



# **Westland** properties

**ANNUAL REPORT**

**WESTLAND DISTRICT PROPERTY LIMITED**

**For The Year Ended 30 June 2014**

## Independent Auditor's Report

### To the readers of Westland District Property Limited's financial statements and statement of service performance for the year ended 30 June 2014

The Auditor-General is the auditor of Westland District Property Limited (the company). The Auditor-General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 7 to 9 and 11 to 23, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on page 10.

## Opinion

### Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 7 to 9 and 11 to 23.
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the company's:
    - financial position as at 30 June 2014;
    - financial performance and cash flows for the year ended on that date;
- the statement of service performance of the company on pages 10.
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

## **Other legal requirements**

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 30 September 2014. 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 Board of Directors and our responsibilities, and 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 and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. 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 and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance that give a true and fair view of 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 company'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 Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

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

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### **Responsibilities of the Board of Directors**

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

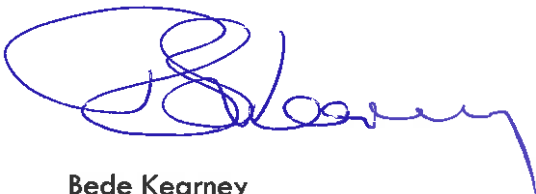
### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Bede Kearney  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

# DIRECTORS' REPORT

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## DIRECTORS' REPORT & DECLARATION

### FOR THE YEAR ENDED 30 JUNE 2014

The directors of Westland District Property Limited have pleasure in presenting the Annual Report together with the audited financial statements of the company's operations for the year ended 30 June 2014.

Westland District Property was incorporated in May 2010 and commenced trading on 01 July 2010. The company is a wholly owned subsidiary of Westland Holdings Limited.

The registered office of the company is at the offices of the Westland District Council, 36 Weld Street, HOKITIKA.

#### • PRINCIPAL ACTIVITIES

The Company's principal activity during the year was property management. The company's mission is to manage the ownership and operation of the Westland District Council's property activities in a commercial and strategic manner to maximise the return to council and to become involved in strategic property development, throughout the region, which will benefit the district.

#### • REVIEW OF OPERATIONS

<b>Results for the Year Ended 30 June</b>	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Net Profit/(Loss) before Taxation	(364)	(239)
Taxation	<u>104</u>	<u>(64)</u>
Net Profit/(Loss) after Taxation	<u>(468)</u>	<u>(175)</u>
<b>Movements in Equity</b>		
Equity (opening balance)	2,470	2,645
Dividends Paid to Owners	Nil	Nil
Issue of Equity to Owners	Nil	Nil
Profit/(Loss) after Taxation	<u>(468)</u>	<u>(175)</u>
Equity (closing balance)	<u>2,002</u>	<u>2,470</u>

# DIRECTORS' REPORT

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## • DIRECTORS' INTERESTS

Directors have had interests in transactions with the company during the year. Refer note 16 Related Party Transactions.

There were no notices from directors requesting to use company information received in their capacity as directors, which would not otherwise be available to them.

## • DIRECTORS

The current directors of the company are G D Purches & L R Singer. Mr D M J Havill resigned as a director on 27 November 2013.

## • REMUNERATION OF DIRECTORS

The directors received the following remuneration during the year:-

G D Purches	\$13,333
L R Singer	\$13,333
D M J Havill	\$ 5,555

## • REMUNERATION OF EMPLOYEES

There were no employees or former employees whose remuneration and benefits package was more than \$100,000 during the year.

## • INDEMNITY AND INSURANCE

No Directors' and Officers' Liability Insurance has been arranged by the company.

## • DONATIONS

The total amount of donations made by the company during the year is NIL.

# DIRECTORS' REPORT

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## • AUDITORS

The Auditor-General is appointed under Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services.

## • DIRECTORS' DECLARATION


In the opinion of the directors of Westland District Property Limited, the financial statements and notes on pages 7 to 23

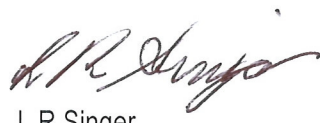
- comply with New Zealand Generally Accepted Accounting Practice and give a true and fair view of the financial position of the Company as at 30 June 2014 and the results of their operations and cash flows for the year ended on that date
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board

  
G.D Purches  
Chairperson  
Date 30/9/14

  
L R Singer  
Director  
Date 30-9-14



# Westland properties

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	2013/14 \$000	2012/13 \$000
<b>Revenue</b>			
Lease receipts		390	662
Services		452	457
Subvention Income		84	-
Interest Received		-	1
		<u>926</u>	<u>1,120</u>
<b>Less Expenditure</b>			
Administrative expenses		330	730
Service Delivery expenses		328	317
Occupancy expenses		310	267
Interest Paid		62	17
Depreciation	10	33	14
Impairment of Term Inventory		4	-
Loss on Sale of Property Plant & Equipment		27	1
Loss on Sale of Investment Property		25	-
Loss on Sale of Term Inventory		89	-
Change in fair value of investment property		82	13
	4	<u>1,290</u>	<u>1,359</u>
<b>Profit before income tax</b>		<b>( 364)</b>	<b>( 239)</b>
Income tax expense	5	104	( 64)
<b>Profit/(Loss) for the period</b>		<b>( 468)</b>	<b>( 175)</b>
<b>Other comprehensive income:</b>			
<b>Total comprehensive income</b>		<b>( 468)</b>	<b>( 175)</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Share Capital \$000	Retained Earnings \$000	Total \$000
Balance 1 July 2013	2,627	( 157)	2,470
Loss for the period and Total comprehensive income	-	( 468)	( 468)
Dividends to equity holders	-	-	-
<b>Balance 30 June 2014</b>	<b>2,627</b>	<b>( 625)</b>	<b>2,002</b>
<i>Balance 1 July 2012</i>	<i>2,627</i>	<i>18</i>	<i>2,645</i>
<i>Profit/(loss) for the period and Total comprehensive income</i>	<i>-</i>	<i>( 175)</i>	<i>( 175)</i>
<i>Issue of capital</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Dividends to equity holders</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Balance 30 June 2013</b>	<b>2,627</b>	<b>( 157)</b>	<b>2,470</b>





# Westland properties

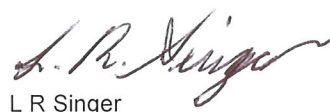
## STATEMENT OF FINANCIAL POSITION as at 30 June 2014

	Note	30 June 2014 \$000	30 June 2013 \$000
<b>EQUITY</b>			
Share capital	6	2,627	2,627
Retained earnings		( 625)	( 157)
		<u>2,002</u>	<u>2,470</u>
represented by:			
<b>CURRENT ASSETS</b>			
Bank current asset		108	25
Work in Progress		-	105
Trade and other receivables	7	105	64
Subvention payment receivable		84	-
		<u>297</u>	<u>194</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		410	350
Subvention payment payable	5	-	12
Employee entitlements	14	14	10
Income in advance		28	38
Current portion term loan	15	374	974
		<u>826</u>	<u>1,384</u>
<b>WORKING CAPITAL</b>		<b>( 529)</b>	<b>( 1,190)</b>
<b>NON-CURRENT ASSETS</b>			
Investment property	11	1,373	1,705
Property, Plant & Equipment	10	1,110	1,037
Deferred tax benefit	5	-	104
Term inventory	8	618	814
		<u>3,101</u>	<u>3,660</u>
<b>NON-CURRENT LIABILITIES</b>			
Term Loan	15	570	-
		<u>570</u>	<u>-</u>
		<u>2,002</u>	<u>2,470</u>

G D Purches  
Chairperson  
Date:

  
30/6/14

L R Singer  
Director  
Date:

  
30-9-14



# Westland properties

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Note	2013/14 \$000	2012/13 \$000
<b><u>Cash Flows from Operating Activities</u></b>			
<i>Cash was provided from:</i>			
Receipts from customers and other sources		874	1,123
Net Sale of development land		115	-
Interest received		-	1
<b>Total Cash Inflows from Operating Activities</b>		<b>989</b>	<b>1,124</b>
<i>Cash was disbursed to:</i>			
Payments to employees and suppliers		980	1,218
Purchase & development land costs		-	23
Interest paid		62	17
Subvention payments made		12	24
Income taxes paid		-	-
<b>Total Cash Outflows from Operating Activities</b>		<b>1,054</b>	<b>1,282</b>
<b>Net Cash (Outflow) from Operating Activities</b>	19	<b>( 65)</b>	<b>( 158)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
<i>Cash was provided from:</i>			
Sale of investment property		225	-
Sale of property plant & equipment		27	15
<b>Total Cash Inflows from Investing Activities</b>		<b>252</b>	<b>15</b>
<i>Cash was applied to:</i>			
Purchase of property plant & equipment		74	806
<b>Total Cash Outflows from Investing Activities</b>		<b>74</b>	<b>806</b>
<b>Net Cash Inflow (Outflow) from Investing Activities</b>		<b>178</b>	<b>( 791)</b>
<b><u>Cash Flows from Financing Activities</u></b>			
<i>Cash was provided from:</i>			
Loan Advances		-	974
<b>Total Cash Inflows from Financing Activities</b>		<b>-</b>	<b>974</b>
<i>Cash was applied to:</i>			
Loan Advances/Repayments		30	-
<b>Total Cash Outflows from Financing Activities</b>		<b>30</b>	<b>-</b>
<b>Net Cash (Outflow) Inflow from Financing Activities</b>		<b>( 30)</b>	<b>974</b>
Net (decrease)/increase in cash & cash equivalents		83	25
Cash & cash equivalents at 1 July		25	-
<b>Cash &amp; cash equivalents at 30 June</b>		<b>108</b>	<b>25</b>
<i>Made up of:</i>			
Bank current accounts		108	25
		<b>108</b>	<b>25</b>



# Westland properties

## STATEMENT OF SERVICE PERFORMANCE

For the period 1 July 2013 to 30 June 2014

	Actual 2013/14 \$000	Target \$000
GROSS REVENUE	926	900
Operating Expenditure	1,290	790
SURPLUS BEFORE TAXATION	( 364)	110
Provision Expense	104	31
SURPLUS AFTER TAXATION	( 468)	79
NET ASSETS AT 1 JULY	2,470	2,627
CONTRIBUTIONS FROM OWNERS	-	-
DIVIDENDS	-	-
NET ASSETS AT 30 JUNE	2,002	2,706
RETURN ON AVERAGE SHAREHOLDERS FUNDS PRE TAX & REVALUATION	-12.6%	1% - 6%
RETURN ON AVERAGE TOTAL ASSETS PRE TAX & REVALUATIONS	-7.8%	0.5% - 5%
RETURN 5% GREATER THAN ACHIEVED BY COUNCIL IN 2009/10	( 468)	68
SHAREHOLDER FUNDS TO TOTAL ASSETS RATIO	59%	>60%
COMPLIANCE WITH STATUTORY & REGULATORY COMPLIANCE	NO KNOWN BREACHES	

### ADDITIONAL COMMENTARY ON STATEMENT OF PERFORMANCE

The company has not met a number of its Financial Targets. There are a number of reasons for this including:

- the market value of properties was less than their valuation leading to loss on sales
- properties were revalued downwards
- presenting issues with the 3 Mile Mill site
- costs relating to proposed Beach St road closure, which the company was requested to undertake by its shareholder
- costs of operating properties managed under contract has increased (e.g. rates) while income was constrained due to political restraint on income directed by the shareholder
- rates continued to be levied on properties for which no income or sale is realisable
- net income was constrained due to the shareholders decision to review the Jacksons Bay wharf charges (resulting in the write-offs of invoices previously rendered) and issues to council conditions for Baches on Road Reserve
- a deferred tax benefit has been expensed due to uncertainty around the company's ability to utilise these



# Westland properties

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Reporting Entity

Westland District Property Limited is registered under the Companies Act 1993 and is domiciled in New Zealand. Westland District Property Limited is wholly owned by Westland Holdings Limited.

The company is a Council Controlled Trading Organisation as defined in Section 6(1) of the Local Government Act 2002, with the company's ultimate parent being the Westland District Council.

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

### 2. Basis of Preparation

#### a. Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZIFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements were approved by the board of directors on 30 September 2014.

#### b. Measurement base

The financial statements have been prepared on a historical cost basis except for the revaluation of investment property.

#### c. Functional and presentation currency

These financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

#### d. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The only material judgement or estimate applied in these financial statements is that the company expects to recover the cost of its investment in development land.

# NOTES TO THE FINANCIAL STATEMENTS

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## e. Going Concern

Westland District Council is currently considering the structure of its Council Controlled Trading Organisations. As part of this it has considered an option to wind up the company and fold its activities, assets and liabilities back into the council. However no decisions have been made at this stage and before any such decision is made the council is required under the Local Government Act 2002 to publicly consult on the proposal.

Further, because of its financial position and results, in adopting the going concern assumption, the company has obtained from its shareholder, Westland Holdings Ltd, a letter of support. This states that Westland Holdings Ltd undertakes to make such funds available as necessary to ensure that Westland District Property Ltd remains a going concern over the next 12 months.

## 3. Significant Accounting Policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied:

### (a) Investment Property

Properties leased to third parties under operating leases are classified as investment property.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

### (b) Property, Plant & Equipment

#### (i) **Recognition and measurement**

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### (ii) **Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

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## (iii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	2013/14	2012/13
○ buildings	17-50 years	17-50 years
○ plant and equipment	2-12 years	2-12 years
○ motor vehicles	5 years	5 years

## (c) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

### (i) Impairment of receivables

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

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

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

### (ii) Non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to

## NOTES TO THE FINANCIAL STATEMENTS

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their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### (d) **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories include development properties that are being developed for sale. These properties are measured at the lower of cost and net realisable value and the cost includes development costs to date.

### (e) **Financial instruments**

The Company categorises its financial assets as loans and receivables, and its financial liabilities as being at amortised cost (trade and other payables).

#### **Loans and receivables**

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

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

#### **Trade and other payables**

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

#### **Cash & cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

#### **Trade & other receivables**

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

#### **Borrowings**

Borrowings are initially recognised at their fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

### (f) **Goods and services tax (GST)**

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

# NOTES TO THE FINANCIAL STATEMENTS

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## (g) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Company's balance sheet.

## (h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## (i) Revenue

### (i) Leases

Lease income from property is recognised in the profit or loss on a straight-line basis over the term of the lease.

### (ii) Services

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date.

## (j) Lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

## (k) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a



## NOTES TO THE FINANCIAL STATEMENTS

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business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### (I) **New Standards and Interpretations not yet adopted**

The amendments to the following standards and interpretations are not expected to have a significant impact on the company's operations:

**NZ IFRS 9:** Financial Instruments – Classification and Measurement (effective for the financial year ending 30 June 2016).

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, Westland District Property Limited can elect to apply the reduced disclosure regime of the Profit Entities Accounting Standards for reporting periods beginning on or after 1 December 2012. Westland District Property Limited has not made the decision whether to apply the reduced reporting regime and they have not assessed the implications of the new Accounting Standards Framework at this time.

## NOTES TO THE FINANCIAL STATEMENTS

	2013/14 \$000	2012/13 \$000
<b>4. Nature of expenses</b>		
<i>The following items are included in the expenditure of the company:</i>		
Audit fees to Audit NZ comprising audit of financial statements	17	13
Directors' fees	32	38
Donations	-	-
Movement in Provision for Doubtful Debts	(84)	88
Bad Debts Written off	83	-
Personnel Expenses		
Wages & Salaries	363	341
Contributions to defined contribution plans	7	3
	<u>370</u>	<u>344</u>
<b>5. Taxation</b>		
Surplus/(deficit) before taxation	(364)	(239)
Prima facie taxation @ 28%	(102)	(67)
Plus/(less) taxation effect of permanent differences	30	3
Plus Tax Effect of Group Loss Offset to Westroads	61	-
Plus Subvention Payments to WDC	-	12
Deferred Tax unable to be recognised	115	-
(Less) Tax Effect of Subvention Payment to WDC	-	(3)
(Less) Tax Effect of Group Loss Offset from WDC	-	(9)
Taxation expense	<u>104</u>	<u>(64)</u>
<i>The taxation charge is represented by:</i>		
Current taxation	-	-
Subvention Payments	-	12
Deferred taxation	104	(76)
	<u>104</u>	<u>(64)</u>
<i>Deferred taxation liability (asset)</i>		
Balance as at 1 July	(104)	(28)
Movement recognised in profit and loss	104	(76)
Balance as at 30 June	<u>-</u>	<u>(104)</u>
The deferred tax assets & liabilities arise due to temporary timing differences in the deductibility of expenditure.		
All movements in deferred tax assets & liabilities are recognised in profit and loss.		
Deferred tax assets and liabilities are attributable to the following:		
Property, plant & equipment (Liability)	-	1
Accruals (Asset)	-	(80)
Receivables Impairment	-	(25)
Tax losses carried forward	-	-
	<u>-</u>	<u>(104)</u>
A deferred tax asset has not been recognised in relation to temporary differences of \$311,377 and tax losses of \$99,295.		
<i>Imputation Credits</i>		
Imputation Credits available for use in subsequent periods	1	1

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Share capital

At 30 June 2014 the company has issued 2,626,892 shares which are fully paid and 100 unpaid shares. All shares carry equal voting rights and the right to share in any surplus on winding up of the company. None of the shares carry fixed dividend rights.

	2013/14	2012/13
	\$000	\$000
7. Trade and other receivables		
Trade debtors	111	165
Provision for Doubtful Debts	( 6)	( 101)
	105	64

Impairment of trade receivables	Gross Receivable	Impairment	Gross Receivable	Impairment
	2014		2013	
	\$000	\$000	\$000	\$000
Not past due	9	1	44	-
Past due 0-30 days	88	-	-	-
Past due 31-120 days	1	-	10	-
Past due 121-365 days	7	3	106	96
Past due more than 1 year	6	2	5	5

### 8. Inventory

At 30 June 2014 the company had term trading stock relating to land & buildings held for subdivision and sale purposes of \$618,000 (2013 \$814,000.) Of this \$121,000 (2013 \$125,000) was held as tenants in common with Westroads Ltd. This property is being developed and funded by Westroads with Westroads receiving 75% of any profits and the company receiving the other 25%.

At 30 June 2014 inventory with a carrying value of \$496,000 (2013 \$689,000) was subject to a registered mortgage to secure Westpac bank loans.

### 9. Operating leases

Westland District Property Ltd had no commitments that relate to leases as lessee at 30 June 2014. (2013 \$Nil)

Operating leases as lessor

Investment property is leased under operating leases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2013/14	2012/13
	\$000	\$000
Not later than one year	67	42
Later than one year and not later than five years	195	110
Later than five years	451	326
Total non-cancellable operating leases	713	478

No contingent rents have been recognised during the period.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Property, plant and equipment

	Land & Buildings	Plant & Equipment	Motor Vehicles	Total
	\$000	\$000	\$000	\$000
<b>Cost or deemed cost</b>				
Balance at 1 July 2012	225	3	17	245
Additions	749	62	13	824
Transfers from Investment Properties	-	-	-	-
Disposals	-	-	(17)	(17)
Balance at 30 June 2013	974	65	13	1,052
Balance at 1 July 2013	974	65	13	1,052
Additions	155	5	-	160
Transfers from Investment Properties	-	-	-	-
Disposals	(54)	-	-	(54)
Balance at 30 June 2014	1,075	70	13	1,158
<b>Depreciation and impairment losses</b>				
Balance at 1 July 2012	-	1	1	2
Depreciation for the year	4	9	1	14
Impairment Loss	-	-	-	-
Disposals	-	-	(1)	(1)
Balance at 30 June 2013	4	10	1	15
Balance at 1 July 2013	4	10	1	15
Depreciation for the year	18	12	3	33
Impairment Loss	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2014	22	22	4	48
<b>Carrying Amounts</b>				
At 1 July 2012	225	2	16	243
At 30 June 2013	970	55	12	1,037
At 1 July 2013	970	55	12	1,037
At 30 June 2014	1,053	48	9	1,110

#### Security

At 30 June 2014 properties with a carrying value of \$722,000 (2013 \$700,000) are subject to a registered mortgage to secure Westpac bank loans.

## NOTES TO THE FINANCIAL STATEMENTS

11. Investment property	2013/14	2012/13
	<b>\$000</b>	<b>\$000</b>
Opening Balance 1 July	1,705	1,718
Additions from acquisitions	-	-
Disposals	( 225)	-
Transfers to Property, Plant & Equipment	-	-
Gain (loss) on disposal	( 25)	-
Fair value gains/(losses) on valuation	( 82)	( 13)
Balance at 30 June	<u>1,373</u>	<u>1,705</u>

Investment properties are valued annually effective at 30 June to fair value by David Shaw (MNZIV, MP, NZ Registered Valuer) from Quotable Value. Quotable Value is an experienced valuer, with extensive market knowledge in the types and location of property owned by the company.

### Security

At 30 June 2014 investment property with a carrying value of \$520,000 (2013 \$520,000) was subject to a registered mortgage to secure Westpac bank loans.

### 12. Contingent assets and liabilities

The company had no liabilities at 30 June 2014. (2013 \$Nil)

The company has a contingent asset in relation to the Haast Hollyford Agreement, which may see initial costs incurred by the company reimbursed with agreement from other parties.

### 13. Capital commitments

The company has no capital commitments at 30 June 2014 (2013 \$Nil)

### 14. Employee Entitlements

	2013/14	2012/13
Westland District Property Ltd as the following current employee entitlements	<b>\$000</b>	<b>\$000</b>
Holiday Pay Accrued	14	10

Westland District Property Ltd has no non current employee entitlements

### 15. Loans & Borrowings

Term Loans	944	974
	<u>944</u>	<u>974</u>

The term loan are split as follows:-

Current	374	974
Non-current	570	-
	<u>944</u>	<u>974</u>

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

	2013/14	2012/13	Maturing	Interest Repricing due
	\$000	\$000		
WDC Unsecured Loan - Interest Rate (LY 8%)	-	124	2014	N/A
Westpac Term Loan - Interest Rate (LY: 5.5%)	-	850	2014	N/A
Westpac Term Loan - Interest Rate 6.3% (LY: N/A)	350	-	2015	1 mth
Westpac Term Loan - Interest Rate 6.2% (LY: N/A)	297	-	2019	1 mth
Westpac Term Loan - Interest Rate 6.75% (LY: N/A)	297	-	2019	2 yrs

(Carrying value is not materially different to Face value)

In managing interest rate risks, the Company aims to reduce impacts of short-term fluctuations on the Company's earning. Over the longer term, however, permanent changes in interest rates will have an impact on profit. At 30 June 2014 it is estimated that a 1% increase in interest rates would decrease the Company's 2015 profit before tax by approximately \$6,500 (2013: \$9,700)

The company has no formal interest rate hedging policy.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. Transactions with related parties

During the year the Company transacted business with businesses in which directors and shareholders had an interest. These transactions were entered into in the ordinary course of the company's business and on its usual terms and conditions.

Details of these interests are as follows:

Director/ Shareholder	Related party	Type of transaction	Transaction amount \$000	Balance 30 June \$000
<i>1 July 2013 to 30 June 2014</i>				
WDC	Hokitika Airport Ltd	Sale - lease and oncharged costs	66	5
WDC	Hokitika Airport Ltd	Purchase - lease and oncharged costs	7	-
WDC	Westroads Ltd	Purchase - Maintenance contracting services	106	36
WDC	Westroads Ltd	Sale - Leased property	43	3
WDC	Westroads Ltd	Subvention Receipt	84	84
WDC	Westroads Ltd	Group Tax Loss offset	216	-
WDC	Westland District Council	Purchase - Occupancy costs, Other	165	202
WDC	Westland District Council	Purchase - Franz Josef Transfer Station	17	-
WDC	Westland District Council	Purchase - Interest	8	-
WDC	Westland District Council	Loan - Repayment	124	-
WDC	Westland District Council	Sale - Services	221	-
WDC	Westland District Council	Sale - Recoveries	67	-

<i>1 July 2012 to 30 June 2013</i>				
WDC	Hokitika Airport Ltd	Sale - lease and oncharged costs	67	4
WDC	Hokitika Airport Ltd	Purchase - lease and oncharged costs	4	-
WDC	Westroads Ltd	Purchase - Maintenance contracting services	87	37
WDC	Westroads Ltd	Sale - Leased property	43	3
R B Smith	Cradenlie Holdings Ltd	Purchase - Management fees	77	-
R B Smith	Cradenlie Holdings Ltd	Purchase - Vehicle	13	-
R B Smith	K J Smith	Purchase - Services	1	-
R B Smith	Hokitika Lawn & Garden	Purchase - Services	6	-
WDC	Westland District Council	Purchase - Rates & Occupancy costs	83	23
WDC	Westland District Council	Purchase - Reimbursed costs	177	84
WDC	Westland District Council	Loan	124	124
WDC	Westland District Council	Subvention Payment	12	12
WDC	Westland District Council	Group Loss Offset	30	-
WDC	Westland District Council	Sale - Services	385	35
WDC	Electronet Services Ltd	Purchase - Services	3	2
H R Little	Stations Inn	Purchase - Entertainment	1	-

No related party debts have been written off or forgiven during the year.

Key management personnel	2013/14	2012/13
Key management personnel compensation comprised the directors and the general manager.	\$000	\$000
Short-term employee benefits	109	159
Termination benefits	-	-
	109	159

## NOTES TO THE FINANCIAL STATEMENTS

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### 17. Post balance date events

The directors are not aware of any events subsequent to balance date that require adjustment or disclosure in these financial statements.

### 18. Financial instruments

	2013/14	2012/13
	\$000	\$000
The accounting policy for financial instruments has been applied to the items below:		
<i>Loans and receivables</i>		
Cash and cash equivalents	108	25
Bank Overdrafts	-	-
Trade accounts receivable	111	165
<i>Financial liabilities at amortised cost</i>		
<i>Cash and cash equivalents</i>		
Trade and other payables	410	350
Term Loans	944	974

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

The amounts reported above represent the company's maximum credit exposure for each class of financial instrument. The anticipated contractual cash flows of the financial instruments are not expected to be materially different to the values shown above, and are all anticipated to occur within twelve months of the balance date.

The company has no significant exposure to credit risk. cash and cash equivalents are held with a reputable organisation.

#### **Interest Rate Risk**

The company and group is exposed to fair value and cash flow interest rate risk.

##### Fair value interest rate risk

Fair value interest rate risk is the risk that a financial instrument will fluctuate due to changes in market interest rate. Borrowings at fixed rates expose the company and group to fair value interest rate risk. The company has fixed rate borrowings measured at amortised cost, with relatively short maturity periods and interest repricing schedules. The directors do not consider the fair value interest rate risk to be significant at this time.

##### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The company has most borrowings at variable rates. Accordingly, there is an interest rate risk at present (refer note 15.) The directors consider that this risk is balanced by the considerable benefit of the present lower floating rates.

#### **Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company and Group has no exposure to currency risk.

## NOTES TO THE FINANCIAL STATEMENTS

### *Credit risk*

Credit risk is the risk that a third party will default on its obligations to the company, causing the company to incur a loss.

The company invests in high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Accordingly, the company does not require any collateral or security to support financial instruments with organisations it deals with. There is no significant concentration of receivables with any one customer.

### *Liquidity risk*

Liquidity risk represents the company's ability to meet its contractual obligation. The company evaluates its liquidity requirements on an ongoing basis. In future the company will generate sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities. Currently the company has the ongoing support of its parent entity for the next 12 months.

19. Reconciliation of net Surplus after taxation with	2013/14	2012/13
Cash Inflow from Operating Activities	\$000	\$000
Net (loss)/profit after taxation	( 468)	( 175)
<i>Add/(less) non cash items:</i>		
Depreciation	33	14
Movement in deferred tax asset	104	( 76)
Change in fair value of investment properties	82	13
<b>Total non-cash items</b>	<u>219</u>	<u>( 49)</u>
<i>Add/(less) items classified</i>		
<i>as investment activity:</i>		
Net loss on sale of investment property	25	-
Net loss on sale of property plant & equipment	27	1
Capital creditors	( 86)	( 18)
<b>Total Investing Activity Items</b>	<u>( 34)</u>	<u>( 17)</u>
<i>Add/(less) movements in working capital items:</i>		
(Decrease)/Increase in accounts payable and income in advance	50	246
(Decrease)/Increase in employee entitlements	4	10
(Decrease)/Increase in Subvention payment payable	( 12)	( 12)
Decrease (Increase) in Subvention payment receivable	( 84)	-
Decrease (Increase) in receivables and prepayments	( 41)	( 11)
(Decrease) Increase in work in progress	105	( 105)
<b>Working Capital Movement - net</b>	<u>22</u>	<u>128</u>
Decrease/(increase) in term inventory	196	( 45)
<b>Net Cash Outflows to Operating Activities</b>	<u><u>( 65)</u></u>	<u><u>( 158)</u></u>

### 20. *Capital management*

The company's capital includes share capital and retained earnings.

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between higher returns that may be possible with greater gearing and advantages and security afforded by a sound capital position.

The company has a policy of shareholders funds being greater than 60% of total assets.