DEVELOPMENT WEST COAST

2012 ANNUAL REPORT

HIGHLIGHTS

$9.01m
Realised Income ($6.58m, 2011)

$6.3m
Surplus (before Community, Impairments and Mark to Market Adjustments) ($2.1m, 2011)

5%
Unrealised Loss on Mark to Market

$7.44m
Approved Community Distribution ($3m, 2011)

$118m
Total Assets ($121m, 2011)

$97.9m
Total Equity ($115.9m, 2011)

$49m
Total Contribution to the West Coast Community since 2001 (including $12m future commitment for MDI)

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Ysabel Buenaventura of St Patrick's Primary School and John Sturgeon

Development West Coast is committed to making this special region a place where people come to Live, Work and Play.

CHAIRMAN'S REPORT

Regional Perspective

During the year and in my travels up and down the Coast I have spoken to a lot of people and I cannot help but notice that there is something special happening at the moment. Even in the midst of global uncertainty, or maybe because of it, I am sensing that the West Coast is finally coming of age where the rest of the country is starting to take notice of this special region that we call home.

We have a strong export-orientated regional economy that has been the backbone of our nation producing $1.5 billion GDP annually. The ruggedness of the terrain is complemented by the serenity and the beauty of this place – a place that more than one million international tourists come to visit each year.

We have been blessed with an endowment of natural resources in the form of coal, gold, other minerals and water. With responsible management of these precious resources the West Coast of the South Island can continue to be one of the leading export regions in New Zealand.

Development West Coast (DWC) is committed to making this special region a place where people come to Live, Work and Play.

Focus on Community

The current set of Trustees is committed to working closely with its key stakeholders and partners to improving the quality of life on the West Coast for this generation and generations to follow. To this end I am pleased to report that your Trust approved the distribution of an impressive $7.44 million to the West Coast community during the 2011-12 financial year - a $6 million Extraordinary Distribution to the three district councils and the balance to various community projects and assets. The local district councils were required to thoroughly consult with their respective communities and ensure their distributions were consistent with the Objects of DWC's Deed as key conditions to accepting the extraordinary distribution.

Trustees are confident the substantial community grants made during the year will have a positive stimulus effect on the local economy and contribute to improving the quality of life on the West Coast.

I would like to take this opportunity to sincerely thank the three district councils, the West Coast Community Trust and the Solid Energy Amateur Sports Trust for their co-operation and partnership in distributing DWC grants into the community.

In the last 11 years of operation DWC has distributed almost $37 million of cash funding into the community. In addition we have a further commitment of $12 million in the form of MDI (Major District Initiative) funding.

Mapping the West Coast's Future

The Trustees have been diligently reviewing the Trust Deed throughout the year. In reviewing the Deed, Trustees are required to consult with key stakeholders and any amendments must be approved by our Settlor - Hon Bill English, Minister of Finance and Deputy Prime Minister. This process is important and necessary as the needs of the community change over time. DWC needs to remain relevant and in tune with the community it was set up to serve. We will be meeting with the Settlor in July 2012.

We are also in the process of developing a long term strategy for the organisation and how DWC will assist the region. Early discussions are highlighting the need for all key entities on the West Coast, including but not limited to DWC, the local councils and business leaders, to work closer together in order to develop:

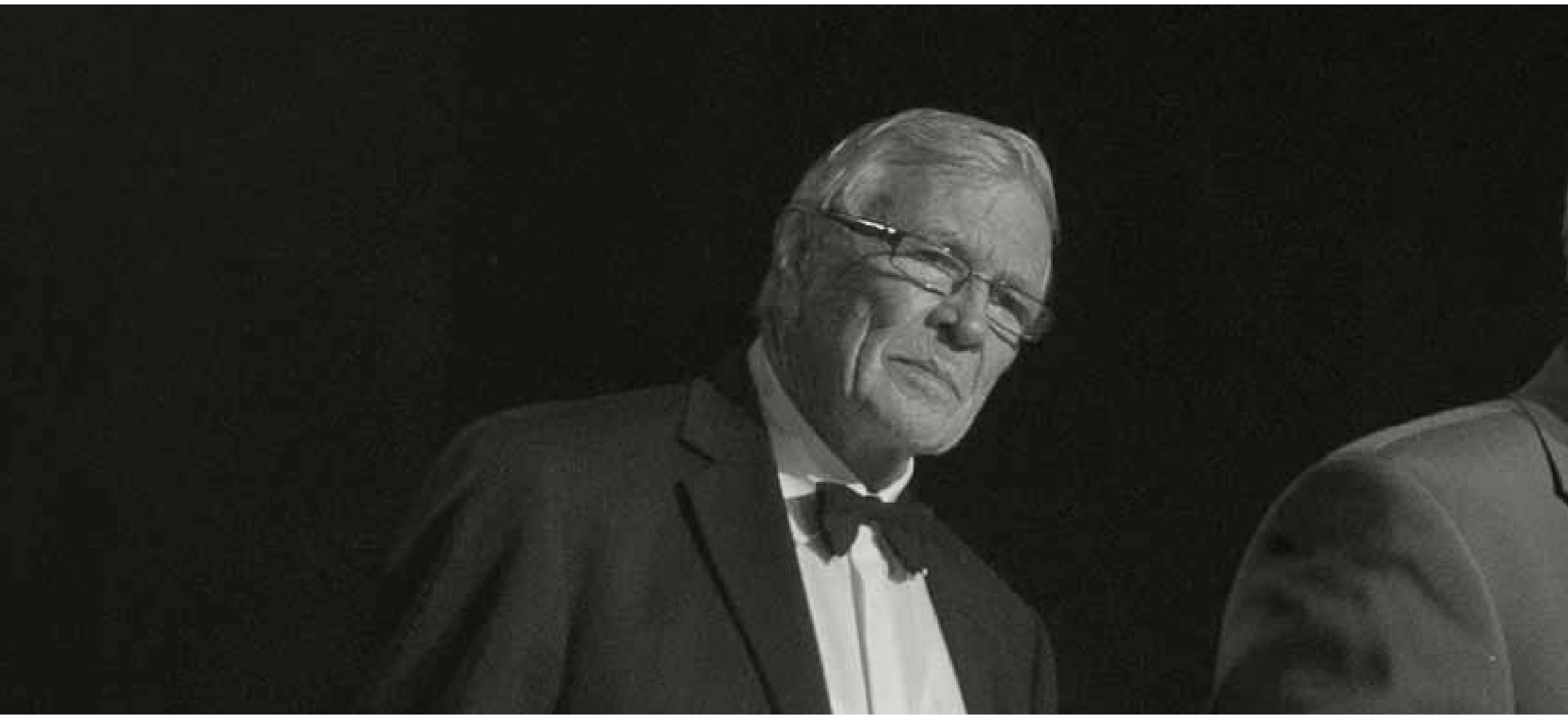
(i) a region-wide Vision; and
(ii) a set of targeted goals that will make the West Coast of the South Island a destination and the preferred place to Live, Work and Play.

Acknowledgement

I would like to express sincere gratitude to my fellow board members for their contribution throughout the year. In these times of uncertainty the Trustees have been charged with shepherding this organisation prudently and as the Chair of DWC I have not seen anything but complete commitment from all Trustees.

I would also like to thank the Advisory Body members for their valuable input into the distribution decision making process at DWC and, finally, the Chief Executive, management and staff of DWC for their dedication to achieving the common goals of this organisation.

John Sturgeon ONZM, MBE
Chairman



During the year DWC has generated $9.01 million in cash income compared to $6.58m in 2011

CHIEF EXECUTIVE'S REPORT

Overview

Development West Coast's (DWC) Surplus, as the Parent entity, before Community Distributions, Impairment of Assets and Marked-to-Market adjustments was $6.3m. This was an increase from 2011 of $2.1m. The DWC Group (Group) Surplus was $5.6m (2011 $4.1m).

DWC recorded a $17.9 million Operating Loss (Group $18.6m). Accordingly, DWC's Total Equity has dropped to $97.86m (2011 $115.9m).

Whilst on the surface these results may appear to be of concern to the public, I can confirm that Trustees are firmly in control of a well balanced and operated business. During the year DWC has in fact generated $9.01 million in cash income compared to $6.58m in 2011.

This year's Operating Loss of $17.9m for DWC is an 'accounting loss' rather than a loss of actual cash. DWC is bound by the International Financial Reporting Standards (IFRS) which dictates what we disclose and how we account for certain things within our business.

The loss of $17.9m is primarily due to the following three factors:

- $9.8m commitment to the three districts for the Major District Initiative (MDI);
- $6m commitment to the three district councils for the Extraordinary Distribution Fund (EDF); and
- $5.2m of 'unrealised' marked-to-market losses from weakened equity (share) markets.

Commitment to Building Major Community Assets through MDI Funding

The Major District Initiative (MDI) was set up in July 2005. DWC had agreed (subject to financial targets and other Key Performance Indicators) to accrue $400,000 per annum per district ($1.2m p.a.) until March 2022 to contribute towards building major community assets.

Each district will receive an accumulated amount of circa $7m over the 17 years to 2022. Combined, this is roughly a $21m cash commitment from DWC to the community of the West Coast.

Since the inception of the MDI significant assets have been built on the West Coast, including the Solid Energy Sports Centre in Westport, Aquatic Centre in Greymouth and the i-Site refurbishment and Community Library relocation in Hokitika.

Initially the payment of MDI funding to councils was subject to DWC meeting an annual financial performance target. During the global financial crisis, DWC did not meet the self-appointed target which gave Trustees a very difficult decision to make. Knowing how important the MDI funding was to the community and how reliant the councils were on receiving it, Trustees sought a practical solution to provide certainty to the councils around the ongoing provision of the funding. As a result Trustees amended their internal MDI policy and removed the financial performance target, in effect creating a "commitment to pay". In accordance with reporting standards, this "commitment" meant DWC was now obligated to accrue the remaining MDI funding of $12m (10 years at $1.2m per annum) discounted to its present value of $9.8m, as a 'liability'.

While the total funding has been accrued, it does not mean DWC will be paying out the funding any sooner. On the contrary, the money will stay with DWC (in a reducing amount each year) earning income for DWC. As per the original arrangement, DWC will continue to distribute $1.2m each year to the three district councils.

DWC is now required to account for its full commitment to the MDI funding and this has caused a significant fall in Net Assets. However, we only have to look at the major community assets DWC has helped build on the West Coast to see the benefits the MDI funding has given this generation and those to come.

Extraordinary Distribution Fund

Extraordinary Distribution Funding (EDF) of $6m ($2m to each of the three district councils) has been accrued in this financial year. This significant grant to councils was made on the condition that each council consult with its community in an open and transparent way and that, consistent with the Trust Deed, the grant be used to fund significant community assets and/or projects.

In accordance with the Deed of Trust and the conditions of funding, as approved by the Settlor, the councils are not to approach DWC again for five years for any community based funding. This is to allow the Trust Fund enough time to recover from this major distribution.

As per the MDI accrual, reporting standards dictate that, whilst the money might still be sitting with DWC, the entire $6m of EDF must be accrued given the likelihood the distribution will be made in the future. As to how quickly the actual cash will be distributed to councils will depend on each council's chosen projects and the timing around those.

Turbulence in the Investment Market

DWC has been affected by the ongoing global financial downturn. No investment fund is insulated from the fluctuations of the global equity market. Due to the continuing market uncertainties, highlighted by the crisis in Portugal, Italy, Greece and Spain, DWC's return on equity investments (shares) have suffered. Having said this, Trustees have (as they did in 2007) been prudently conservative, thereby managing to preserve the bulk of the investment fund in these uncertain times.

Even with the best available professional advice the total net value of DWC's equity holdings has suffered resulting in an 'unrealised loss' of $5.2m in net worth. This 'unrealised loss' has contributed to the overall reduction in our Net Assets and registered an accumulated accounting loss of $17.9m for the year.

Looking forward and with the best available market information, we do not believe the situation is going to improve anytime soon. Knowing this DWC will need to adjust its spend and the business accordingly to ensure it operates responsibly and with accountability.

Financial Results

Financial Year 2012 Summary

As shown in the following profit and loss, DWC's Surplus before Impairment of Assets and Marked-to-Market adjustments was $5.2m (2011 $2.8m). The Group Surplus was $4.6m (2011 $2.8m).

As explained above, the significant year end losses of $17.9m for DWC (Group $18.6m) were accounting losses resulting from: (i) a weak international share market, and (ii) accruing of future commitments to the three district councils for the building and investment of major community assets and projects.

Marked-to-Market

Due to ongoing uncertainties in the global investment market Trustees instructed the Investment Advisors to rebalance the investment asset allocation towards being conservative. This has had a two fold effect on the bottom line:

(i) higher than budgeted cash income for the year; and
(ii) less 'unrealised losses' from the equity market than what could have been by transferring more funds from shares to bonds and cash.

Unfortunately, even with the cautious approach to our investments, DWC recorded an 'unrealised loss' of $5.2m from the equity investments.

The important thing to note here is that any gains or losses are an accounting treatment. This means that unless DWC actually sells down these shares and crystalises the gains or losses, the fluctuations in the net value of the shareholdings will remain accounting values only.

The 'unrealised loss' of $5.2m amounts to approximately 5% of DWC's current net assets.

Significant Accruals

Compounding the overall year end loss in addition to the Marked-to-Market 'unrealised loss' of $5.2m is the significant accruals DWC had to record (MDI $9.8m and EDF $6m) for the reasons explained in detail earlier in this report.

	Parent (DWC)		**Consolidated (Group)**	
Profit & Loss	**2012 $000**	2011 $000	**2012 $000**	2011 $000
Total Income	9,009	6,578	9,201	7,285
Operating Expenses	2,712	2,393	3,540	3,145
Surplus before Community Distributions	**6,297**	**4,185**	**5,661**	**4,140**
Regional Development	1,075	1,336	1,075	1,336
Surplus/(Deficit) before Impairment of Assets	**5,222**	**2,849**	**4,586**	**2,804**
Impairments of Distribution & Other Assets	654	714	644	412
Investment Mark-to-Market (Profit)/Loss	5,267	(4,079)	5,267	(4,079)
Major District Initiative	11,020	1,200	11,020	1,200
Share of Associate's Loss	0	0	38	0
Provision for EDF	6,000	0	6,000	0
Community Grants	211	2,808	211	2,808
Surplus/(Deficit) for the Year	**(17,930)**	**2,206**	**(18,594)**	**2,463**

Impairments of Assets

The Group accounts record impairments of $644,000. This consists of an amount provisioned for distressed lending and the balance is due to lower than expected valuations in the property investments held on the West Coast.

Each year DWC is required by the auditors to obtain registered valuations on the properties held. Due to the continuing lacklustre market conditions, the valuations on the properties have dropped slightly.

Balance Sheet

At first glance the Balance Sheet looks as if DWC suffered a significant drop in its Net Assets from the previous year. This drop can be explained logically and is due to the effects of:

- Extraordinary Distribution Fund (EDF);
- Major District Initiative (MDI); and
- Mark-to-Market investments and adjustments in value.

Whilst we have recorded a drop, Trustees would like to assure the community and DWC's stakeholders that they are, under the circumstances, comfortable with the situation.

	Parent (DWC)		Consolidated (Group)	
Balance Sheet	**2012 $000**	2011 $000	**2012 $000**	2011 $000
Total Current Assets	64,394	60,337	58,325	59,136
Total Non-Current Assets	53,851	61,309	59,214	62,194
Total Assets	**118,245**	**121,646**	**117,539**	**121,330**
Total Current Liabilities	11,648	5,715	11,772	5,806
Total Non-Current Liabilities	8,731	4	8,731	4
Total Liabilities	20,379	5,719	20,503	5,810
Net Assets	**97,866**	**115,927**	**97,036**	**115,520**

Major Transaction: Commercial Distribution

After seven months of due diligence involving many industry experts, DWC advanced $5m to its subsidiary, West Coast Development Holdings Ltd, to invest $5m into Cranley Farms Ltd - a nine hundred plus hectare dairy farm development based near Hokitika. Trustees recognised the importance of the dairy industry to the West Coast and saw the development opportunity at Cranley as fitting directly within the objects of DWC's Trust Deed.

During the early days of the global financial crisis, like many ventures, Cranley Farms ran into difficulties raising capital to complete its development. Upon examining the opportunity and after a series of negotiations with the shareholders, DWC made an informed decision to become an equity investor in the business. While at the height of dairy payouts nearing $7 per kilogram of milk solids back in 2010/11, DWC took a more conservative approach when evaluating the opportunity and based its investment decision on a payout of $5.70/kgMS.

I am pleased to report that at the time of writing the majority of the farm had been successfully developed on time and on budget. Whilst the recent payout forecast was less than anticipated (around $6.20/kgMS), DWC remains strongly supportive of the venture.

Two-Speed Economy

A comparison to Australia can be drawn with the current economic environment on the West Coast. In short we are experiencing a two-speed economy. The mining and dairy industries on the Coast are both weathering the global downturn relatively well with milk production and employment in the mining sector up.

However, the prolonged global recessionary environment, coupled with the aftermath of the devastating Pike River Mine tragedy and the Christchurch earthquake, is in fact bringing about some difficulties for the local retail sector and the tourism industry on the West Coast.

DWC is well aware of the difficult trading conditions the local business community is currently facing and we are taking proactive steps to lessen the impact of the global downturn. Some of our initiatives and programmes aimed at assisting local businesses include:

- **Regional Business Partnership –** funded by New Zealand Trade & Enterprise and the Ministry of Science and Innovation, to develop specific local business capabilities;
- **West Coast Leadership & Governance –** in partnership with NZ Institute of Management (Southern) and Westlake Consulting Ltd, DWC and Westland Milk Products have set up their own West Coast-tailored leadership and governance training programme;
- **Business Mentoring –** DWC facilitates the Business Mentors New Zealand programme on the West Coast;
- **Business Start-up Programme –** in partnership with Business Mentors New Zealand, DWC has developed a targeted business start-up programme and
- **Business Networking –** DWC facilitates various networking events up and down the West Coast.

In May this year we held the second West Coast Leading Light Business Excellence Awards. If anyone had doubts about the resilience of West Coast businesses and their leaders then you only had to look around the room that evening to put those doubts to bed. We celebrated the many wonderful success stories of our large and small local businesses on the Coast that evening. Congratulations to the winners and the finalists of the 2012 Leading Light event.

Looking Forward

New Phase

Management and staff have been working hard over the last three years to stabilise the business by sorting out many of the distressed loans and investments that had failed to materialise. With the benefit of a clean set of books (lending and investment), DWC is now in a position to look forward and plan ahead.

Trustees have been working steadily behind the scenes reviewing and updating the Trust Deed to ensure the Deed remains relevant to the people of the West Coast. Trustees are in the process of formulating a new vision and organisational strategy that offers a clear direction as to where we are going as a Trust over the next ten years. This document is expected to be completed towards the end of the 2012 calendar year.

Diversification

'...a healthy economy is a diversified and well balanced economy...'.

The West Coast has a well established mining industry and a mature dairy industry. These two very important industries on the West Coast are supported by the very best local medium and large scale businesses in the engineering industry. In addition we have a growing tourism industry that hosts over 1 million international tourists and up to half a million domestic tourists each year. The West Coast economy produces in excess of $1.5 billion in GDP of which over 30% is exported earning valuable export income for the whole of New Zealand.

DWC staff have been actively seeking new opportunities that will allow sustainable and continual economic growth on the West Coast. DWC will not be shying away from taking measured risks but will explore new opportunities carefully based on what we do well on the Coast and what has the best fit in terms of local available skill sets and resources.

Words of Appreciation

Finally, I would like to express my gratitude to my Board for their support and guidance during the year. I have particularly enjoyed working closely with the Chairman throughout the year whom has afforded me his time and wisdom.

I would also like to take this opportunity to thank the Advisory Body members for their professionalism and unwavering support of DWC.

We wish John Isles the very best in his future endeavours as he retires from the Advisory Body (June 2012). Mr Isles was a long serving member of the Advisory Body and a strong supporter of the West Coast.

To our management and staff, my sincere thanks to you all for your commitment to DWC and rising to the challenge during what has been a difficult trading year. Through utilising your talent and passion in achieving our organisational goals we will no doubt continue to strive in delivering meaningful benefits to the community and to the wider region on the West Coast.

Dr John Chang
Chief Executive Officer

John Sturgeon Robert Buchanan Helen Rasmussen

John Sturgeon, Council Appointee and Chairman

"By the end of 2012 a review of the Trust Deed will be finalised which should make it easier for people to understand what the Trust is hoping to achieve. There are some exciting projects underway including the new Mines Rescue training facility and the $6million discretionary grant to councils which will be used for the benefit of West Coast communities."

Robert Buchanan, Independent Trustee and Deputy Chair

"I was pleased to accept reappointment as the Law Society's appointee earlier this year, as I believe DWC has a unique opportunity to move forward. The challenge for Trustees is to develop a shared vision of DWC's role on the West Coast and to build the relationships which will make that a reality."

Helen Rasmussen, Tangata Whenua Trustee

"I think the management and board have worked well together to promote the best possible outcomes for the West Coast. John Sturgeon has shown extraordinary leadership and vision and I feel very positive about the future, even given the current economic climate."

Evan Jones | Frank Dooley | Colin Smith | Mark Lockington

BOARD OF TRUSTEES

Evan Jones, Elected Trustee

"I am pleased to work with a great group of Trustees who are can-do people who are prepared to make decisions. We are all working towards making the Coast a better place to live."

Frank Dooley, Elected Trustee

"The Trust has taken the time to consolidate and is now in a position to re-launch for the benefit of the region and its inhabitants."

Colin Smith, Elected Trustee

"This year a lot of work has gone into establishing and identifying the Trust's future direction. Establishing a new direction and focus is going to enable the Trust to generate real benefit to the West Coast."

Mark Lockington, Independent Trustee

"Development West Coast is one of the best things that has happened to our region. It contributes positively to the West Coast economically and assists our Communities for the betterment of our people."

DWC Staff - Peter Walls, Julie Kissell, Debbie Johnston, Mark Dawson, John Chang, Warren Gilberton, Belinda Lunn, Tara Coates, Sam Coll, Helen Wilson, Nelia Heersink, Loekie Myburgh

NZSFP received a loan from DWC in 2009 to help purchase and expand the business. Since then we have had a good relationship with DWC and now employ 24 people in the Reefton area.

Robin Curtis, CEO, NZSFP

Advisory Body

The Advisory Body has been busy this year assessing applications and supporting the Trustees in their decision making.

Post end of financial year, one of the founding members of the Advisory Body, John Isles, retired and the Trustees and DWC staff would like to acknowledge his contribution over the past decade.

Mr Isles is a Wellington company director and has held a number of public sector appointments including chair of the NZ Apple and Pear Board and Radio New Zealand. DWC has been lucky to have his knowledge and wise counsel since the inception of the Advisory Body.

Mr Isles says he has enjoyed the time he has spent on the West Coast working with DWC.

"A development trust does have to take risks and these sorts of organisations do go through significant birthing pains. It has been an interesting, and sometimes frustrating experience, but I think DWC has worked through those hard times into a mature state," he says.

DISTRIBUTIONS

Supporting Local Businesses

DWC provides a wide range of support for local businesses. West Coast businesses that meet lending criteria can obtain business finance to help them start-up or expand their businesses with a positive impact on regional employment.

Franz Josef Top 10 Holiday Park

In August DWC sold the Franz Josef Top 10 Holiday Park business and lease to tourism operators Matthew and Stephanie Levien. DWC continues to be the landlord owning the land and buildings.

The Levien family are very experienced and respected operators. They have been successful Top Ten franchisees for many years and operate the Greymouth Top Ten Holiday Park.

Mr Levien said they jumped at the opportunity to purchase the Top Ten Holiday Park as Franz Josef is an iconic tourist destination.

"I didn't think a business like mine would be one that DWC would even look at. I was so excited when they said yes to my start-up loan application, DWC is all about people and helping businesses get on their feet."

Carla Grant, Pure Beauty

Six years ago it was hard to get finance for a bar or restaurant on the West Coast. DWC saw the potential of our business and gave us a helping hand and recently we've got to the point where we have been able to refinance with a bank.
Jamie Caldwell, The Landing Bar, Franz Josef Glacier

We wouldn't be here without the business loan from DWC. They gave us a helping hand to get started.
Owen Matheson, Scenicland Laundry

"The West Coast Wildlife Centre has enjoyed a strong relationship with DWC and appreciated DWC's early support in order to get the business up and running."
Richard Benton, West Coast Wildlife Centre

Paul and Debra Magner, equity farmers, Cranley Farms Ltd

Cranley Farms

In 2011 DWC's subsidiary, West Coast Development Holdings Ltd, invested $5 million in Cranley Farms Ltd giving it a 43.5% shareholding in the company, which owns the Cedar Farm dairy farm development in Westland's Arahura Valley.

At the time of the investment Cranley Farms was milking 1,350 cows. They have since increased that number to 1,675 and completed a further 120 hectares of pasture development. They are also close to completing an additional 50 bale rotary cowshed for the coming season.

DWC CEO John Chang says the investment in Cranley Farms was a way to directly support and grow the West Coast dairy industry.

"DWC is delighted to see how well the farm is doing since its investment. The company has supported local industry by using local contractors to make improvements to the farm. They have employed more staff and are now a significant contributor of milk solids to Westland Milk Products," says Dr Chang.

Cranley Farms CEO Noel Robb says DWC's investment has allowed the farm to undertake some exciting developments.

"We were impressed at the thorough due diligence process DWC undertook and delighted when they decided to invest. The increased productivity means more jobs for the area and ultimately increased returns to the investors," he says.

It has been a good year for Cranley Farms equity farmers, Debra and Paul Magner, who won the West Coast – Top of the South sharemilker-equity farmer of the year title at the New Zealand Dairy industry awards.

In 2010 we applied to DWC for a community loan so we could build new cinemas. The funding has allowed us to create an atmosphere which encourages people to go to the cinema and we have a lot more people attending screenings now.

Debbie Collings, Manager,
West Coast Theatre Trust

Cranberries New Zealand

Tony Allan, Ian Coles, Marj Allan and Graham Millar of Cranberry Growers NZ Ltd with the Fairdown harvest

DWC has been pleased to support a group of five West Coast cranberry growers who have formed a company to market West Coast cranberries collectively.

The company, Cranberry Growers NZ Ltd, harvested the year's cranberry crop from the Fairdown farm owned by Development West Coast. The farm, near Westport, has been conditionally sold to Australian company Bathurst Resources Ltd and the sale is dependent on approval from the Overseas Investment Office.

Cranberry Growers NZ spokesperson and local grower Marj Allan says many of the shareholders' own cranberry plants are young and still not producing to their full potential.

"We are enthusiastic about the future of the West Coast cranberry industry. By harvesting the Fairdown crop we can meet initial demand and continue to grow the market as our own crops mature," she says.

DWC Chief Operating Officer Warren Gilbertson says DWC is very keen to see the local cranberry industry develop.

"This new company will harvest and market the fruit from Fairdown's 2012 harvest. This is a win-win for DWC and the local growers as it gives them a guaranteed supply as the industry grows," he says.

ASSET MANAGEMENT

Last Resort

DWC understands the importance of tourism to the Karamea area and was delighted when the Oparara Trust purchased the Last Resort business in November 2011.

The Oparara Trust is a charitable trust that was formed in 2002 to promote tourism and employment in the Northern Buller region. The Trust also manages the Oparara Guided Tours and has upgraded and developed new tracks in the Oparara Basin.

Chair of the Oparara Trust, Rosalie Sampson, says the Last Resort is crucial to tourism in Karamea. “It is a really positive move, we see the Last Resort as a natural fit for the Trust and wanted to ensure it stayed open and in local hands,” she says.

The Oparara Trust has taken over the lease for the 31-unit complex from DWC who continues to be the landlord.

Members of of the Oparara Valley Trust Pat Jones, May Chalmers, Rosalie Sampson (Chair), Barry Chalmers and Peter Sampson

John Chang, Chris Auchinvole and Peter O'Sullivan presenting the West Coast Minerals Resource Assessment Report to Hon Hekia Parata

The assessment found there was potential for the West Coast minerals industry to almost triple its annual production value in excess of $2.4 billion by 2026

INDUSTRY SUPPORT

West Coast Minerals

In July 2011, the then West Coast MP Chris Auchinvole hosted a West Coast Minerals Symposium at Parliament. Representatives from Minerals West Coast, Development West Coast, and the three district councils were among the 30-plus strong West Coast business delegates that met with Prime Minister John Key, eight Government Ministers and 17 other Members of Parliament.

Jointly funded by Development West Coast in partnership with GNS Science, Minerals West Coast and the four West Coast Councils, the West Coast Minerals Resource Assessment was formally presented to the then Acting Minister for Energy and Resources, Hon. Hekia Parata. This provided an opportunity to present key findings in the report and to discuss options to promote minerals investment in the region.

The assessment found there was potential for the West Coast minerals industry to almost triple its annual production value in excess of $2.4 billion by 2026.

Minerals West Coast and Development West Coast has since produced Explore West Coast, a new prospectus about the minerals potential on the West Coast. The prospectus was launched at the Prospectors' and Developers' Association convention in Toronto, which is attended by representatives from over 120 worldwide mining companies.

NZ Food and Innovation Network's Matthew Muir, Blackball Salami's Phil and Debbie Russ with John Plows from Hurunui Jacks

Food and Beverage and Horticulture Forum

Following research commissioned by Development West Coast with support from New Zealand Trade and Enterprise, forums were held in 2011 and 2012 to discuss the potential of the horticulture industry on the West Coast and how the industry can work together.

The research evaluated the industry on the Coast and found there was potential to expand existing and develop new niche businesses.

Food producers were excited about the opportunities the NZ Food and Innovation Network could offer local growers. The forums also discussed the possibility of positioning local produce as uniquely "West Coast".

Tourism West Coast

It has been a challenging year for tourism operators on the West Coast but DWC is pleased to continue its annual contribution of $83,000 to Tourism West Coast.

Tourism is an important driver for the West Coast economy contributing 12% of employment and above national average GDP of 6.6%.

DWC believes it is important to have a regional body promoting tourism on the West Coast and is pleased to see the District Councils also confirming their contribution to Tourism West Coast for the next financial year.

PROFILE

Margaret Grant

Margaret Grant, Board Member, Tourism West Coast

DWC appointed Margaret Grant as its representative on the board of Tourism West Coast in 2009.

Mrs Grant has owned and operated the Westport Motor Hotel for 19 years and brings a wealth of industry experience to Tourism West Coast's board.

"I am passionate about the tourism industry, it is challenging, interesting, and every day is different," she says.

Mrs Grant says she welcomes new CEO Jim Little and says she believes Tourism West Coast has turned a corner.

"It is important to have confirmed funding, and the new management is making a real effort to involve tourism operators in marketing and promotion planning."

Business Leaders Breakfast Meetings

West Coast business leaders are now meeting regularly at a networking breakfast.

Following a discussion with CMP Kokiri's General Manager Peter Jones, DWC began organising the informal breakfast meetings in Greymouth. They are now taking place every six to eight weeks with representatives from a wide variety of industries attending regularly.

Rare Earth Element Project

DWC has co-funded a research project with the Ministry of Science and Innovation to develop a new innovative technique to beneficiate, or separate, mineral rich West Coast sand.

The project will ascertain whether it is commercially viable to beneficiate high value minerals, like titanium and zirconium, from the tailings of current gold dredge operations and other river and seabed ore deposits.

DWC has identified the project as one of a number of tools that could assist West Coast companies involved in mining and the processing of minerals.

The research is being undertaken by Dr Jimmy Bester who has spent the last 10 years researching mineral ores. Over the last two years he has collected and analysed mineral rich beach sand deposits from a number of ore bodies.

If successful it is hoped the process will enable current West Coast dredgers and mineral mining companies to further process the tailings from their dredging activities, maximizing their profits. It will also raise awareness of the high value of the West Coast's lesser known minerals.

Peter Townsend, Canterbury Employers' Chamber of Commerce, presenting to a business networking breakfast, Greymouth

CASE STUDY

Rachel Gibson - Into Jeans

Rachel Gibson from Greymouth clothing store Into Jeans doesn't know why she waited so long to get a business mentor but now she has one she would recommend the system to anyone.

"I thought about getting a mentor for about three years before I did it. I would definitely say don't be afraid to do it, it is worth it," she says.

Rachel and her business partner were put together with business mentor Hugh Jones and say he is like their "business therapist".

"We see Hugh every six weeks or so when he comes to the Coast, he is available to talk whenever we like and has definitely helped us. He listens to what we say, and we listen to him, some of the best advice he's given us is always air your grievances, don't bottle stuff up".

Despite the fact Hugh doesn't come from a retail background Rachel says he gives them wise counsel on issues as diverse as staff training and how to give the business a point of difference.

"He makes us take a step back and see how things are going. It is nice to have someone outside to talk to - I would recommend everyone has a business mentor."

BUSINESS SUPPORT

Business Mentoring

A growing number of West Coast businesses are signing up to the business mentoring programme.

Mentors provide independent and confidential advice to businesses seeking support and DWC works with Business Mentors NZ to facilitate the programme. Eighteen business mentors with a wide variety of experience are available to Coast businesses. Early in 2011 DWC co-ordinated a NZ Business Mentor Accreditation Day as the first stage in establishing a West Coast mentor cluster. As a result, of the 18 mentors available, 12 are locally based.

Regional Business Partner Network

It has been a busy year for the Regional Business Partner Network with over 65 West Coast businesses now registered.

Registered businesses are eligible for business advice, subsidised training and access to research and development funding from the Ministry of Science and Innovation (now called the Ministry of Business, Innovation and Employment). DWC, in partnership with New Zealand Trade and Enterprise, has already facilitated $39,000 worth of training courses, helping many West Coast businesses along the way.

CASE STUDY

MBC

In 2011 environmental solutions company MBC contacted DWC to see how the Regional Business Partner Network could assist their business.

"We sat around a table for a chat, filled out a simple questionnaire and straight away some light bulbs turned on for us," says MBC's Hellen Bygate.

"It's been amazing. First DWC helped us identify what we needed and that lead to us sending our managers on leadership training courses. NZTE capability vouchers through the Regional Business Partner Network subsidised half of the training cost so suddenly we could afford to go to that next level for our staff," she says.

MBC is based in Buller and offers a range of environmental solutions including project management, flora and fauna surveys, animal control, erosion control and vegetation services to clients all over the South Island.

Nine staff have now completed leadership training and the last twelve months has been a time of tremendous growth for the company. MBC has increased its fulltime staff from 30 to 50, and was also named a finalist in the 2012 West Coast Leading Light Business Excellence Awards.

Leadership and Governance programme

The pool of West Coast business people with leadership skills has had a boost with 13 local business people graduating from the inaugural Leadership and Governance Programme, facilitated by DWC in conjunction with Westland Milk Products.

The 18 month programme was devised to develop a quality group of West Coast business people who have the skills and confidence to put themselves up for leadership roles.

Participants studied a range of subjects including financials, company and contract law, statutory requirements, identifying and managing key risks, health and safety, and ethical standards The course content was developed by New Zealand Institute of Management and Westlake Consulting Ltd.

West Coast organisations supporting the programme include Buller Electricity, Solid Energy, Electronet Services, CMP Kokiri, DOC, Buller Holdings, Westland Milk Products, Tai Poutini Polytechnic, FT Dooley Ltd and Buller District Council.

We would like to acknowledge the foresight of Westland Milk Products and, in particular, Mike Havill, Deputy Chair of WMP for his suggestion and insistence for getting the programme off the ground on the West Coast.

"There now exists a network of people from a huge range of industries with valuable leadership and governance expertise."
Matt Lysaght, Tai Poutini Polytechnic's representative

"This was a great initiative from DWC, there is now a group of people with a steely determination to take on governance roles with community groups, while already using their new skills in business."
Phil Rossiter, Solid Energy's representative

"It was a brilliant evening. The Blue Penguin Trust was pleased to be part of it and proud to receive its award."

Ian Davidson-Watts,
West Coast Blue Penguin Trust
Solid Energy Community/Charity Organisation Award

"Receiving recognition at this level is a true honour and a testament to our staff members' unrelenting efforts."

Victoria Boyes, Greymouth New World
PWC Retail Award

"We take our health and safety very seriously and it is good to get recognition for the hard work our team is putting in."

Dean Sweetman, Westco Lagan Ltd
ACC Workplace Safety Award

"We are incredibly proud to be seen as a Leading Light for West Coast tourism."

Brendan Taylor, Scenic Hotel Group
Tourism West Coast Tourism Award

"A great night for West Coast business" is how 2012's West Coast Leading Light Business Excellence Awards are being described. It is the second year the awards have been held at Shantytown and the night was a great success.

DWC CEO John Chang says there was an atmosphere of celebration. "The focus is to celebrate the successes and progress West Coast businesses are making and that is exactly what happened. Entries were up this year and it was also heartening to see sponsors supporting the second year of the awards," he says.

DWC Chair John Sturgeon says he was impressed at the calibre of businesses that won their respective categories. "It was evident at the awards that businesses on the Coast are in good hands. Not only did we have a wonderful evening meeting and networking, but more importantly we celebrated the best of our business operators on the Coast," he says.

"On behalf of staff and shareholders I'm very proud of the co-operative. It demonstrates how important primary production continues to be for both the West Coast and the wider New Zealand economy."

Rod Quin, Westland Milk Products
Greymouth Star Supernova Award

WEST COAST Leading light Business Excellence Awards 2012

"The award was certainly a boost to morale and got a big thumbs up from the guys. There is great pride and ownership from all staff."

Jeff Evans, Jeff Evans Plumbing Ltd
WINNER NZ Institute of Management (Southern) Service Award

Richard Dellaca – Leading Light Special Commendation

The 2012 West Coast Leading Light Business Excellence Awards celebrated a business person who epitomised the pioneering spirit of the West Coast. The standing ovation when Richard Dellaca from the Dellaca Group Ltd was given the Leading Light Special Commendation award reflected his standing in the community.

The Dellaca Group Ltd was founded in the early 1900s by Thomas Arthur Dellaca. The family built the clothing business eventually opening retail outlets throughout the West Coast and New Zealand, and starting a mail order company in 1981. With its ethos of basic goods at a good price Postie Plus established itself as one of New Zealand's leading mail order retailing companies and in its heyday was one of Westport's largest employers.

Richard Dellaca says it was an honour to receive the award. "I found the whole evening very humbling. The entire family thoroughly enjoyed the night, it was brilliant and went like clockwork," he says.

"The award is a tribute to the company's hard-working team. They are dedicated and loyal, and the majority of staff have been with us for years."

Lee Swinburn, Equip Engineering
Westland Milk Products Construction/ Engineering and Manufacturing Award

Westland Milk Products Primary Producer Award

Colin Smith, Mark Lockington, Helen Rasmussen, John Sturgeon, Grey District Mayor Tony Kokshoorn, John Chang, Robert Buchanan, Buller District Mayor Pat McManus, Evan Jones, Westland District Mayor Maureen Pugh and Frank Dooley

Extraordinary Distribution

A one-off $2 million extraordinary distribution has been made available to each of the three District Councils in this financial year.

The $6 million is expected to provide an economic boost to the three districts through to March 2016, enabling each district to fund various community assets and projects at their discretion, and should be a significant impetus for the local economy.

As a requirement of the agreement DWC asked that each of the Councils consult thoroughly with their communities before deciding how to distribute the funds.

Buller District Council

Buller District Council plans a number of funding rounds and has so far allocated funding to a variety of projects, including installing new lights at the Craddock Park Rugby Football ground, upgrading the Carters Beach Community Hall and constructing a new kindergarten.

COMMUNITY SUPPORT

Grey District Council

Grey District Council has allocated approximately two thirds of its funding to community projects, including the Northern Breakwater eco-project, building new kennels at the Greymouth SPCA, resurfacing the netball courts and upgrading the conference centre at Shantytown.

Westland District Council

Westland District Council has allocated its $2 million funding to the Westland Wilderness Cycle trail which is due to open in 2013.

Recipient	2012 $
Buller Basketball	2,000
Computers in Schools	79,390
Crusaders v Highlanders Pre-Season Fixture	20,000
Ecotourism Business Workshop	1,500
Small Towns' Conference	1,500
Solid Energy Amateur Sports Trust	10,000
Soroptimist International Conference	1,500
West Coast Community Trust	90,000
West Coast Farming and Forestry Association	500
Westland Motorcycle Club	1,500
Westport Municipal Band	2,000
Whataroa Golf Club	500
Sub Total	**210,390**
Reversal of Prior Years' Grants	(65)
Total Community Grants	**210,325**

Pike River Distribution Fund

In honouring the memories of the 29 men lost in the Pike River Mine tragedy, DWC allocated funding of $1 million to the Mines Rescue Trust to build a multi-purpose training facility at its Rapahoe base near Greymouth.

Fund chairman and DWC Trustee, Mark Lockington, says the Trust felt it was important to recognise the severity of the disaster and its impact on families, the community and the local economy.

"DWC believes the training facility will be of real and enduring benefit to the Coast. This is a meaningful way we can assist the mining industry and the local economy," he says.

It is hoped building will commence before the end of 2012.

Shantytown

Like many tourism businesses Shantytown has faced some tough economic times due to the downturn in tourism after the Christchurch earthquakes and worldwide economic crisis.

Shantytown approached DWC for help and the management team, including CEO John Chang, COO Warren Gilbertson and Accountant Debbie Johnston, gave their expertise and time to work with Shantytown's management on an organisational review.

Shantytown's Chair Dave McMillan says DWC helped them to look more closely at all aspects of the business and, as a result of that, Shantytown is now in a much stronger financial position.

"We are thrilled with what DWC has been able to offer in terms of expertise and the manner in which they have gone about it. Shantytown is now running the operation a lot more economically, with our income meeting expenditure. As a result of DWC's efforts things now seem to be trending in the way we want them to go," he says.

Computers in Schools

A review of the first year of the Computers in Schools project has found students are more engaged in their education and in some schools behavioural problems have dropped.

20 West Coast primary schools are now enjoying new computer equipment after receiving $180,000 from year one and two of DWC's funding of the Computers in Schools Project.

The Computers in Schools project was designed to increase student engagement and achievement by providing access to 21st century technology. It came about after ICT facilitator Eric Martini, the ICT Management Committee and West Coast Primary Principals Association came to DWC with a proposal to upgrade schools' ICT equipment.

DWC Chair John Sturgeon says Trustees were keen to continue to support the initiative. "West Coast students should have the same access to technology as other areas. Computers are an important aspect to learning these days and education has a significant impact on economic development."

Principals say students are using the ICT equipment in many ways including to support inquiry learning, play on-line maths games and record events.

Ysabel Buenaventura of St Patrick's Primary School, with DWC Chairman, John Sturgeon

Sarah Currie and India Cabral of Karamea Area School exploring the school's new laptops

Denniston Plateau

A world-class tourism experience on the Denniston Plateau that was kick-started by Development West Coast's Major Regional Initiative (MRI) programme in 2007 has been recognised in national awards. The Denniston Heritage Trust was named joint supreme winner at the prestigious TrustPower National Community Awards in March. The Trust was set up with support from DOC, Buller District Council, Friends of the Hill, Solid Energy and DWC to preserve and enhance the Denniston area.

The award acknowledged the huge effort by volunteers to bring the mining history of Denniston's misty hilltop back to life resulting in one of the West Coast's leading tourist attractions.

DOC has lead the project which has seen viewing platforms built, on-site interpretation erected and the development of an underground mine experience. In addition a literary trail brings to life the fictional story of the Denniston Rose, Jenny Pattrick's bestselling book about life in the mining settlement in the 1880s.

DWC contributed $275,000 towards the project and DWC's Business Development Manager Peter Walls was initially involved as DWC's representative on the board.

Trustpower Board Chairman Bruce Harker, Denniston Heritage Trust Chairman Peter Robertson, Department of Conservation Project Manager John Green, Buller District Mayor Pat McManus and Trustpower Chief Executive Vince Hawksworth

Old Ghost Road Cycle Trail.
Photo: Richard Rossiter

West Coast Cycleways

DWC committed $1.5m ($750,000 each) towards the two West Coast cycle trails. This funding helped each of the project committees to obtain funding from the Government's New Zealand Cycle Trail Fund.

Old Ghost Road, Buller

This year has seen significant progress on the 80km Old Ghost Road, with four huts built and 30km's of trail fully formed. A significant dent has also been made in the challenging and spectacular alpine section at the southern end of the Lyell Range.

The potential of The Old Ghost road was recognised when UK Travel Essentials, an online travel publication, named the Old Ghost Road number 3 in its top ten world cycle trails.

Chair of the Mokihinui-Lyell Back Country Trust Phil Rossiter says DWC's support came at an important time for the project. "The funding from DWC was absolutely critical in making the project viable. Our job now is to make sure the Old Ghost Road Trail becomes a pillar of the West Coast's future," he says.

The trail is on course for a staged opening in March 2013, and should be completed by the end of 2013.

Westland Wilderness Trail, Grey and Westland Districts

Contractors have been hard at work on the four-day, 140km trail from Greymouth to Ross.

The section of trail from Greymouth to Paroa has been completed and contractors expect to have completed the Kumara to Milltown section by September 2012. It is hoped to open the three-day Greymouth to Hokitika section of the trail by the end of 2012 and the Hokitika to Ross section being completed the following year.

"It is huge to have quality equipment to encourage participation, the kids love gear that looks sharp, feels sharp and they can perform with."
Jack O'Connor, Sport Canterbury West Coast

Community Bulk Funding

DWC provided the West Coast Community Trust and Solid Energy Amateur Sports Trust with $90,000 and $10,000 respectively this year to distribute to community groups on behalf of DWC.

Historically DWC distributed community grants itself but Trustees decided it made more sense for Councils and community groups to make funding decisions. This means DWC is no longer directly involved with community funding applications.

Grants were made by the Community Trust to a variety of projects including the purchase of sports equipment, funding a community youth worker, upgrading safety fences at the Speedway track and assisting the Westland / Buller Scouts.

Discretionary funding

On a dry and mild February evening a West Coast crowd filled Rugby Park to near capacity while they enjoyed watching the Crusaders play the Highlanders in Greymouth. The game would not have been possible without $20,000 funding from DWC which helped bring the teams to the Coast and allowed players to spend time at West Coast schools.

MDI funding

DWC's Major District Initiative project continues to invest in developing the West Coast's community assets. Each district has access to $400,000 per annum until March 2022 and continue to use the funding for a variety of projects as outlined below.

	Approved	Distributed to date	Balance to be distributed
Buller			
Solid Energy Centre	6,000,000	1,900,000	4,100,000
Arts & Cultural Centre	700,000	700,000	0
Total - Buller	**6,700,000**	**2,600,000**	**4,100,000**
Grey			
Aquatic Centre	6,000,000	2,100,000	3,900,000
Cobden Sports Complex	50,000	50,000	0
West Coast Theatre Trust	400,000	88,000	312,000
Grey United Tennis Club	20,000	0	20,000
Westurf Recreation Trust	100,000	100,000	0
Total – Grey	**6,570,000**	**2,338,000**	**4,232,000**
Westland			
Westland i-Site	296,952	296,952	0
Hokitika Regent Theatre (Stage I)	340,000	340,000	0
Library Relocation	489,392	489,390	2
Donovan's Store Refurbishment	78,375	12,807	65,568
Hokitika Gorge Upgrade	82,014	82,014	0
Westland Boys' Brigade Hall	247,349	247,349	0
Hokitika Regent Theatre (Stage II)	570,000	396,060	173,940
Harihari Community Centre	455,000	0	455,000
Franz Josef Community Centre	100,000	0	100,000
Total - Westland	**2,659,082**	**1,864,572**	**794,510**
Total	**$15,929,082**	**$6,802,572**	**$9,126,510**

"Scouts NZ Westland Buller Zone spent its grant on youth and leadership training programmes, a laptop and data projector. West Coast scouting had the highest growth rate in the country last year and now has nine scout groups operating throughout the region."

Wayne Noble, Scouts NZ Westland Buller Zone

"We got hit by arson and lost our clubhouse, yachts and rescue boat, the funding has been used to rebuild and line the new clubhouse."

Eyvonne Diskin, Westport Yacht and Powerboard Club

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of Development West Coast and group for the year ended 31 March 2012 included on Development West Coast's website. Development West Coast is responsible for the maintenance and integrity of Development West Coast's website. We have not been engaged to report on the integrity of Development West Coast'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 as well as the related audit report dated 22 August 2012 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.

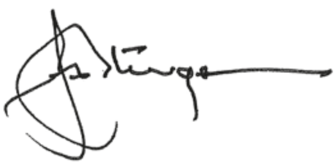
STATEMENT OF RESPONSIBILITY

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 2012.

Signed for and on behalf of the Trustees and Management.



John Sturgeon
Chairman
22 August 2012

Dr John Chang
Chief Executive
22 August 2012

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
Development West Coast's
financial statements
for the year ended 31 March 2012

The Auditor-General is the auditor of Development West Coast (the Trust). 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 the Trust on her behalf.

We have audited the financial statements of the Trust on pages 42 to 73, that comprise the balance sheet as at 31 March 2012, the statement of consolidated income, statement of comprehensive income, statement of movements in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion the financial statements of the Trust on pages 42 to 73:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's:
  - financial position as at 31 March 2012; and
  - financial performance and cash flows for the year ended on that date.

Our audit was completed on 22 August 2012. This 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 our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Trustees

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustees' responsibilities arise from clause 22 of the Trust Deed of the Trust.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and clause 22.5 of the Trust Deed of the Trust.

Independence

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

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

Ian Lothian

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

STATEMENT OF CONSOLIDATED INCOME

	Note	Consolidated		Parent	
		2012 $000	2011 $000	2012 $000	2011 $000
Finance Income	4	7,801	5,676	8,581	6,110
Trading Sales		99	158	0	0
Other Operating Income		716	1,451	428	468
Gain on Sale of Assets		585	0	0	0
Total Income		**9,201**	**7,285**	**9,009**	**6,578**
Operating Expenses	5	3,540	3,145	2,712	2,393
Share of Loss in Associate		38	0	0	0
Surplus before Community Distributions and Projects		**5,623**	**4,140**	**6,297**	**4,185**
Regional Development	6	1,075	1,336	1,075	1,336
Major District Initiative		11,020	1,200	11,020	1,200
Provision for Extraordinary Distribution	18	6,000	0	6,000	0
Major Regional Initiative		1	28	1	28
Community Grants	7	210	2,780	210	2,780
Surplus/(Deficit) before Impairment of Assets		**(12,683)**	**(1,204)**	**(12,009)**	**(1,159)**
Impairment of Distribution Assets		327	411	654	714
Impairment of Other Assets	8	317	1	0	0
Investment Mark-to-Market (Profit)/Loss		5,267	(4,079)	5,267	(4,079)
Surplus/(Deficit) for the Year before Tax		**(18,594)**	**2,463**	**(17,930)**	**2,206**
Taxation	9	0	0	0	0
Surplus/(Deficit) for the Year		**(18,594)**	**2,463**	**(17,930)**	**2,206**
Attributable to:					
Non-Controlling Interests		0	(143)		
Parent		(18,594)	2,606		
Surplus/(Deficit) for the Year		**(18,594)**	**2,463**	**(17,930)**	**2,206**

STATEMENT OF COMPREHENSIVE INCOME

	Note	Consolidated		Parent	
		2012 $000	2011 $000	2012 $000	2011 $000
Surplus/(Deficit) for the Year	21	(18,594)	2,463	(17,930)	2,206
Other Comprehensive Income:					
Net Gain/(Loss) on Available for Sale Investments	21	(94)	801	(94)	801
Net Gain/(Loss) on Cash Flow Hedges	21	(37)	(73)	(37)	(73)
Movement in Asset Revaluation Reserve	21	241	0	0	0
Other Comprehensive Income for the Year		**110**	**728**	**(131)**	**728**
Total Comprehensive Income for the Year		**(18,484)**	**3,191**	**(18,061)**	**2,934**
Attributable to:					
Non Controlling Interests	21	0	(143)		
Parent		(18,484)	3,334		
Total Comprehensive Income for the Year		**(18,484)**	**3,191**		

STATEMENT OF MOVEMENTS IN EQUITY

	Note	Consolidated		Parent	
		2012 $000	2011 $000	2012 $000	2011 $000
Balance at 1 April		115,520	112,329	115,927	112,993
Surplus/(Deficit) for the Year		(18,594)	2,463	(17,930)	2,206
Other Comprehensive Income for the Year		110	728	(131)	728
Total Movements in Equity for the Year		**(18,484)**	**3,191**	**(18,061)**	**2,934**
Balance at 31 March		**97,036**	**115,520**	**97,866**	**115,927**

BALANCE SHEET

	Note	Consolidated		Parent	
		2012 $000	2011 $000	2012 $000	2011 $000
ASSETS					
Current Assets					
Cash and Cash Equivalents	10	449	1,994	200	1,949
Current Tax Receivable		1	0	0	0
Trade and Other Receivables	11	417	396	899	927
Derivative Financial Instruments	16	128	0	128	0
Investments	12	55,069	54,800	55,068	54,799
Distribution Assets	13	1,657	1,946	8,099	2,662
		57,721	**59,136**	**64,394**	**60,337**
Non-Current Assets Classified as Held for Sale		604	0	0	0
Total Current Assets		**58,325**	**59,136**	**64,394**	**60,337**
Non-Current Assets					
Derivative Financial Instruments	16	0	35	0	35
Intangible Assets and Goodwill	15	56	75	55	74
Property, Plant and Equipment	14	5,018	6,433	1,167	1,203
Investments	12	45,791	49,412	45,143	49,412
Investment in Associate	29	4,555	0	0	0
Distribution Assets	13	3,794	6,239	7,486	10,585
Total Non-Current Assets		**59,214**	**62,194**	**53,851**	**61,309**
TOTAL ASSETS		**117,539**	**121,330**	**118,245**	**121,646**
LIABILITIES					
Current Liabilities					
Derivative Financial Instruments	16	0	1	0	1
Trade and Other Payables	17	5,772	3,493	5,648	3,402
Provisions	18	6,000	2,312	6,000	2,312
Total Current Liabilities		**11,772**	**5,806**	**11,648**	**5,715**
Non-Current Liabilities					
Derivative Financial Instruments	16	111	0	111	0
Trade and Other Payables	17	8,620	4	8,620	4
Total Non-Current Liabilities		**8,731**	**4**	**8,731**	**4**
TOTAL LIABILITIES		**20,503**	**5,810**	**20,379**	**5,719**
NET ASSETS		**97,036**	**115,520**	**97,866**	**115,927**
EQUITY					
Equity Attributable to Owners of the Parent					
Restricted Capital	20	79,514	89,325	79,514	89,325
Reserves	21	17,522	26,195	18,352	26,602
TOTAL EQUITY		**97,036**	**115,520**	**97,866**	**115,927**

CASH FLOW STATEMENT

	Note	Consolidated		Parent	
		2012 $000	2011 $000	2012 $000	2011 $000
Cash Flows from Operating Activities					
Receipts from Customers		99	158	0	0
Finance Income		7,280	4,999	7,278	4,995
Other Income		693	1,273	456	455
Payments to Suppliers, Trustees and Employees		(2,705)	(2,866)	(2,050)	(2,259)
GST inflow/(outflow)		0	594	0	0
Community Distributions and Projects		(4,131)	(3,525)	(4,131)	(3,525)
Net Cash Flows from/(used in) Operating Activities	**19**	**1,236**	**633**	**1,553**	**(334)**
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant and Equipment		1,346	261	23	27
Proceeds from Sale of Intangible Assets		0	10	0	0
Proceeds on Disposal of Investments		36,698	28,577	36,698	28,577
Distribution Asset Repayments		3,376	970	4,345	2,431
Purchase of Property, Plant and Equipment		(489)	(114)	(71)	(114)
Purchase of Intangible Assets		0	(25)	0	(25)
Purchase of Investments		(43,080)	(27,796)	(38,079)	(27,796)
Distribution Asset Lending		(632)	(1,413)	(6,218)	(1,574)
Net Cash Flows from/(used in) Investing Activities		**(2,781)**	**470**	**(3,302)**	**1,526**
Net Increase/(Decrease) in Cash and Cash Equivalents		(1,545)	1,103	(1,749)	1,192
Cash and Cash Equivalents at Beginning of Period		1,994	891	1,949	757
Cash and Cash Equivalents at End of Period	**10**	**449**	**1,994**	**200**	**1,949**

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 subsidiaries Forever Beech Limited, West Coast Development Holdings Limited and its subsidiaries, West Coast Development Trust Land Company Limited, West Coast Snowflake Limited and Cranberries New Zealand Limited. During the year the Trust's subsidiary, West Coast Development Holdings Limited, invested in Cranley Farms Limited. Cranley Farms Limited is an associate of the Group.

The financial statements of Development West Coast for the year ended 31 March 2012 were authorised for issue by Trustees on 22 August 2012.

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, available-for-sale investments, and associate land and buildings 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. The subsidiaries have not adopted NZ IFRS and have continued to be prepared under earlier GAAP. However, the results are not inconsistent with NZ IFRS.

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. *Investments in Associates*

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems it has significant influence if it has over 20% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

3.6. *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 and 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.

3.7. *Cash and Cash Equivalents*

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

3.8. *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.

3.9. *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.

3.10. *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.

3.11. *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 Profit or Loss

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.

3.12. *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.

3.13. *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 consolidated 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 the consolidated income statement.

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.

3.14. *Property, Plant and Equipment*

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cranley Farms Limited revalues its Land and Building farm assets. These assets are considered a separate asset class to Development West Coast's other Plant Property and Equipment.

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.

3.15. *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. The associate fair values its farm land which is considered a separate class compared to the Groups other land and buildings. 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.

3.16. 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.

3.17. Goodwill and Intangibles

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. 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:

- 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.

3.18. 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.

3.19. 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.

3.20. 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.

3.21. *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. The income tax effects of temporary differences are not recognised as the companies qualify for differential reporting exemptions.

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.

3.22. *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.

3.23. *Changes in Accounting Policies*

The accounting policies adopted are consistent with those of the previous year.

4. Finance Income

	2012 $000	2011 $000	2012 $000	2011 $000
Interest on Distribution Assets	337	461	1,120	899
Interest on Term Deposits	382	291	382	291
Interest on Available for Sale Investments	3,928	4,356	3,928	4,356
Interest Concessions	184	194	184	194
Interest – Other	3	4	0	0
Dividends on Available for Sale Investments	113	121	113	121
Dividends on Held for Trading Investments	898	701	898	701
Fee Income	0	1	0	1
Net Realised Gains/(Losses) on disposal of Available for Sale Investments reclassified from Unrealised Gains Reserve	122	203	122	203
Net Realised Gains/(Losses) on Held for Trading Derivatives	587	870	587	870
Net Realised Gains/(Losses) on Held for Trading Investments	1,247	(1,526)	1,247	(1,526)
	7,801	**5,676**	**8,581**	**6,110**

5. Operating Expenses

	Note	Consolidated		Parent	
		2012 $000	2011 $000	**2012 $000**	2011 $000
Administration Expenses		1,646	1,485	1,220	1,155
Advisory Body Fees		95	110	95	110
Advisory Body Expenses		11	22	11	22
Auditors' Remuneration	28	106	109	73	76
Bad and Doubtful Debts		0	5	0	0
Cost of Sales		6	90	0	0
Depreciation & Amortisation	14 & 15	172	219	108	93
Directors' Fees		3	22	0	0
Election Costs		0	25	0	25
Equipment Lease Payments		11	17	11	17
External Consultancy Expenses		363	170	287	151
Farm Expenses		54	67	0	0
Finance Costs		3	3	3	2
Information & Communication Technology		30	38	30	38
Insurance & Risk Management		48	43	44	39
Investment Advisory Expenses		242	240	241	240
Legal Fees		301	151	236	116
Loss/(Gain) on Sale of Assets		69	(1)	(5)	(20)
Marketing & Promotion		47	11	47	11
Occupancy		122	101	100	100
Recruitment Costs		1	12	1	12
Trustees' Remuneration		167	163	167	163
Trustees' Expenses		43	43	43	43
Total Operating Expenses		**3,540**	**3,145**	**2,712**	**2,393**

6. Regional Development

	Note	Consolidated		Parent	
		2012 $000	2011 $000	**2012 $000**	2011 $000
Interest Concessions		184	194	184	194
Regional Partnership Network		60	65	60	65
Tourism West Coast		83	83	83	83
West Coast Focus Farms		28	28	28	28
Business Development Unit		720	966	720	966
Total Community Distributions & Projects		**1,075**	**1,336**	**1,075**	**1,336**

7. Community Grants

Recipient	2012 $
Buller Basketball	2,000
Computers in Schools	79,390
Crusaders v Highlanders Pre-Season Fixture	20,000
Ecotourism Business Workshop	1,500
Small Towns' Conference	1,500
Solid Energy Amateur Sports Trust	10,000
Soroptimist International Conference	1,500
West Coast Community Trust	90,000
West Coast Farming and Forestry Association	500
Westland Motorcycle Club	1,500
Westport Municipal Band	2,000
Whataroa Golf Club	500
Sub Total	**210,390**
Reversal of Prior Years' Grants	(65)
Total Community Grants	**210,325**

8. Impairment of Other Assets

	Note	Consolidated		Parent	
		2012 $000	2011 $000	2012 $000	2011 $000
Impairment of Property		317	0	0	0
Impairment of Intangible Assets		0	1	0	0
		317	1	**0**	0

9. Income Tax

9.1. Income Tax Expense

	2012 $000	2011 $000
Income Statement	0	0
Current Income Tax	0	0
Income Tax Expense Reported in the Statement of Consolidated Income	**0**	0

9.2. *Reconciliation of Tax Expense*

	Consolidated	
	2012 $000	2011 $000
Accounting Surplus/(Deficit) Before Tax	(18,594)	2,463
At the Statutory Income Tax Rate of 28% (2011 30%)	(5,206)	739
Adjustments in Respect of Parent Surplus/(Deficit) not Taxable	4,929	(754)
Adjustments in Respect of Temporary Differences	(2)	0
Adjustments in Respect of Permanent Differences	50	(135)
Tax Losses not Recognised	229	150
Income Tax Expense	0	0

9.3. *Tax Losses*

No asset has been recognised in respect of the taxation losses held by the Group. At 31 March 2012 these totalled $9,550,819 (2011: $8,646,000).

10. Cash and Cash Equivalents

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Cash at Bank and On Hand	449	1,994	200	1,949
Total Cash and Cash Equivalents	**449**	**1,994**	**200**	**1,949**

As at 31 March 2012, Development West Coast had $10,979,000 (2011: $2,714,000) on short term deposit at registered banks. These deposits are classified as investments in the annual accounts.

11. Trade and Other Receivables

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Trade Receivables	194	283	114	78
GST Refund Receivable	84	95	87	101
Related Party Receivables	0	0	573	730
Sundry Receivables	139	18	125	18
Carrying Amount of Trade and Other Receivables	**417**	**396**	**899**	**927**

11.1. *Related Party Receivables*

For terms and conditions of related party receivables refer to note 23.

12. Investments

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Available for Sale Investments	59,111	63,990	58,462	63,989
Held for Trading Investments	30,770	37,508	30,770	37,508
Term Deposits	10,979	2,714	10,979	2,714
Total Investments	**100,860**	**104,212**	**100,211**	**104,211**
Current Assets	55,069	54,800	55,068	54,799
Non Current Assets	45,791	49,412	45,143	49,412
Total Assets	**100,860**	**104,212**	**100,211**	**104,211**

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	
	2012 $000	2011 $000	2012 $000	2011 $000
Cash and Cash Equivalents	449	1,994	200	1,949
Trade and Other Receivables	417	396	899	927
Term Deposits	10,979	2,714	10,979	2,714
Convertible Note	648	0	0	0
Distribution Assets (Gross)	5,877	13,059	20,398	22,181
Total Loans and Receivables	**18,370**	**18,163**	**32,476**	**27,771**

13. Distribution Assets

The distribution assets can be further analysed as follows:

	Consolidated		Parent	
Class	2012 $000	2011 $000	2012 $000	2011 $000
Current Distributions	2,083	6,212	18,134	15,585
Less Provision for Impairment	426	4,266	10,035	12,923
Net Current Distributions	**1,657**	**1,946**	**8,099**	**2,662**
Non-Current Distributions	3,794	6,847	7,486	11,818
Less Provision for Impairment	0	608	0	1,233
Net Non Current Distributions	**3,794**	**6,239**	**7,486**	**10,585**
Net Distributions	**5,451**	**8,185**	**15,585**	**13,247**
Investment in Subsidiaries			5,222	5,222
Loans to Subsidiaries			14,520	9,122
Loans to Other Parties			5,878	13,059
			25,620	**27,403**
Less Provision for Impairment			10,035	14,156
Total			**15,585**	**13,247**

13.1. *Related Party Distribution Assets*

$19,742,000 of distribution assets were invested in subsidiaries of Development West Coast at 31 March 2012 (2011: $14,344,000) and there was a $9,609,000 provision for impairment relating to these balances (2011: $9,282,000). There were no write offs of amounts of distribution assets outstanding from subsidiaries of Development West Coast during the year ending 31 March 2012 (2011: $nil).

For terms and conditions of related party receivables refer to note 23.

14. Property, Plant and Equipment

Consolidated	Motor Vehicles $000	Plant & Machinery $000	Furniture & Fittings $000	Office Equipment $000	Leasehold Improvements $000	Computer Hardware $000	Land & Buildings $000	Art Collection $000	Total $000
At Cost									
Balance at 1 April 2010	**250**	**906**	**163**	**69**	**73**	**191**	**6,548**	**7**	**8,207**
Additions	85	40	7	6	6	10	0	0	154
Disposals	(75)	(360)	(40)	(5)	0	(41)	(140)	0	(661)
Balance at 31 March 2011	**260**	**586**	**130**	**70**	**79**	**160**	**6,408**	**7**	**7,700**
Balance at 1 April 2011	**260**	**586**	**130**	**70**	**79**	**160**	**6,408**	**7**	**7,700**
Additions	52	0	8	1	4	7	417	0	489
Disposals	(48)	0	0	(1)	0	(2)	(817)	0	(868)
Transfer to non current assets classified as held for sale	(21)	(349)	0	(4)	0	0	(635)	0	(1,009)
Balance at 31 March 2012	**243**	**237**	**138**	**66**	**83**	**165**	**5,373**	**7**	**6,312**
Depreciation and Impairment Losses									
Balance at 1 April 2010	**114**	**668**	**40**	**56**	**62**	**150**	**317**	**0**	**1,407**
Depreciation Charge for the Year	48	28	11	4	6	17	105	0	219
Impairment Losses	0	0	0	0	0	0	0	0	0
Disposals	(65)	(265)	(3)	(2)	0	(42)	18	0	(359)
Balance at 31 March 2011	**97**	**431**	**48**	**58**	**68**	**125**	**440**	**0**	**1,267**
Balance at 1 April 2011	**97**	**431**	**48**	**58**	**68**	**125**	**440**	**0**	**1,267**
Depreciation Charge for the Year	48	0	11	4	4	14	72	0	153
Impairment Losses	0	0	0	0	0	0	317	0	317
Disposals	(32)	0	0	0	0	(1)	(5)	0	(38)
Transfer to non current assets classified as held for sale	(17)	(194)	0	(4)	0	0	(190)	0	(405)
Balance at 31 March 2012	**96**	**237**	**59**	**58**	**72**	**138**	**634**	**0**	**1,294**
Net Carrying Amount									
At 31 March 2010	136	238	123	13	11	41	6,231	7	6,800
At 31 March 2011	163	155	82	12	11	35	5,968	7	6,433
At 31 March 2012	147	0	79	8	11	27	4,739	7	5,018

Parent	Motor Vehicles $000	Plant & Machinery $000	Furniture & Fittings $000	Office Equipment $000	Leasehold Improvements $000	Computer Hardware $000	Land & Buildings $000	Art Collection $000	Total $000
At Cost									
Balance at 1 April 2010	**228**	**0**	**163**	**47**	**73**	**191**	**910**	**7**	**1,619**
Additions	85	0	7	6	6	10	0	0	114
Disposals	(75)	0	(40)	(2)	0	(41)	0	0	(158)
Balance at 31 March 2011	**238**	**0**	**130**	**51**	**79**	**160**	**910**	**7**	**1,575**
Balance at 1 April 2011	**238**	**0**	**130**	**51**	**79**	**160**	**910**	**7**	**1,575**
Additions	52	0	8	1	4	7	0	0	72
Disposals	(48)	0	0	(1)	0	(2)	0	0	(51)
Balance at 31 March 2012	**242**	**0**	**138**	**51**	**83**	**165**	**910**	**7**	**1,596**
Depreciation and Impairment Losses									
Balance at 1 April 2010	**96**	**0**	**40**	**37**	**62**	**149**	**6**	**0**	**390**
Depreciation Charge for the Year	47	0	11	4	6	17	8	0	93
Impairment Losses	0	0	0	0	0	0	0	0	0
Disposals	(65)	0	(3)	(2)	0	(41)	0	0	(111)
Balance at 31 March 2011	**78**	**0**	**48**	**39**	**68**	**125**	**14**	**0**	**372**
Balance at 1 April 2011	**78**	**0**	**48**	**39**	**68**	**125**	**14**	**0**	**372**
Depreciation Charge for the Year	48	0	11	4	4	14	8	0	89
Impairment Losses	0	0	0	0	0	0	0	0	0
Disposals	(31)	0	0	0	0	(1)	0	0	(32)
Balance at 31 March 2012	**95**	**0**	**59**	**43**	**72**	**138**	**22**	**0**	**429**
Net Carrying Amount									
At 31 March 2010	132	0	123	10	11	42	904	7	1,229
At 31 March 2011	160	0	82	12	11	35	896	7	1,203
At 31 March 2012	147	0	79	8	11	27	888	7	1,167

15. Intangible Assets

Consolidated	Computer Software $000	Other Intangible Assets $000	Total $000
At Cost			
Balance at 1 April 2010	**65**	**61**	**126**
Additions	25	0	25
Disposals	0	(10)	(10)
Balance at 31 March 2011	**90**	**51**	**141**
Balance at 1 April 2011	**90**	**51**	**141**
Additions	0	0	0
Disposals	0	0	0
Balance at 31 March 2012	**90**	**51**	**141**
Accumulated Amortisation and Impairment			
Balance at 1 April 2010	**16**	**49**	**65**
Amortisation and Impairment Losses	0	1	1
Disposals	0	0	0
Balance at 31 March 2011	**16**	**50**	**66**
Balance at 1 April 2011	**16**	**50**	**66**
Amortisation and Impairment Losses	19	0	19
Disposals	0	0	0
Balance at 31 March 2012	**35**	**50**	**85**
Net Carrying Amount			
At 31 March 2010	49	12	61
At 31 March 2011	74	1	75
At 31 March 2012	55	1	56

Parent	Computer Software $000
At Cost	
Balance at 1 April 2010	**65**
Additions	25
Disposals	0
Balance at 31 March 2011	**90**
Balance at 1 April 2011	**90**
Additions	0
Disposals	0
Balance at 31 March 2012	**90**
Accumulated Amortisation and Impairment	
Balance at 1 April 2010	**16**
Amortisation and Impairment Losses	0
Disposals	0
Balance at 31 March 2011	**16**
Balance at 1 April 2011	**16**
Amortisation and Impairment Losses	19
Disposals	0
Balance at 31 March 2012	**35**
Net Carrying Amount	
At 31 March 2010	49
At 31 March 2011	74
At 31 March 2012	55

16. Derivative Financial Instruments

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Current Asset/(Liability)				
Currency Option Contracts – Held for Trading	27	(152)	27	(152)
Interest Rate Swap Contracts – Cash Flow Hedge	101	151	101	151
	128	**(1)**	**128**	**(1)**
Non Current Asset/(Liability)				
Currency Option Contracts – Held for Trading	(159)	0	(159)	0
Interest Rate Swap Contracts – Cash Flow Hedge	48	35	48	35
	(111)	**35**	**(111)**	**35**
Total Derivative financial Instruments	**17**	**34**	**17**	**34**

All movements in fair value for those derivatives classified as Held for Trading are recognised in profit or loss in the year they occur.

Movements in fair value for those derivatives classified as Cash Flow Hedge are recognised in balance sheet reserves in the year they occur.

16.1. *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 losses for the Group and Parent were $132,000 (2011 $152,000 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 $10 million allowing Development West Coast to convert floating rate investments that pay Development West Coast BKBM plus a margin, to a fixed rate. The effective fixed rates locked in range from 6.10% and 8.55%.

17. Trade and Other Payables

	Consolidated		Parent	
	2012 $000	2011 $000	**2012 $000**	2011 $000
Trade Payables	587	457	512	407
Employee Entitlements	71	69	71	69
Sundry Creditors	13,734	2,971	13,685	2,930
Carrying Amount of Trade and Other Payables	**14,392**	**3,497**	**14,268**	**3,406**
Current Liabilities	5,772	3,493	5,648	3,402
Non Current Liabilities	8,620	4	8,620	4
Carrying Amount of Trade and Other Payables	**14,392**	**3,497**	**14,268**	**3,406**

Trade and other payables are classified as financial liabilities at amortised cost. For terms and conditions relating to related party payables refer to note 23.

17.1. *Sundry Creditors Analysis*

	Consolidated		Parent	
	2012 $000	2011 $000	**2012 $000**	2011 $000
Sundry Creditors	235	777	186	736
Major Regional Initiative	315	460	315	460
Major District Initiative	11,122	0	11,122	0
Other Community Grants	2,062	1,734	2,062	1,734
Total Sundry Creditors	**13,734**	**2,971**	**13,685**	**2,930**

18. Provisions

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Current				
Provision for Major District Initiative	0	1,312	0	1,312
Provision for Pike River Distribution Fund	0	1,000	0	1,000
Provision for Extraordinary Distribution Fund	6,000	0	6,000	0
	6,000	**2,312**	**6,000**	**2,312**

18.1. Extraordinary Distribution Fund (EDF)

During the year, through a change in the Trust Deed, the Trustees were empowered to create a special fund within the books of the Trust, by the transfer from the Restricted Capital to the EDF of up to $6,000,000. The EDF is an exceptional, once-only fund. The EDF is to be used as a fund from which grants may (in the discretion of the Trustees) be made to any of the West Coast District Councils (up to a maximum amount of $2,000,000 for each West Coast District Council) in order to fund the undertaking of community projects which are within the Objects.

18.2. Pike River Distribution Fund

Following the Pike River Mine tragedy DWC allocated funding of $1m to a Pike River relief fund, which was subsequently set up as the Pike River Distribution Fund. The fund has now been allocated to upgrade the training facilities of the Mines Rescue Trust at Rapahoe. With this commitment to Mines Rescue the provision has been transferred to Sundry Creditors.

18.3. Major District Initiative

Development West Coast has been allocating funding of $400,000 per annum to each of the three West Coast districts under the Major District Initiative. This funding has been subject to a financial performance target. Subsequent to balance date Trustees resolved to remove the financial performance criteria and commit to funding the MDI of $1.2m p.a. until March 2022.

18.4. Unused Amounts Reversed

No unused amounts were reversed during 2011 or 2012 in respect of the Group. No unused amounts were reversed in the Parent in 2011 or 2012.

19. Cash Flow Statement Reconciliation

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Reconciliation of Net Profit after Tax to Net Cash Flows from Operations				
Net profit/(Loss)	(18,594)	2,463	(17,930)	2,206
Adjustments for				
Depreciation and Amortisation	172	219	108	93
Accrual of Investment Commitment	0	(499)	0	(499)
Impairment/(Write Back) of Non-Current Assets	317	1	0	0
Impairment and Write–Off of Distribution Assets	327	411	654	714
Capitalised Distribution Asset Interest	(337)	(461)	(1,119)	(899)
Accrued Interest	0	(22)	0	(22)
Net (Profit)/Loss on Disposal of Property, Plant and Equipment	(516)	1	(5)	20
Share of Associate's (Profit)/Loss	38	0	0	0
Net Fair Value Change on Financial Instruments Valued at Fair Value	5,267	(4,079)	5,267	(4,079)
Total Adjustments	**5,268**	**(4,429)**	**4,905**	**(4,672)**
Changes in Assets and Liabilities				
(Increase)/Decrease in Inventories	0	68	0	0
(Increase)/Decrease in Trade and Other Receivables	(23)	416	28	(13)
(Decrease)/Increase in Trade and Other Payables	10,897	1,049	10,862	1,079
(Decrease)/Increase in Provisions	3,688	1,066	3,688	1,066
	14,562	**2,599**	**14,578**	**2,132**
Net Cash from Operating Activities	**1,236**	**633**	**1,553**	**(334)**

20. Restricted Capital

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Restricted Capital	79,514	89,325	79,514	89,325

20.1. 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:

11.1 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;

11.2 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

11.3 The Trustees may only pay or apply further amounts under clause 11 with the written approval of the Settlor.

Movement in Restricted Capital	$000
At 1 April 2010	**79,325**
Transfers to Distribution Fund	0
Transfer from Investment Fluctuation Reserve	10,000
At 1 April 2011	**89,325**
Transfers to Distribution Fund	(3,811)
Transfer to the Extraordinary Distribution Fund	(6,000)
At 31 March 2012	**79,514**

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

Trustees had previously transferred $10,000,000 of Initial Capital to an Investment Fluctuation Reserve. In 2011, Trustees resolved to close the Investment Fluctuation Reserve and to transfer these funds back to Restricted Capital (see note 21.3 (d)).

Under clause 27 of the Trust Deed an amount of $6,000,000 has been transferred from Restricted Capital to the Extraordinary Distribution Fund (see note 21.3(e))

As allowed under clause 11 of the deed an amount of $3,811,000 has been transferred from Restricted Capital to the Distribution Fund.

21. Reserves

21.1. Movements in Reserves - Consolidated

Consolidated	Distribution Fund $000	Net Unrealised Gains Reserve $000	Cash Flow Hedge Reserve $000	Investment Fluctuation Reserve $000	Extraordinary Distribution Fund $000	Attributable to Parent $000	Non Controlling Interests $000	Revaluation Reserve	Total Reserves $000
At 1 April 2010	**22,690**	**1,001**	**259**	**10,000**	**0**	**33,950**	**(946)**		**33,004**
Net Gains on Available-for-Sale Investments		1,004				1,004			1,004
Reclassification to Finance Income on disposal of Investment		(203)				(203)			(203)
Net Surplus/(Loss) for the Year	2,606					2,606	(143)		2,463
Net Gains/(Losses) on Cash Flow Hedges			(73)			(73)			(73)
Transfer IFR to Restricted Capital				(10,000)		(10,000)			(10,000)
Acquisition of Non-Controlling Interest	(1,089)					(1,089)	1,089		0
At 31 March 2011	**24,207**	**1,802**	**186**	**0**	**0**	**26,195**	**0**		**26,195**
Net Gains on Available-for-Sale Investments		28				28			28
Reclassification to Finance Income on disposal of Investment		(122)				(122)			(122)
Net Gains/(Losses) on Cash Flow Hedges			(37)			(37)			(37)
Net Surplus/(Loss) for the Year	(12,594)				(6,000)	(18,594)			(18,594)
Movement in Asset Revaluation Reserve						0		241	241
Transfer from Restricted Capital to EDF					6,000	6,000			6,000
Transfer from Restricted Capital to Distribution Fund	3,811					3,811			3,811
At 31 March 2012	**15,424**	**1,708**	**149**	**0**	**0**	**17,281**	**0**	**241**	**17,522**

21.2. *Movements in Reserves - Parent*

Parent	Distribution Fund $000	Net Unrealised Gains Reserve $000	Cash flow Hedge Reserve $000	Investment Fluctuation Reserve $000	Extraordinary Distribution Fund $000	Total $000
At 1 April 2010	**22,408**	**1,001**	**259**	**10,000**	**0**	**33,668**
Net Gains/(Losses) on Available-for-Sale Investments		1,004				1,004
Reclassification to Finance Income on disposal of Investment		(203)				(203)
Net Gains/(Losses) on Cash Flow Hedges			(73)			(73)
Net Surplus/(Loss) for the Year	2,206					2,206
Transfer IFR to Restricted Capital				(10,000)		(10,000)
At 31 March 2011	**24,614**	**1,802**	**186**	**0**	**0**	**26,602**
Net Gains/(Losses) on Available-for-Sale Investments		28				28
Reclassification to Finance Income on disposal of Investment		(122)				(122)
Net Gains/(Losses) on Cash Flow Hedges			(37)			(37)
Net Surplus/(Loss) for the Year	(11,930)				(6,000)	(17,930)
Transfer from Restricted Capital to EDF					6,000	6,000
Transfer from Restricted Capital to Distribution Fund	3,811					3,811
At 31 March 2012	**16,495**	**1,708**	**149**	**0**	**0**	**18,352**

21.3. *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 was established by Trustees out of the Initial Capital. The Reserve was to 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. Trustees resolved to close the Investment Fluctuation Reserve in the 2011 financial year and to transfer the funds to Restricted Capital.

e) **Extraordinary Distribution Fund**
The Extraordinary Distribution Fund was established under clause 27 of the Trust Deed as an exceptional one off fund from which Trustees can grant up to $2,000,000 to each of the West Coast District Councils to undertake community projects which meet the objects of the Deed.

f) **Asset Revaluation Reserve**
This represents the Group's share of the Asset Revaluation Reserve recognised by its associate.

22. Capital Management

Development West Coast's capital is its equity, which comprises the Restricted Capital and Reserves. These are described in notes 20 and 21 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.

23. Related Party Disclosure

23.1. 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	
		2012	2011
Forever Beech Limited	New Zealand	100	100
West Coast Development Holdings Limited	New Zealand	100	100
West Coast Development Trust Land Company Limited	New Zealand	100	100
West Coast Snowflake Limited	New Zealand	100	100
Cranberries New Zealand Limited	New Zealand	100	100

23.2. Associates

The Group has a 43.5% interest in Cranley Farms Limited (2011 nil).

23.3. Ultimate Parent

Development West Coast is the ultimate parent entity.

23.4. Transactions with Related Parties

a) During the year, Development West Coast advanced $5,000,021 to its subsidiary West Coast Development Holdings Limited and was repaid $383,433 (2011 $284,106 advance and $1,337,803 repayment). As at 31 March 2012 $15,187,165 (2011 $9,788,895) was owing to Development West Coast. Interest is payable on this amount at rates of between

0% and 8% p.a. and interest of $781,682 (2011 $437,310) was charged during the year. Development West Coast is the parent of West Coast Development Holdings Limited.

b) During the year, Development West Coast was repaid $388 by its subsidiary Forever Beech Limited (2011 $10,000 advance). As at 31 March 2012, Development West Coast had invested equity of $3,700,000 (2011 $3,700,000) and, including capitalised interest, had advanced $1,371,747 (2011 $1,372,135). Interest has ceased to be charged on this debt.

c) At 31 March 2012, Development West Coast was owed $828 (2011 $148,102) by West Coast Development Trust Land Co Limited, $571,631 (2011 $524,233) by West Coast Development Holdings Limited, $745 (2011 $657) by Cranberries New Zealand Limited and $nil (2011 $57,363) by West Coast Snowflake Limited, for expenses paid by Development West Coast on these companies' behalf. West Coast Development Trust Land Co Limited, Cranberries New Zealand Limited 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 Snowflake Limited and West Coast Development Holdings Limited. No management fees are currently charged for these services. No debts owing to Development West Coast by a subsidiary were forgiven during the year (2011 $nil).

e) In May 2011 West Coast Development Holdings Limited invested $5,000,021 in Cranley Farms Limited. Due to this investment the Group owns 43.5% of Cranley Farms Limited and Cranley Farms Limited is classed as an associate of the Group.

f) During the year Development West Coast purchased on normal commercial terms goods and services totalling $805 (2011 $nil) from Robert Buchanan, Public Law. Mr Robert Buchanan is a Trustee of Development West Coast. At balance date Development West Coast owed $nil (2011 $nil) to Robert Buchanan, Public Law. During the year Development West Coast purchased on normal commercial terms goods and services totalling $806 (2011 $nil) from Hannan and Seddon. Mr Colin Smith, a Trustee of Development West Coast, is a Partner at Hannan and Seddon. During the year Development West Coast purchased on normal commercial terms goods and services totalling $9,721 (2011 $nil) from Evan Jones Construction Limited. Mr Evan Jones, a Trustee of Development West Coast, is a shareholder and director of Evan Jones Construction Limited.

24. Commitments

24.1. Leasing Commitments

Operating Lease Commitments – as Lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 March 2012 are as follows:

	Consolidated		Parent	
	2012 $000	2011 $000	**2012 $000**	2011 $000
Within one year	90	67	90	67
After one year but not more than five years	101	1	101	1
Total Minimum Lease Payments	**191**	68	**191**	68

During the year ended 31 March 2012 $88,465 for the Group and $84,091 for the Parent were recognised as an operating lease expense in the Income Statement (Group 2011: $88,500, Parent 2011: $88,500).

24.2. *Property, Plant and Equipment Commitments*

Development West Coast and the Group had no contractual obligations to purchase plant and equipment at balance date (Company 2011: nil; Group 2011: nil).

24.3. *Future Distributions*

At balance date, $nil (2011 $5,000,021) of the total funding approved by Trustees was either under consideration or was undrawn against the accepted facilities.

24.4. *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 $3,424,745 (2011 $5,134,515).

25. Contingencies

The Group had no contingent assets or liabilities at 31 March 2012 (2011 $1,200,000)

26. Enquiries and Applications

For the financial year ending 31 March 2012, Development West Coast received 41 client enquiries. The following table lists the quantum of applications received, and applications approved or under consideration at balance date.

Application Summary 2011-12	Quantity	Value $000
Total Applications Received	7	2,175
Advisory Body Recommended	2	770
Trustee Approved	2	770
CEO Approved under Delegated Authority	2	105
Offers under Consideration by Applicants	0	0
Offers Lapsed or Declined by Applicants	0	0
Applications Withdrawn	2	800
Applications in Progress	0	0
Approved and Accepted by Client		
Cherry Charging Systems Ltd	Loan	10
West Coast Development Holdings Ltd - Cranley Farms Ltd	Loan	5,000
Franz Josef Holiday Park	Loan	400
Manuka Direct	Loan	95
West Coast Development Holdings Ltd – Top 10 Holiday Park	Loan	370

27. Events after Balance Date

The Trustees are not aware of the existence of any post balance date events that need to be reported.

28. Auditors' Remuneration

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

	Consolidated		Parent	
	2012 $	2011 $	2012 $	2011 $
Amounts received or due and receivable by Audit New Zealand for:				
Audit of the Financial Statements 2012	102,700	0	72,200	0
Audit of the Financial Statements 2011	3,153	108,947	507	75,197
Audit of the Financial Statements 2010	0	548	0	548
	105,853	**109,495**	**72,707**	**75,745**

29. Investments in Associates

29.1. Investment Details

	Note	Consolidated		Parent	
		2012 $000	2011 $000	2012 $000	2011 $000
Cranley Farms Limited		4,555	0	0	0
		4,555	**0**	**0**	**0**

29.2. Movement in the carrying amount of investments in associates

	Note	Consolidated	
		2012 $000	2011 $000
At 1 April		**0**	**0**
Investment in Cranley Farms Limited		4,352	0
Negative goodwill on purchase		382	0
Share of profits/(losses) after tax		(420)	0
Share of other comprehensive Income		241	0
At 31 March		**4,555**	**0**

29.3. Cranley Farms Limited

Cranley Farms Limited Group has a balance date of 31 May. As this date is within 3 months of Development West Coast Group's balance date the Cranley Farms Limited's accounts for 31 May 2012 have been used to apply the equity method of accounting for the investment.

29.4. Other Associates

Development West Coast has the ability to appoint a board member to Tourism West Coast Incorporated. The member appointed by Development West Coast has between 20% to 50% of the voting rights to this entity.

Development West Coast does make distributions to Tourism West Coast for operational purposes but does not have any rights to any distributions from this entity. Therefore no income, expenses or assets are recognised in respect of this funding.

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