,023)</b> |               |                |

**Statement of Comprehensive Income** for the Year Ended 31 March 2010

|   | Note | Consolidated  |                 | Parent        |                |
|---|------|---------------|-----------------|---------------|----------------|
|   |      | 2010<br>\$000 | 2009<br>\$000   | 2010<br>\$000 | 2009<br>\$000  |
| <b>Surplus/(Deficit) for the Year</b>             |      | <b>9,723</b>  | <b>(10,023)</b> | <b>9,588</b>  | <b>(9,413)</b> |
| <b>Other Comprehensive Income:</b>                |      |               |                 |               |                |
| Net Gain/(Loss) on Available for Sale Investments | 20   | 1,647         | 4,840           | 1,647         | 4,840          |
| Net Gain/(Loss) on Cash Flow Hedges               | 20   | (32)          | 348             | (32)          | 348            |
| <b>Other Comprehensive Income for the Year</b>    |      | <b>1,615</b>  | <b>5,188</b>    | <b>1,615</b>  | <b>5,188</b>   |
| <b>Total Comprehensive Income for the Year</b>    |      | <b>11,338</b> | <b>(4,835)</b>  | <b>11,203</b> | <b>(4,225)</b> |
| <b>Attributable to:</b>                           |      |               |                 |               |                |
| Non Controlling Interests                         | 20   | (220)         | (254)           |               |                |
| Parent  |      | 11,558        | (4,581)         |               |                |
| <b>Total Comprehensive Income for the Year</b>    |      | <b>11,338</b> | <b>(4,835)</b>  |               |                |

**Statement of Changes in Equity** for the Year Ended 31 March 2010

|  | Note | Consolidated   |                | Parent         |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2010<br>\$000  | 2009<br>\$000  | 2010<br>\$000  | 2009<br>\$000  |
| <b>Balance at 1 April</b>                      |      | <b>100,991</b> | <b>105,826</b> | <b>101,790</b> | <b>106,015</b> |
| Surplus/(Deficit) for the Year                 |      | 9,723          | (10,023)       | 9,588          | (9,413)        |
| Other Comprehensive Income for the Year        |      | 1,615          | 5,188          | 1,615          | 5,188          |
| <b>Total Comprehensive Income for the Year</b> |      | <b>11,338</b>  | <b>(4,835)</b> | <b>11,203</b>  | <b>(4,225)</b> |
| <b>Balance at 31 March</b>                     |      | <b>112,329</b> | <b>100,991</b> | <b>112,993</b> | <b>101,790</b> |

The accompanying notes should be read in conjunction with these financial statements

## Balance Sheet as at 31 March 2010

|  | Note | Consolidated   |                | Parent         |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2010<br>\$000  | 2009<br>\$000  | 2010<br>\$000  | 2009<br>\$000  |
| <b>ASSETS</b>                                  |      |                |                |                |                |
| <b>Current Assets</b>                          |      |                |                |                |                |
| Cash and Cash Equivalents                      | 9    | 891            | 1,027          | 757            | 989            |
| Current Tax Receivable                         |      | 5              | 8              | 0              | 0              |
| Trade and Other Receivables                    | 10   | 807            | 318            | 914            | 372            |
| Inventories                                    |      | 55             | 100            | 0              | 0              |
| Biological Assets                              |      | 13             | 28             | 0              | 0              |
| Derivative Financial Instruments               | 15   | 298            | 0              | 298            | 0              |
| Investments                                    | 11   | 45,594         | 48,099         | 45,593         | 51,594         |
| Distribution Assets                            | 12   | 3,242          | 4,126          | 4,131          | 6,381          |
|  |      | 50,905         | 53,706         | 51,693         | 59,336         |
| Non-Current Assets Classified as Held for Sale | 13   | 215            | 215            | 0              | 0              |
| <b>Total Current Assets</b>                    |      | <b>51,120</b>  | <b>53,921</b>  | <b>51,693</b>  | <b>59,336</b>  |
| <b>Non-Current Assets</b>                      |      |                |                |                |                |
| Derivative Financial Instruments               | 15   | 93             | 0              | 93             | 0              |
| Intangible Assets and Goodwill                 | 14   | 61             | 358            | 49             | 6              |
| Property, Plant and Equipment                  | 13   | 6,585          | 2,707          | 1,229          | 1,230          |
| Investments                                    | 11   | 53,714         | 47,096         | 53,714         | 44,095         |
| Distribution Assets                            | 12   | 4,450          | 4,866          | 9,788          | 4,866          |
| <b>Total Non-Current Assets</b>                |      | <b>64,903</b>  | <b>55,027</b>  | <b>64,873</b>  | <b>50,197</b>  |
| <b>TOTAL ASSETS</b>                            |      | <b>116,023</b> | <b>108,948</b> | <b>116,566</b> | <b>109,533</b> |
| <b>LIABILITIES</b>                             |      |                |                |                |                |
| <b>Current Liabilities</b>                     |      |                |                |                |                |
| Trade and Other Payables                       | 16   | 2,442          | 3,884          | 2,321          | 3,670          |
| Provisions                                     | 17   | 1,246          | 2,872          | 1,246          | 2,872          |
| Derivative Financial Instruments               | 15   | 0              | 474            | 0              | 474            |
| <b>Total Current Liabilities</b>               |      | <b>3,688</b>   | <b>7,230</b>   | <b>3,567</b>   | <b>7,016</b>   |
| <b>Non-Current Liabilities</b>                 |      |                |                |                |                |
| Trade and Other Payables                       | 16   | 6              | 0              | 6              | 0              |
| Derivative Financial Instruments               | 15   | 0              | 727            | 0              | 727            |
| <b>Total Non-Current Liabilities</b>           |      | <b>6</b>       | <b>727</b>     | <b>6</b>       | <b>727</b>     |
| <b>TOTAL LIABILITIES</b>                       |      | <b>3,694</b>   | <b>7,957</b>   | <b>3,573</b>   | <b>7,743</b>   |
| <b>NET ASSETS</b>                              |      | <b>112,329</b> | <b>100,991</b> | <b>112,993</b> | <b>101,790</b> |
| <b>EQUITY</b>                                  |      |                |                |                |                |
| Equity Attributable to Owners of the Parent    |      |                |                |                |                |
| Restricted Capital                             | 19   | 79,325         | 79,325         | 79,325         | 79,325         |
| Reserves                                       | 20   | 33,950         | 22,392         | 33,668         | 22,465         |
| Non Controlling Interests                      | 20   | (946)          | (726)          | 0              | 0              |
| <b>TOTAL EQUITY</b>                            |      | <b>112,329</b> | <b>100,991</b> | <b>112,993</b> | <b>101,790</b> |

The accompanying notes should be read in conjunction with these financial statements



## Cash Flow Statement for the Year Ended 31 March 2010

|   | Note      | Consolidated   |               | Parent        |                |
|---|-----------|----------------|---------------|---------------|----------------|
|   |           | 2010<br>\$000  | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000  |
| <b>Cash Flows from Operating Activities</b>               |           |                |               |               |                |
| Receipts from Customers                                   |           | 697            | 824           | 0             | 0              |
| Finance Income  |           | 5,793          | 8,005         | 5,775         | 8,066          |
| Other Income  |           | 750            | 841           | 601           | 1,483          |
| Payments to Suppliers, Trustees and Employees             |           | (3,696)        | (5,182)       | (2,586)       | (3,637)        |
| GST Outflow   |           | (629)          | 0             | 0             | 0              |
| Community Distributions and Projects                      |           | (4,754)        | (3,792)       | (4,754)       | (3,792)        |
| <b>Net Cash Flows from/(used in) Operating Activities</b> | <b>18</b> | <b>(1,839)</b> | <b>696</b>    | <b>(964)</b>  | <b>2,120</b>   |
| <b>Cash Flows from Investing Activities</b>               |           |                |               |               |                |
| Proceeds from Sale of Property, Plant and Equipment       |           | 819            | 427           | 51            | 45             |
| Proceeds on Sale of Intangible Assets                     |           | 350            | 0             | 0             | 0              |
| Proceeds on Disposal of Investments                       |           | 49,242         | 58,883        | 48,319        | 58,883         |
| Distribution Asset Repayments                             |           | 4,215          | 2,003         | 5,872         | 2,069          |
| Purchase of Property, Plant and Equipment                 |           | (5,705)        | (368)         | (959)         | (243)          |
| Purchase of Intangible Assets                             |           | (53)           | 0             | (43)          | 0              |
| Purchase of Investments                                   |           | (44,599)       | (56,368)      | (43,704)      | (56,864)       |
| Distribution Asset Lending                                |           | (2,566)        | (4,429)       | (8,804)       | (5,112)        |
| <b>Net Cash Flows from/(used in) Investing Activities</b> |           | <b>1,703</b>   | <b>148</b>    | <b>732</b>    | <b>(1,222)</b> |
| Net Increase/(Decrease) in Cash and Cash Equivalents      |           | (136)          | 844           | (232)         | 898            |
| Cash and Cash Equivalents at Beginning of Period          |           | 1,027          | 183           | 989           | 91             |
| <b>Cash and Cash Equivalents at End of Period</b>         | <b>9</b>  | <b>891</b>     | <b>1,027</b>  | <b>757</b>    | <b>989</b>     |

*The accompanying notes should be read in conjunction with these financial statements*

# Notes to the Financial Statements

## 1 Objects

Development West Coast is a Trust for charitable purposes for the benefit of the community of the present and future inhabitants of the West Coast region. The Trust Fund may be applied and used exclusively by the Trustees for the following general purposes within New Zealand, namely:

- a) *To promote sustainable employment opportunities in the West Coast region; and*
- b) *To generate sustainable economic benefits for the West Coast region; and*
- c) *To support projects which are not the ordinary day-to-day running, maintenance and upgrade of the infrastructure that is normally the responsibility of the local authorities or central government, provided such projects meet paragraphs (a) and (b);*  
*provided that any private benefit conferred to any person (other than a charity) is incidental to these overriding objects.*

## 2 Reporting Entity

Development West Coast (the parent) was established by Deed on 18 April 2001. The Group comprises Development West Coast, its subsidiary Forever Beech Limited, West Coast Development Holdings Limited and its subsidiaries, West Coast Development Trust Land Company Limited, West Coast Development Trust Research and Development Company Limited, The West Coast Development Trust No.1 Limited, West Coast Snowflake Limited and Cranberries New Zealand Limited.

A subsidiary of Forever Beech Limited, Forever Holdings Limited, was sold during the year.

The financial statements of Development West Coast for the year ended 31 March 2010 were authorised for issue by Trustees on 2 August 2010.

## 3. Summary of Significant Accounting Policies

### 3.1. Basis of Preparation

The financial statements are General Purpose Financial Statements prepared in accordance with our Deed of Trust and generally accepted accounting practice in New Zealand. The financial statements have also been prepared on a historical cost basis, except for derivative financial instruments, held for trading investments and available-for-sale investments, which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

### a) Differential Reporting

The Parent and Group qualify for differential reporting as they are not publicly accountable and meet the criteria to be defined as small under the framework for differential reporting. Development West Coast and the Group have taken advantage of all differential reporting exemptions, except for:

- The exemption available in NZ IAS 21 The Effects of Changes in Foreign Exchange Rates that permits qualifying entities to translate foreign currency transactions at the settlement rate; and
- The exemption available in NZ IAS 7 Cash Flow Statements that permits qualifying entities not to disclose a cash flow statement.

### 3.2. Statement of Compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards as appropriate for public benefit entities that qualify for and apply differential reporting concessions.

### 3.3. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Development West Coast and its subsidiaries (the Group) as at 31 March each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained and cease to be consolidated from the date on which control is transferred out.

Investments in subsidiaries held by Development West Coast are accounted for at cost less an allowance for impairment in the separate financial statements of the parent entity.



### 3.4. Business Combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of the business combination over the net fair value of shares of the identifiable net assets acquired is recognised as goodwill.

### 3.5. Foreign Currency Translation

#### a) *Functional and Presentation Currency*

Both the functional and presentation currency of Development West Coast and its New Zealand subsidiaries is New Zealand dollars (\$).

#### b) *Transactions & Balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

### 3.6. Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

### 3.7. Trade and other Receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the receivable is not able to be collected. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### 3.8. Inventories

Inventories are valued at the lower of cost, determined on a first in first out basis, and net realisable value.

Costs incurred in bringing each product to its present location and condition are included in the cost of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 3.9. Biological Assets - Cranberry Vines

Cranberry vines are measured at their cost less any accumulated depreciation and any accumulated impairment losses.

Impairment losses are recognised in the income statement in the year they arise.

Cranberries are initially measured at their cost.

### 3.10. Derivative Financial Instruments

The Parent and Group uses derivative financial instruments (including forward currency contracts and interest rate swaps) to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the income statement for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swaps are determined by reference to market values for similar instruments. For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that are attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

### 3.11. Non-Current Assets and Disposal Groups held for Sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell off an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

### 3.12. Investments and Other Financial Assets

Investments and financial assets in the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

Financial assets include bank accounts, investments, distribution assets and receivables.

When financial assets are recognised initially, they are measured at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

**a) Recognition and Derecognition**

All purchases and sales of financial assets are recognised on the trade date (ie, the date that the Parent and Group commit to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or been transferred.

**(i) Financial Assets at Fair Value through the Income Statement**

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Equity investments made through the financial markets are classified as held for trading (ie, Australasian and International Equities). Held for trading financial assets are part of a portfolio managed in accordance with Development West Coast's Trust Deed and investment policies. Gains or losses on financial assets held for trading are recognised in the income statement and the related assets are classified as current assets in the balance sheet.

**(ii) Loans and Receivables**

Loans and receivables, including cash, accounts receivable, term deposits and distribution assets, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired. These are included in current assets except for those with maturities greater than 12 months after balance date, which are classified as non-current.

**(iii) Available-for-Sale Securities**

Available-for-sale investments are those non-derivative financial assets, principally private equity and term bonds that are designated as available-for-sale or are not classified as any of the two preceding categories. After initial recognition, available-for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

The fair values of investments that are actively traded in organised financial markets are determined

by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

**3.13. Distribution Assets**

A distribution asset is an advance or equity investment made by Development West Coast in meeting the objects of its Trust Deed. These investments are made in West Coast Enterprises as defined in the Deed. Distribution assets are classified as loans and receivables and are carried at amortised cost using the effective interest method, less an allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

In meeting its objects Development West Coast is able to utilise distribution funds to purchase assets. These assets are classified according to the relevant accounting standard and Development West Coast's accounting policies.

**a) Quality of Distribution Assets**

The underlying sustainable development theme of our Trust Deed requires Development West Coast to look at projects with higher risk profiles. While Development West Coast, in assessing applications, looks to reduce the overall risk profile where possible, this higher risk is reflected in the overall quality of the Distribution Assets.

**b) Securities and Non-Performing Assets**

As part of assessing any application for funding, Development West Coast looks to achieve the greatest possible security cover. However, in line with the development nature of Development West Coast, we can accept security positions less than the value of a Distribution Asset and lower in priority rankings.

**c) Non-Performing Assets**

Non-performing distribution assets are those where repayments are overdue three months or more or where a specific potential for loss has been identified.

**3.14. Impairment of Financial Assets**

The carrying amounts of any assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

Equity instruments are deemed to be impaired wherever there is a significant or prolonged decline in fair value below the original purchase price. Any subsequent recovery of an



impairment loss of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

The recoverable amount of loan and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses are evaluated on an individual basis.

### 3.15. Property, Plant and Equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on property, plant and equipment is calculated on a straight-line basis over the estimated useful life. Depreciation rates are as follows:

|                        |                 |
|------------------------|-----------------|
| Office equipment       | 5 – 12.5 years  |
| Computer hardware      | 4 years         |
| Furniture and fittings | 5 – 12.5 years  |
| Plant and equipment    | 2 – 10 years    |
| Leasehold improvements | 6.5 years       |
| Motor vehicles         | 5 years         |
| Buildings              | 50 years        |
| Land                   | Not depreciated |

#### a) *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### 3.16. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### a) *As a Lessee*

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

#### b) *As a Lessor*

Leases in which all the risks and benefits of ownership of the leased asset are substantially retained by the lessor are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

### 3.17. Impairment of Non-Financial Assets other than Goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Development West Coast conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### 3.18. Goodwill and Intangibles

#### a) *Intangibles*

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is recognised in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. With the exception of the cutting rights held by Forever Holdings Limited Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Group's intangible assets is as follows:

- The costs of cutting rights acquired and held by Forever Beech Limited's subsidiary, Forever Holdings Limited, are amortised based on volume extracted relative to the total aggregate yield covered by those rights. The amount per cubic metre amortised is included in inventory as a direct cost of production. The rights are finite life assets that expire between 2011 and 2022. Forever Holdings Limited was sold during the year.
- Computer software is a finite life intangible amortised over a period of four years on a straight line basis.
- Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

### 3.19. Trade and Other Payables

Trade and other payables are carried at amortised cost and, due to their short term nature, are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### 3.20. Provisions and Employee Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free Government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### a) *Major District Initiative*

Development West Coast has undertaken, subject to certain criteria, to fund each West Coast District Council \$400,000 p.a. for approved Major District Initiatives (MDI). Certain capital projects are eligible for consideration as MDI projects, including sports and recreational facilities, theatres, museums and art galleries. Until an application is approved and funds committed for a particular project, the funding is provisioned on an annual basis. Funding will cease to be available for the MDI after March 2022.

#### b) *Major Regional Initiative*

Development West Coast allocated funding of \$2,500,000 to the Major Regional Initiative (MRI) in 2006 and the allocation was provisioned at that time. As individual projects within the MRI have funds committed to them the initial provision is reversed and a trade payable established until payment is made.

#### c) *Employee Benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

### 3.21. Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### a) *Sale of Goods*

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to a customer indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed. The risks and rewards are recognised when the goods are despatched.

#### b) *Rendering of Services*

Revenue from rendering services is recognised by reference to the stage of completion of a contract or contracts in progress at balance date or at the time of completion of the contract and billing to the customer.

#### c) *Interest Revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### d) *Dividends*

Revenue is recognised when the Group's right to receive the payment is established.

#### e) *Rental Revenue*

Rental revenue is accounted for on a straight-line basis over the lease term.



### 3.22. Income Tax and Other Taxes

Development West Coast is registered with the Charities Commission as a Charitable Trust and is therefore exempt from income tax.

In respect of subsidiary companies, income tax is accounted for using the taxes payable method. The income tax expense recorded in the income statement for the period represents the income tax payable for the period.

#### a) Other Taxes

Development West Coast is a "registered person" in terms of the Goods and Services Act 1985. Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 3.23. Government Grants

Government grants received in advance for a project are recognised in the balance sheet as a liability when the grant is received. It is recognised as income over the periods necessary to match the costs that it is intended to compensate in the project.

Grants received in payment of expenses already incurred by Development West Coast are recognised as income at the time of invoicing.

## 4. Finance Income

|   | Note | Consolidated  |               | Parent        |               |
|---|------|---------------|---------------|---------------|---------------|
|   |      | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Interest on Distribution Assets   |      | 698           | 1,195         | 989           | 1,561         |
| Interest on Term Deposits   |      | 499           | 660           | 497           | 651           |
| Interest on Available for Sale Investments                                |      | 4,251         | 4,870         | 4,251         | 5,182         |
| Interest Concessions  |      | 211           | 61            | 211           | 61            |
| Dividends on Available for Sale Investments                               |      | 186           | 8             | 186           | 8             |
| Dividends on Held for Trading Investments                                 |      | 783           | 1,145         | 767           | 901           |
| Fee Income  |      | 48            | 11            | 48            | 11            |
| Net Realised Gains/(Losses) on disposal of Available for Sale Investments |      | 1,128         | 652           | 1,128         | 652           |
| Net Realised Gains/(Losses) on Held for Trading Derivatives               |      | 45            | 101           | 45            | 101           |
| Net Realised Gains/(Losses) on Held for Trading Investments               |      | (1,252)       | 700           | (1,252)       | 700           |
|   |      | <b>6,597</b>  | <b>9,403</b>  | <b>6,870</b>  | <b>9,828</b>  |

## 5. Operating Expenses

|  | Note | Consolidated |              | Parent       |              |
|--|------|--------------|--------------|--------------|--------------|
|  |      | 2010         | 2009         | 2010         | 2009         |
|  |      | \$000        | \$000        | \$000        | \$000        |
| Administration Expenses                |      | 1,531        | 1,368        | 1,180        | 1,028        |
| Advisory Body Fees                     |      | 121          | 138          | 121          | 138          |
| Advisory Body Expenses                 |      | 25           | 25           | 25           | 25           |
| Auditors' Remuneration                 | 27   | 97           | 209          | 55           | 153          |
| Bad and Doubtful Debts                 |      | 0            | 12           | 0            | (1)          |
| Cost of Sales                          |      | 439          | 769          | 0            | 0            |
| Depreciation                           | 13   | 162          | 209          | 88           | 77           |
| Directors' Fees                        |      | 17           | 90           | 0            | 0            |
| Equipment Lease Payments               |      | 16           | 16           | 16           | 16           |
| External Consultancy Expenses          |      | 162          | 381          | 143          | 377          |
| Farm Expenses                          |      | 120          | 109          | 0            | 0            |
| Finance Costs                          |      | 2            | 5            | 2            | 3            |
| Information & Communication Technology |      | 25           | 23           | 25           | 23           |
| Insurance & Risk Management            |      | 47           | 34           | 39           | 34           |
| Investment Advisory Expenses           |      | 240          | 283          | 240          | 283          |
| Legal Fees                             |      | 221          | 181          | 185          | 173          |
| Loss/(Gain) on Sale of Assets          |      | 3            | 28           | (21)         | 14           |
| Marketing & Promotion                  |      | 24           | 150          | 24           | 150          |
| Occupancy                              |      | 90           | 86           | 86           | 86           |
| Recruitment Costs                      |      | 41           | 122          | 41           | 122          |
| Sales, Marketing & Despatch            |      | 6            | 32           | 0            | 0            |
| Trustees' Remuneration                 |      | 160          | 173          | 160          | 173          |
| Trustees' Expenses                     |      | 60           | 37           | 60           | 37           |
| <b>Total Operating Expenses</b>        |      | <b>3,609</b> | <b>4,480</b> | <b>2,469</b> | <b>2,911</b> |

## 6. Community Distributions and Projects

|   | Note | Consolidated |              | Parent       |              |
|---|------|--------------|--------------|--------------|--------------|
|   |      | 2010         | 2009         | 2010         | 2009         |
|   |      | \$000        | \$000        | \$000        | \$000        |
| Interest Concessions                                |      | 211          | 60           | 211          | 60           |
| Community Grants                                    | 6.1  | 365          | 400          | 365          | 400          |
| Enterprise Training                                 |      | 147          | 161          | 147          | 161          |
| Education 4 Enterprise                              |      | 154          | 215          | 154          | 215          |
| Business Development Unit                           |      | 837          | 618          | 837          | 618          |
| Major Regional Initiative                           |      | 108          | 395          | 108          | 395          |
| Provision for Major District Initiative             |      | 1,200        | 1,200        | 1,200        | 1,200        |
| <b>Total Community Distributions &amp; Projects</b> |      | <b>3,022</b> | <b>3,049</b> | <b>3,022</b> | <b>3,049</b> |



## 6.1. Community Grants Analysis

| Recipient   | 2010<br>\$ | Recipient                               | 2010<br>\$     |
|---|------------|---|----------------|
| A Day at the Beach  | 200        | Ronald MacDonald House                  | 500            |
| Blue Dog Events Limited                                       | 5,000      | Ross Fireworks Festival Committee       | 300            |
| Brunner Industrial Site Coordinating Committee                | 1,500      | Source to Sea                           | 15,000         |
| Buller Basketball Association                                 | 500        | South Westland Bow Hunters' Club        | 500            |
| Buller Board Riders' Club                                     | 1,546      | St John Business Grant                  | 200,000        |
| Challenge Events Ltd – Around Brunner                         | 20,000     | Tax Agents NZ Inc                       | 2,000          |
| Coal Town Trust   | 1,050      | Te Wai Pounamu Foundation               | 20,000         |
| Coast Buller Timber Sports                                    | 4,300      | Tourism West Coast                      | 83,200         |
| DARE West Coast Inc   | 2,778      | West Coast Art in the Park              | 500            |
| Excelsior Rugby Football Club                                 | 250        | West Coast Focus Farm                   | 28,000         |
| Fox Glacier Promotions Group                                  | 8,000      | West Coast Hockey Association           | 5,500          |
| Grey District Council –<br>Pounamu Trail Interpretation Panel | 3,000      | West Coast Speedway                     | 10,000         |
| Greymouth Golf Club   | 2,000      | Westland REAP                           | 6,300          |
| Hokitika Golf Club  | 2,000      | Westland Tai Poutini National Park      | 2,000          |
| Industrial Regional Profile                                   | 5,000      | Westland Trefoil Guild - Girl Guides NZ | 500            |
| Karamea Golf Club   | 500        | Westport Golf Club                      | 1,000          |
| John Machejefski Memorial Cycle Race                          | 250        | Westport Returned Soldiers Bowling Club | 445            |
| Kumara Racing Club  | 1,000      | Westport Trotting Club                  | 2,000          |
| Mokihinui-Lyell Backcountry Trust                             | 10,000     | Whataroa Golf Club                      | 250            |
| Nelson Dog Training Club Inc                                  | 300        | <b>Sub Total</b>                        | <b>458,069</b> |
| New Coasters Inc  | 10,400     | Reversal of Prior Years' Grants         | (92,632)       |
| Reefton Golf Club   | 500        |   |                |
|   |            | <b>Total Community Grants</b>           | <b>365,437</b> |

## 7. Impairment of Other Assets

|  | Consolidated  |                | Parent        |               |
|--|---------------|----------------|---------------|---------------|
|  | 2010<br>\$000 | 2009<br>\$000  | 2010<br>\$000 | 2009<br>\$000 |
| Increase/(Decrease) in Inventory Provisions                        | 0             | (305)          | 0             | 0             |
| (Reversal of Impairment)/Impairment of Loans and Receivables       | 0             | (50)           | 0             | 0             |
| (Reversal of Impairment)/Impairment of Property, Plant & Equipment | 0             | (425)          | 0             | 0             |
| (Reversal of Impairment)/Impairment of Intangible Assets           | 0             | (350)          | 0             | 0             |
|  | <b>0</b>      | <b>(1,130)</b> | <b>0</b>      | <b>0</b>      |

## 8. Income Tax

### 8.1. Income Tax Expense

|  | Consolidated |          |
|--|--------------|----------|
|  | 2010         | 2009     |
|  | \$000        | \$000    |
| Income Statement   | 0            | 0        |
| Current Income Tax   | 0            | 0        |
| <b>Income Tax Expense Reported in the Statement of Consolidated Income</b> | <b>0</b>     | <b>0</b> |

### 8.2. Reconciliation of Tax Expense

|  | Consolidated |                 |
|--|--------------|-----------------|
|  | 2010         | 2009            |
|  | \$000        | \$000           |
| <b>Accounting Surplus/(Deficit) Before Tax</b>                 | <b>9,723</b> | <b>(10,023)</b> |
| At the Statutory Income Tax Rate of 30%                        | 2,917        | (3,007)         |
| Adjustments in Respect of Parent Surplus/(Deficit) not Taxable | (3,136)      | 2,522           |
| Adjustments in Respect of Temporary Differences                | (5)          | (1)             |
| Adjustments in Respect of Permanent Differences                | (41)         | 199             |
| <b>Tax Losses not Recognised</b>                               | <b>(265)</b> | <b>(287)</b>    |
| <b>Income Tax Expense</b>                                      | <b>0</b>     | <b>0</b>        |

### 8.3. Tax Losses

No asset has been recognised in respect of the taxation losses held by the Group. At 31 March 2010 these totalled \$8,235,000 (2009: \$6,387,000).

## 9. Cash and Cash Equivalents

|  | Consolidated |              | Parent     |            |
|--|--------------|--------------|------------|------------|
|  | 2010         | 2009         | 2010       | 2009       |
|  | \$000        | \$000        | \$000      | \$000      |
| Cash at Bank and On Hand               | 891          | 1,027        | 757        | 989        |
| <b>Total Cash and Cash Equivalents</b> | <b>891</b>   | <b>1,027</b> | <b>757</b> | <b>989</b> |

As at 31 March 2010, Development West Coast had \$6,495,000 (2009 \$14,094,000) on short term deposit at registered banks. These deposits are classified as investments in the annual accounts.

## 10. Trade and Other Receivables

|   | Consolidated |            | Parent     |            |
|---|--------------|------------|------------|------------|
|   | 2010         | 2009       | 2010       | 2009       |
|   | \$000        | \$000      | \$000      | \$000      |
| Trade Receivables                                     | 19           | 219        | 13         | 191        |
| Prepayments   | 0            | 0          | 0          | 0          |
| GST Refund Receivable                                 | 717          | 88         | 176        | 84         |
| Related Party Receivables                             | 0            | 0          | 692        | 93         |
| Sundry Receivables                                    | 71           | 11         | 33         | 4          |
| <b>Carrying Amount of Trade and Other Receivables</b> | <b>807</b>   | <b>318</b> | <b>914</b> | <b>372</b> |

### 10.1. Related Party Receivables

For terms and conditions of related party receivables refer to note 22.



## 11. Investments

|                                | Consolidated  |               | Parent        |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Available for Sale Investments | 60,542        | 59,837        | 60,541        | 60,331        |
| Held for Trading Investments   | 32,271        | 21,264        | 32,271        | 21,264        |
| Term Deposits                  | 6,495         | 14,094        | 6,495         | 14,094        |
| <b>Total Investments</b>       | <b>99,308</b> | <b>95,195</b> | <b>99,307</b> | <b>95,689</b> |
| Current Assets                 | 45,594        | 48,099        | 45,593        | 51,594        |
| Non Current Assets             | 53,714        | 47,096        | 53,714        | 44,095        |
| <b>Total Assets</b>            | <b>99,308</b> | <b>95,195</b> | <b>99,307</b> | <b>95,689</b> |

Available-for-sale investments consist of investments in alternative assets and fixed term bonds.

Held for trading investments consist of investments in ordinary shares and listed property, and therefore have no maturity date or coupon rate.

Financial assets that are classified as loans and receivables are shown as follows:

|                                    | Consolidated  |               | Parent        |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Cash and Cash Equivalents          | 1,027         | 1,027         | 757           | 989           |
| Trade and Other Receivables        | 1,133         | 318           | 1,238         | 372           |
| Term Deposits                      | 6,495         | 14,094        | 6,495         | 14,094        |
| Distribution Assets                | 12,172        | 16,367        | 22,157        | 21,514        |
| <b>Total Loans and Receivables</b> | <b>20,827</b> | <b>31,806</b> | <b>30,647</b> | <b>36,969</b> |

## 12. Distribution Assets

The distribution assets can be further analysed as follows:

|                                      | Consolidated  |               | Parent        |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>Class</b>                         |               |               |               |               |
| Current Distributions                | 6,608         | 10,372        | 16,476        | 20,742        |
| Less Provision for Impairment        | 3,366         | 6,246         | 12,345        | 14,361        |
| <b>Net Current Distributions</b>     | <b>3,242</b>  | <b>4,126</b>  | <b>4,131</b>  | <b>6,381</b>  |
| <b>Non-Current Distributions</b>     | <b>5,565</b>  | <b>5,995</b>  | <b>10,903</b> | <b>5,995</b>  |
| Less Provision for Impairment        | 1,115         | 1,129         | 1,115         | 1,129         |
| <b>Net Non-Current Distributions</b> | <b>4,450</b>  | <b>4,866</b>  | <b>9,788</b>  | <b>4,866</b>  |
| <b>Net Distributions</b>             | <b>7,692</b>  | <b>8,992</b>  | <b>13,919</b> | <b>11,247</b> |
| Investment in Subsidiaries           |               |               | 5,222         | 5,222         |
| Loans to Subsidiaries                |               |               | 9,985         | 5,148         |
| Loans to Other Parties               |               |               | 12,172        | 16,367        |
|                                      |               |               | 27,379        | 26,737        |
| Less Provision for Impairment        |               |               | 13,460        | 15,490        |
| <b>Total</b>                         |               |               | <b>13,919</b> | <b>11,247</b> |

### 12.1. Related Party Distribution Assets

\$15,207,000 of distribution assets were invested in subsidiaries of Development West Coast at 31 March 2010 (2009: \$10,369,000) and there was a \$8,739,000 provision for impairment relating to these balances (2009: \$8,075,000). There were no write offs of amounts of distribution assets outstanding from subsidiaries of Development West Coast during the year ending 31 March 2010 (2009: \$nil).

For terms and conditions of related party receivables refer to note 22.

### 13. Property, Plant and Equipment

| <b>Consolidated</b>                       | <b>Motor<br/>Vehicles<br/>\$000</b> | <b>Plant &amp;<br/>Machinery<br/>\$000</b> | <b>Furniture &amp;<br/>Fittings<br/>\$000</b> | <b>Office<br/>Equipment<br/>\$000</b> | <b>Leasehold<br/>Improve-<br/>ments<br/>\$000</b> | <b>Computer<br/>Hardware<br/>\$000</b> | <b>Land &amp;<br/>Buildings<br/>\$000</b> | <b>Art<br/>Collection<br/>\$000</b> | <b>Total<br/>\$000</b> |
|---|-------------------------------------|--|---|---------------------------------------|---|--|---|-------------------------------------|------------------------|
| <b>At Cost</b>                            |                                     |  |   |                                       |   |  |   |                                     |                        |
| Balance at 1 April 2008                   | 330                                 | 1,457                                      | 93  | 58                                    | 66  | 178                                    | 1,029                                     | 7                                   | 3,218                  |
| Additions                                 | 100                                 | 1  | 17  | 5                                     | 2   | 15                                     | 1,071                                     | 0                                   | 1,211                  |
| Disposals                                 | (88)                                | (3)  | 0   | 0                                     | 0   | (21)                                   | 0   | 0                                   | (112)                  |
| Balance at 31 March 2009                  | 342                                 | 1,455                                      | 110   | 63                                    | 68  | 172                                    | 2,100                                     | 7                                   | 4,317                  |
| Balance at 1 April 2009                   | 342                                 | 1,455                                      | 110   | 63                                    | 68  | 172                                    | 2,100                                     | 7                                   | 4,317                  |
| Additions                                 | 53                                  | 7  | 58  | 6                                     | 5   | 33                                     | 4,700                                     | 0                                   | 4,862                  |
| Disposals                                 | (145)                               | (556)                                      | (5)   | 0                                     | 0   | (14)                                   | (252)                                     | 0                                   | (972)                  |
| Balance at 31 March 2010                  | 250                                 | 906  | 163   | 69                                    | 73  | 191                                    | 6,548                                     | 7                                   | 8,207                  |
| <b>Depreciation and Impairment Losses</b> |                                     |  |   |                                       |   |  |   |                                     |                        |
| Balance at 1 April 2008                   | 171                                 | 1022                                       | 23  | 49                                    | 52  | 146                                    | 159                                       | 0                                   | 1,622                  |
| Depreciation Charge for the Year          | 46                                  | 85   | 8   | 7                                     | 5   | 17                                     | 41  | 0                                   | 209                    |
| Impairment Losses                         | 0                                   | (470)                                      | 0   | (4)                                   | 0   | 0                                      | 86  | 0                                   | (388)                  |
| Disposals                                 | (30)                                | (1)  | 0   | 0                                     | 0   | (17)                                   | 0   | 0                                   | (48)                   |
| Balance at 31 March 2009                  | 187                                 | 636  | 31  | 52                                    | 57  | 146                                    | 286                                       | 0                                   | 1,395                  |
| Balance at 1 April 2009                   | 187                                 | 636  | 31  | 52                                    | 57  | 146                                    | 286                                       | 0                                   | 1,395                  |
| Depreciation Charge for the Year          | 47                                  | 33   | 12  | 4                                     | 5   | 16                                     | 45  | 0                                   | 162                    |
| Impairment Losses                         | 0                                   | 0  | 0   | 0                                     | 0   | 0                                      | 0   | 0                                   | 0                      |
| Disposals                                 | (120)                               | (1)  | (3)   | 0                                     | 0   | (12)                                   | (14)                                      | 0                                   | (150)                  |
| Balance at 31 March 2010                  | 114                                 | 668  | 40  | 56                                    | 62  | 150                                    | 317                                       | 0                                   | 1,407                  |
| <b>Net Carrying Amount</b>                |                                     |  |   |                                       |   |  |   |                                     |                        |
| At 1 April 2008                           | 159                                 | 435  | 70  | 9                                     | 14  | 32                                     | 870                                       | 7                                   | 1,596                  |
| At 31 March 2009                          | 155                                 | 819  | 79  | 11                                    | 11  | 26                                     | 1,814                                     | 7                                   | 2,922                  |
| At 31 March 2010                          | 136                                 | 238  | 123   | 13                                    | 11  | 41                                     | 6,231                                     | 7                                   | 6,800                  |

| <b>Classified as</b>                        | <b>2010<br/>\$000</b> | <b>2009<br/>\$000</b> |
|---|-----------------------|-----------------------|
| Property, Plant and Equipment Held for Sale | 215                   | 215                   |
| Non Current Property Plant and Equipment    | 6,585                 | 2,707                 |
| <b>Total Property, Plant and Equipment</b>  | <b>6,800</b>          | <b>2,922</b>          |

| Parent                                    | Motor<br>Vehicles<br>\$000 | Plant &<br>Machinery<br>\$000 | Furniture &<br>Fittings<br>\$000 | Office<br>Equipment<br>\$000 | Leasehold<br>Improve-<br>ments<br>\$000 | Computer<br>Hardware<br>\$000 | Land &<br>Buildings<br>\$000 | Art<br>Collection<br>\$000 | Total<br>\$000 |
|---|----------------------------|-------------------------------|----------------------------------|------------------------------|---|-------------------------------|------------------------------|----------------------------|----------------|
| <b>At Cost</b>                            |                            |                               |                                  |                              |   |                               |                              |                            |                |
| Balance at 1 April 2008                   | 307                        | 0                             | 93                               | 37                           | 66                                      | 178                           | 0                            | 7                          | 688            |
| Additions                                 | 100                        | 0                             | 17                               | 4                            | 2                                       | 15                            | 950                          | 0                          | 1,088          |
| Disposals                                 | (88)                       | 0                             | 0                                | 0                            | 0                                       | (21)                          | 0                            | 0                          | (109)          |
| Balance at 31 March 2009                  | 319                        | 0                             | 110                              | 41                           | 68                                      | 172                           | 950                          | 7                          | 1,667          |
| Balance at 1 April 2009                   | 319                        | 0                             | 110                              | 41                           | 68                                      | 172                           | 950                          | 7                          | 1,667          |
| Additions                                 | 54                         | 0                             | 58                               | 6                            | 5                                       | 33                            | 0                            | 0                          | 156            |
| Disposals                                 | (145)                      | 0                             | (5)                              | 0                            | 0                                       | (14)                          | (40)                         | 0                          | (204)          |
| Balance at 31 March 2010                  | 228                        | 0                             | 163                              | 47                           | 73                                      | 191                           | 910                          | 7                          | 1,619          |
| <b>Depreciation and Impairment Losses</b> |                            |                               |                                  |                              |   |                               |                              |                            |                |
| Balance at 1 April 2008                   | 157                        | 0                             | 23                               | 30                           | 52                                      | 146                           | 0                            | 0                          | 408            |
| Depreciation Charge for the Year          | 44                         | 0                             | 8                                | 3                            | 5                                       | 17                            | 0                            | 0                          | 77             |
| Impairment Losses                         | 0                          | 0                             | 0                                | 0                            | 0                                       | 0                             | 0                            | 0                          | 0              |
| Disposals                                 | (31)                       | 0                             | 0                                | 0                            | 0                                       | (17)                          | 0                            | 0                          | (48)           |
| Balance at 31 March 2009                  | 170                        | 0                             | 31                               | 33                           | 57                                      | 146                           | 0                            | 0                          | 437            |
| Balance at 1 April 2009                   | 170                        | 0                             | 31                               | 33                           | 57                                      | 146                           | 0                            | 0                          | 437            |
| Depreciation Charge for the Year          | 46                         | 0                             | 12                               | 4                            | 5                                       | 15                            | 6                            | 0                          | 88             |
| Impairment Losses                         | 0                          | 0                             | 0                                | 0                            | 0                                       | 0                             | 0                            | 0                          | 0              |
| Disposals                                 | (120)                      | 0                             | (3)                              | 0                            | 0                                       | (12)                          | 0                            | 0                          | (135)          |
| Balance at 31 March 2010                  | 96                         | 0                             | 40                               | 37                           | 62                                      | 149                           | 6                            | 0                          | 390            |
| <b>Net Carrying Amount</b>                |                            |                               |                                  |                              |   |                               |                              |                            |                |
| At 1 April 2008                           | 150                        | 0                             | 70                               | 7                            | 14                                      | 32                            | 0                            | 7                          | 280            |
| At 31 March 2009                          | 149                        | 0                             | 79                               | 8                            | 11                                      | 26                            | 950                          | 7                          | 1,230          |
| At 31 March 2010                          | 132                        | 0                             | 123                              | 10                           | 11                                      | 42                            | 904                          | 7                          | 1,229          |



## 14. Intangible Assets and Goodwill

| <b>Consolidated</b>                            | Cutting | Computer | Other      | <b>Total</b> | <b>Parent</b>                                  | Computer | <b>Total</b> |
|--|---------|----------|------------|--------------|--|----------|--------------|
|  | Rights  | Software | Intangible |              |  | Software |              |
|  | \$000   | \$000    | Assets     | \$000        |  | \$000    | \$000        |
| <b>At Cost</b>                                 |         |          |            |              | <b>At Cost</b>                                 |          |              |
| Balance at 1 April 2008                        | 1,016   | 22       | 51         | 1,089        | Balance at 1 April 2008                        | 22       | 22           |
| Additions                                      | 0       | 0        | 0          | 0            | Additions                                      | 0        | 0            |
| Disposals                                      | 0       | 0        | 0          | 0            | Disposals                                      | 0        | 0            |
| Balance at 31 March 2009                       | 1,016   | 22       | 51         | 1,089        | Balance at 31 March 2009                       | 22       | 22           |
| Balance at 1 April 2009                        | 1,016   | 22       | 51         | 1,089        | Balance at 1 April 2009                        | 22       | 22           |
| Additions                                      | 0       | 43       | 10         | 53           | Additions                                      | 43       | 43           |
| Disposals                                      | (1,016) | 0        | 0          | (1,016)      | Disposals                                      | 0        | 0            |
| Balance at 31 March 2010                       | 0       | 65       | 61         | 126          | Balance at 31 March 2010                       | 65       | 65           |
| <b>Accumulated Amortisation and Impairment</b> |         |          |            |              | <b>Accumulated Amortisation and Impairment</b> |          |              |
| Balance at 1 April 2008                        | 1,016   | 16       | 49         | 1,081        | Balance at 1 April 2008                        | 16       | 16           |
| Accumulated Amortisation and Impairment Losses | (350)   | 0        | 0          | (350)        | Accumulated Amortisation and Impairment Losses | 0        | 0            |
| Disposals                                      | 0       | 0        | 0          | 0            | Disposals                                      | 0        | 0            |
| Balance at 31 March 2009                       | 666     | 16       | 49         | 731          | Balance at 31 March 2009                       | 16       | 16           |
| Balance at 1 April 2009                        | 666     | 16       | 49         | 731          | Balance at 1 April 2009                        | 16       | 16           |
| Accumulated Amortisation and Impairment Losses | 0       | 0        | 0          | 0            | Accumulated Amortisation and Impairment Losses | 0        | 0            |
| Disposals                                      | (666)   | 0        | 0          | (666)        | Disposals                                      | 0        | 0            |
| Balance at 31 March 2010                       | 0       | 16       | 49         | 65           | Balance at 31 March 2010                       | 16       | 16           |
| <b>Net Carrying Amount</b>                     |         |          |            |              | <b>Net Carrying Amount</b>                     |          |              |
| At 1 April 2008                                | 0       | 6        | 2          | 8            | At 1 April 2008                                | 6        | 6            |
| At 31 March 2009                               | 350     | 6        | 2          | 358          | At 31 March 2009                               | 6        | 6            |
| At 31 March 2010                               | 0       | 49       | 12         | 61           | At 31 March 2010                               | 49       | 49           |

## 15. Derivative Financial Instruments

|   | Consolidated  |                | Parent        |                |
|---|---------------|----------------|---------------|----------------|
|   | 2010<br>\$000 | 2009<br>\$000  | 2010<br>\$000 | 2009<br>\$000  |
| <b>Current Liabilities</b>                    |               |                |               |                |
| Currency Option Contract – Held for Trading   | 132           | (474)          | 132           | (474)          |
| Interest Rate Swap Contract – Cash Flow Hedge | 166           | 0              | 166           | 0              |
|   | <b>298</b>    | <b>(474)</b>   | <b>298</b>    | <b>(474)</b>   |
| <b>Non Current Liabilities</b>                |               |                |               |                |
| Currency Option Contract – Held for Trading   | 0             | (1,018)        | 0             | (1,018)        |
| Interest Rate Swap Contract – Cash Flow Hedge | 93            | 291            | 93            | 291            |
|   | <b>93</b>     | <b>(727)</b>   | <b>93</b>     | <b>(727)</b>   |
| <b>Total Derivative Financial Instruments</b> | <b>391</b>    | <b>(1,201)</b> | <b>391</b>    | <b>(1,201)</b> |

Derivatives are classified as fair value through profit and loss.

### 15.1. Instruments used by the Group

#### a) *Currency Option Contracts – Held for Trading*

Development West Coast has entered into currency option contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

These contracts are fair valued using the Bloomberg option pricing model which is generally accepted as a global financial market standard valuation model. All movements in fair value are recognised in the profit or loss in the period they occur. The net fair value gains for the Group and Parent were \$132,000 (2009 \$1,468,000 loss).

#### b) *Interest Rate Swap Contracts – Cash Flow Hedges*

Development West Coast has entered into interest rate swap contracts under which it has the right to receive interest at a fixed rate and to pay interest at variable rates. The contracts entered into satisfy the requirements for hedge accounting.

The swaps in place total \$5 million allowing Development West Coast to receive fixed rates of 7.79% and 8.55% and pay variable rates based on a margin of 0.25% and 3.60% above the BKBM bill rate. The BKBM bill rates at balance date for these contracts were 2.80% and 2.68%.

## 16. Trade and Other Payables

|  | Consolidated  |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Trade Payables                                     | 450           | 702           | 368           | 571           |
| Employee Entitlements                              | 95            | 90            | 94            | 60            |
| Sundry Creditors                                   | 1,903         | 3,092         | 1,865         | 3,039         |
| <b>Carrying Amount of Trade and Other Payables</b> | <b>2,448</b>  | <b>3,884</b>  | <b>2,327</b>  | <b>3,670</b>  |
| Current Liabilities                                | 2,442         | 3,884         | 2,321         | 3,670         |
| Non Current Liabilities                            | 6             | 0             | 6             | 0             |
| <b>Carrying Amount of Trade and Other Payables</b> | <b>2,448</b>  | <b>3,884</b>  | <b>2,327</b>  | <b>3,670</b>  |

Trade and other payables are classified as financial liabilities at amortised cost. For terms and conditions relating to related party payables refer to note 22.

## 17. Provisions

|   | Consolidated  |               | Parent        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>Current</b>                          |               |               |               |               |
| Provision for Major Regional Initiative | 0             | 62            | 0             | 62            |
| Provision for Major District Initiative | 1,246         | 2,810         | 1,246         | 2,810         |
|   | <b>1,246</b>  | <b>2,872</b>  | <b>1,246</b>  | <b>2,872</b>  |

### 17.1. Unused Amounts Reversed

No unused amounts were reversed during 2009 or 2010 in respect of the Group. No unused amounts were reversed in the Parent in 2009 or 2010.

## 18. Cash Flow Statement Reconciliation

|   | Consolidated   |                | Parent         |               |
|---|----------------|----------------|----------------|---------------|
|   | 2010<br>\$000  | 2009<br>\$000  | 2010<br>\$000  | 2009<br>\$000 |
| <b>Reconciliation of Net Profit after Tax to Net Cash Flows from Operations</b> |                |                |                |               |
| Net profit/(loss)   | 9,723          | (10,023)       | 9,588          | (9,413)       |
| <b>Adjustments for</b>  |                |                |                |               |
| Depreciation  | 162            | 209            | 87             | 77            |
| Amortisation/(Write Back) of Intangibles  | 0              | (350)          | 0              | 0             |
| Impairment/(Write Back) of Non-Current Assets                                   | 0              | (780)          | 0              | 0             |
| Impairment and Write-Off of Distribution Assets                                 | 140            | 3,866          | 1,004          | 3,668         |
| Capitalised Distribution Asset Interest   | (490)          | (919)          | (745)          | (1,283)       |
| Accrued Interest  | (55)           | (418)          | (55)           | (418)         |
| Transfer from Investment to Accounts Receivable                                 | 0              | 0              | 523            | 0             |
| Net (Profit)/Loss on Disposal of Property, Plant and Equipment                  | 3              | 28             | (21)           | 14            |
| Net (Gain)/Loss on Disposal of Available-for-Sale Investments                   | 0              | 1,666          | 0              | 1,666         |
| Net Fair Value Change on Financial Instruments Valued at Fair Value             | (8,677)        | 8,767          | (8,677)        | 8,767         |
| <b>Total Adjustments</b>  | <b>(8,917)</b> | <b>12,069</b>  | <b>(7,884)</b> | <b>12,491</b> |
| <b>Changes in Assets and Liabilities</b>  |                |                |                |               |
| (Increase)/Decrease in Inventories  | 60             | (100)          | 0              | 0             |
| (Increase)/Decrease in Trade and Other Receivables                              | (489)          | 393            | (542)          | 663           |
| (Decrease)/Increase in Trade and Other Payables                                 | (590)          | (1,414)        | (500)          | (1,392)       |
| (Decrease)/Increase in Provisions   | (1,626)        | (229)          | (1,626)        | (229)         |
|   | <b>(2,645)</b> | <b>(1,350)</b> | <b>(2,668)</b> | <b>(958)</b>  |
| <b>Net Cash from Operating Activities</b>                                       | <b>(1,839)</b> | <b>696</b>     | <b>(964)</b>   | <b>2,120</b>  |



## 19. Restricted Capital

|                           | Consolidated  |               | Parent        |               |
|---------------------------|---------------|---------------|---------------|---------------|
|                           | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>Restricted Capital</b> | <b>79,325</b> | <b>79,325</b> | <b>79,325</b> | <b>79,325</b> |

### 19.1. Nature of Restricted Capital

Restricted capital is classified as equity. It is comprised of the initial capital (\$92m) and is reduced from time to time in accordance with clause 11 of the Trust Deed as follows:

- The Trustees may distribute up to 5% of the initial capital in any financial year to recommended recipients provided that the income has been fully distributed or set aside for distribution to recommended recipients;
- Subject to clause 11.3, no further applications of the restricted capital can be made under clause 11.1, once the restricted capital is reduced to \$50 million; and
- The Trustees may only pay or apply further amounts under clause 11 with the written approval of the Settlor.

| <b>Movement in Restricted Capital</b> | <b>\$000</b>  |
|---------------------------------------|---------------|
| At 1 April 2008                       | 79,325        |
| Transfers to Distribution Fund        | 0             |
| <b>At 1 April 2009</b>                | <b>79,325</b> |
| Transfers to Distribution Fund        | 0             |
| <b>At 31 March 2010</b>               | <b>79,325</b> |

The Parent and Group are not subject to any other externally imposed capital requirements.

## 20. Reserves

### 20.1. Movements in Reserves - Consolidated

|  | Distribution<br>Fund | Net Unrealised<br>Gains Reserve | Cash Flow<br>Hedge Reserve | Investment<br>Fluctuation<br>Reserve | Total Reserves | Minority<br>Interest | Total         |
|--|----------------------|---------------------------------|----------------------------|--------------------------------------|----------------|----------------------|---------------|
| <b>Consolidated</b>  | <b>\$000</b>         | <b>\$000</b>                    | <b>\$000</b>               | <b>\$000</b>                         | <b>\$000</b>   | <b>\$000</b>         | <b>\$000</b>  |
| <b>At 1 April 2008</b>                                     | <b>22,516</b>        | <b>(5,486)</b>                  | <b>(57)</b>                | <b>10,000</b>                        | <b>26,973</b>  | <b>(472)</b>         | <b>26,501</b> |
| Net Gains/(Losses) on Available-for-Sale Investments       |                      | 4,840                           |                            |                                      | 4,840          |                      | 4,840         |
| Net Surplus/(Loss) for the Year Attributable to the Parent | (9,769)              |                                 |                            |                                      | (9,769)        |                      | (9,769)       |
| Non controlling Interest                                   |                      |                                 |                            |                                      | 0              | (254)                | (254)         |
| Net Gains/(Losses) on Cash Flow Hedges                     |                      |                                 | 348                        |                                      | 348            |                      | 348           |
| <b>At 31 March 2009</b>                                    | <b>12,747</b>        | <b>(646)</b>                    | <b>291</b>                 | <b>10,000</b>                        | <b>22,392</b>  | <b>(726)</b>         | <b>21,666</b> |
| Net Gains on Available-for-Sale Investments                |                      | 1,647                           |                            |                                      | 1,647          |                      | 1,647         |
| Net Surplus/(Loss) for the Year Attributable to the Parent | 9,943                |                                 |                            |                                      | 9,943          |                      | 9,943         |
| Non controlling Interest                                   |                      |                                 |                            |                                      | 0              | (220)                | (220)         |
| Net Gains on Cash Flow Hedges                              |                      |                                 | (32)                       |                                      | (32)           |                      | (32)          |
| <b>At 31 March 2010</b>                                    | <b>22,690</b>        | <b>1,001</b>                    | <b>259</b>                 | <b>10,000</b>                        | <b>33,950</b>  | <b>(946)</b>         | <b>33,004</b> |

## 20.2. Movements in Reserves - Parent

|  | Distribution Fund | Net Unrealised Gains Reserve | Cash flow Hedge Reserve | Investment Fluctuation Reserve | Total         |
|--|-------------------|------------------------------|-------------------------|--------------------------------|---------------|
| Parent   | \$000             | \$000                        | \$000                   | \$000                          | \$000         |
| <b>At 31 March 2008</b>                              | 22,233            | (5,486)                      | (57)                    | 10,000                         | 26,690        |
| Net Gains/(Losses) on Available-for-Sale Investments |                   | 4,840                        |                         |                                | 4,840         |
| Net Surplus/(Loss) for the Year                      | (9,413)           |                              |                         |                                | (9,413)       |
| Net Gains on Cash Flow Hedges                        |                   |                              | 348                     |                                | 348           |
| <b>At 31 March 2009</b>                              | 12,820            | (646)                        | 291                     | 10,000                         | 22,465        |
| Net Gains/(Losses) on Available-for-Sale Investments |                   | 1,647                        |                         |                                | 1,647         |
| Net Surplus/(Loss) for the Year                      | 9,588             |                              |                         |                                | 9,588         |
| Net Gains on Cash Flow Hedges                        |                   |                              | (32)                    |                                | (32)          |
| <b>At 31 March 2010</b>                              | <b>22,408</b>     | <b>1,001</b>                 | <b>259</b>              | <b>10,000</b>                  | <b>33,668</b> |

## 20.3. Nature and Purpose of Reserves

### a) *Net Unrealised Gains Reserve*

This reserve records movements in the fair value of available-for-sale financial assets.

### b) *Cash Flow Hedge Reserve*

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

### c) *Distribution Fund Reserve*

This reserve is the income and the amount of Restricted Capital available for distribution, in accordance with Clause 11 of the Trust Deed.

### d) *Investment Fluctuation Reserve*

This reserve has been established by Trustees out of the Initial Capital. The Reserve can be accessed to smooth income volatility intra-year although no more than \$5 million can be transferred to the Distribution Fund in any one year

## 21. Capital Management

Development West Coast's capital is its equity, which comprises the Restricted Capital and Reserves. These are described in notes 19 and 20 in this report. Equity is represented by net assets and is referred to in the Trust Deed as Trust Funds.

The Trust Deed details the Board of Trustees duties in managing the Trust Funds which shall be managed in a manner which provides adequate and reasonable protection of the funds to ensure both present development opportunities are taken and current and future generations will benefit from the establishment of the Trust Fund.

Development West Coast's initial Investment Fund was comprised of the Restricted Capital and is to be managed by the Trustees with the assistance of Investment Advisors. The Investment Fund must be invested in accordance with the Statement of Investment Policies and Objectives.

Income from the investment fund, together with transfers from the Restricted Capital as allowed by the Trust Deed, make up the Distribution Fund.

## 22. Related Party Disclosure

### 22.1. Subsidiaries

The consolidated financial statements include the financial statements of Development West Coast and the subsidiaries listed in the following table.

| Name  | Country of Incorporation | % Equity Interest |      |
|---|--------------------------|-------------------|------|
|   |                          | 2010              | 2009 |
| Forever Beech Limited   | New Zealand              | 100               | 100  |
| Forever Holdings Limited (sold during the year)                       | New Zealand              | 0                 | 100  |
| West Coast Development Holdings Limited                               | New Zealand              | 100               | 100  |
| West Coast Development Trust Land Company Limited                     | New Zealand              | 100               | 100  |
| West Coast Development Trust Research and Development Company Limited | New Zealand              | 100               | 100  |
| West Coast Development Trust No.1 Limited                             | New Zealand              | 100               | 100  |
| West Coast Snowflake Limited  | New Zealand              | 100               | 100  |
| Cranberries New Zealand Limited                                       | New Zealand              | 50                | 50   |

### 22.2. Ultimate Parent

Development West Coast is the ultimate parent entity.

### 22.3. Transactions with Related Parties

- a) During the year, Development West Coast advanced \$2,638,930 (net of repayments but including capitalised interest of \$288,390) to its subsidiary West Coast Development Holdings Limited (2009 \$1,223,770 repayment). As at 31 March 2010 \$10,405,283 (2009 \$7,766,353) was owing to Development West Coast. Interest is payable on this amount at rates of between 0% and 8% p.a. Development West Coast is the parent of West Coast Development Holdings Ltd.
- b) During the year, Development West Coast was repaid \$786,088 (net of advances) by its subsidiary Forever Beech Limited (2009 \$275,000 advance). As at 31 March 2010, Development West Coast had invested equity of \$3,700,000 (2009 \$3,700,000) and, including capitalised interest, had advanced \$1,362,135 (2009 \$2,148,223). Interest has ceased to be charged on this debt.
- c) At 31 March 2010, Development West Coast was owed \$118,866 (2009 \$57,223) by West Coast Development Trust Land Co Ltd, \$12,708 (2009 \$nil) by West Coast Development Holdings Ltd and \$37,133 (2009 \$17,422) by West Coast Snowflake Limited, for expenses paid by Development West Coast on these companies' behalf. West Coast Development Trust Land Co Ltd and West Coast Snowflake Limited are subsidiaries of West Coast Development Holdings Limited. Development West Coast is the parent of West Coast Development Holdings Limited.
- d) Development West Coast provides accounting and other services to Forever Beech Limited, West Coast Development Trust Land Co. Limited, West Coast Development Trust Research and Development Limited, West Coast Snowflake Limited and West Coast Development Holdings Limited. No management fees are currently charged for these services. During the year the amount of \$18,335 owing by West Coast Development Trust Research and Development Company Ltd was forgiven by Development West Coast. No other debts owing to Development West Coast by a subsidiary were forgiven during the year.
- e) During the year Development West Coast purchased on normal commercial terms goods and services totalling \$6,034 (2009 \$1,921) from The Ashley Hotel. Mr Tony Williams, Chair of Development West Coast, is the owner of The Ashley Hotel. At balance date Development West Coast owed \$867.50 (2009 \$nil) to The Ashley Hotel. During the year, with the agreement of the Trustees under the Trust Deed, Development West Coast engaged Robert Buchanan Public Law to provide consultancy services to the Trust. Mr Robert Buchanan is the Law Society appointment to the Board of Development West Coast. These services totalling \$10,460 (2009 \$nil) were unrelated to Mr Buchanan's role as a Trustee. At balance date Development West Coast owed \$nil (2009 \$nil) to Robert Buchanan.
- f) During the year Development West Coast advanced the sum of \$11,934 (net of repayments) (2009 \$28,500 repayment) to West Coast Snowflake Limited. As at 31 March 2010, \$262,434 (2009 \$250,500) was owing to Development West Coast by West Coast Snowflake Limited. No interest is charged on this advance.



## 23. Commitments

### 23.1. Leasing Commitments

#### *Operating Lease Commitments – as Lessee*

Future minimum rentals payable under non-cancellable operating leases as at 31 March 2010 are as follows:

|   | Consolidated  |               | Parent        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Within one year                             | 79            | 55            | 79            | 55            |
| After one year but not more than five years | 65            | 112           | 65            | 112           |
| <b>Total Minimum Lease Payments</b>         | <b>144</b>    | <b>167</b>    | <b>144</b>    | <b>167</b>    |

During the year ended 31 March 2010 \$85,000 for the Group and \$70,000 for the Parent were recognised as an operating lease expense in the Income Statement (Group 2009: \$121,000, Parent 2009: \$65,000).

### 23.2. Property, Plant and Equipment Commitments

Development West Coast and the Group had no contractual obligations to purchase plant and equipment at balance date (Company 2009: nil; Group 2009: nil).

### 23.3. Future Distributions

At balance date, \$143,000 (2009 \$930,000) of the total funding approved by Trustees was either under consideration or was undrawn against the accepted facilities.

### 23.4. Alternative Assets

At balance date Development West Coast had commitments to capital contributions for investments in Private Equity Funds. If fully called, the commitment totals \$4,924,000 (2009 \$4,615,000).

## 24. Contingencies

At 31 March 2010 (and 2009) Development West Coast had a contingent liability for Major District Initiative funding of \$1.2million per annum subject to its financial performance and receipt of suitable applications. The Group had no other contingent assets or liabilities at 31 March 2010.

## 25. Enquiries and Applications

For the financial year ending 31 March 2010, Development West Coast received 44 client enquiries. The following table lists the quantum of applications received, and applications approved or under consideration at balance date.

| <b>Application Summary 2009-10</b>                       | <b>Quantity</b> | <b>Value<br/>\$000</b> |
|--|-----------------|------------------------|
| <b>Total Applications Received</b>                       | 21              | 28,465                 |
| Advisory Body Recommended                                | 10              | 8,025                  |
| Trustee Approved   | 9               | 7,963                  |
| CEO Approved under Delegated Authority                   | 2               | 105                    |
| Offers under Consideration by Applicants                 | 0               | 0                      |
| Offers Lapsed or Declined by Applicants                  | 9               | 21,935                 |
| Applications Withdrawn                                   | 3               | 498                    |
| Applications in Progress                                 | 1               | 95                     |
| <b>Approved and Accepted by Client</b>                   |                 |                        |
| Forever Beech Ltd  |                 | 75                     |
| West Coast Development Holdings Ltd (Franz Josef Top 10) |                 | 4,200                  |
| West Coast Development Holdings Ltd (Last Resort)        |                 | 1,200                  |
| Nevertire Investments Ltd                                |                 | 100                    |
| Jade Boulder Café  |                 | 100                    |
| Karamea Information & Resource Centre Inc                |                 | 5                      |
| New Zealand Sustainable Forest Products LP               |                 | 1,700                  |
| Teewah Holdings Ltd                                      |                 | 200                    |
| West Coast Snowflake Limited (Punakaiki Crafts and Café) |                 | 155                    |

## 26. Events after Balance Date

Subsequent to balance date West Coast Snowflake Limited, part of the Group, entered into a sale and purchase agreement with a third party to sell all the business and assets of Punakaiki Crafts and Café. The transaction settled in June 2010. As part of this transaction, Development West Coast advanced funds to the third party.

The financial effect of these transactions is estimated to be a decrease in Group revenue of \$550,000 with effect from the 2011 financial reporting period. In addition there will be a reduction in the reported gross cost of investments and provisions against distribution assets and investments in subsidiaries, but this is expected to have no effect on 2011 reported results.

Subsequent to balance date the dormant subsidiary company West Coast Development Trust No. 1 Limited was removed from the Companies Register.

## 27. Auditors' Remuneration

The auditor of Development West Coast is Audit New Zealand, on behalf of the Auditor-General.

|  | <b>Consolidated</b>   |                       | <b>Parent</b>         |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <b>2010<br/>\$000</b> | <b>2009<br/>\$000</b> | <b>2010<br/>\$000</b> | <b>2009<br/>\$000</b> |
| Amounts received or due and receivable by Audit New Zealand for: |                       |                       |                       |                       |
| Audit of the Financial Statements 2010                           | 111,495               | 0                     | 72,145                | 0                     |
| Audit of the Financial Statements 2009                           | 2,761                 | 103,800               | 0                     | 65,000                |
| Audit of the Financial Statements 2008                           | 0                     | 69,968                | 0                     | 53,361                |
| Audit of the Transition to NZ IFRS                               | (17,117)              | 35,000                | (17,117)              | 35,000                |
|  | <b>97,139</b>         | <b>208,768</b>        | <b>55,028</b>         | <b>153,361</b>        |





