DESTINATION WESTLAND

Annual Report

DESTINATION WESTLAND LTD

FOR THE YEAR ENDED

30TH JUNE 2019

Independent Auditor's Report

To the readers of Destination Westland Limited's financial statements and statement of service performance for the year ended 30 June 2019

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

We have audited:

- the financial statements of the company on pages 4 to 7 and 10 to 24, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of accounting policies for the year ended on that date and the notes to the accounts that include other explanatory information; and
- the statement of service performance on pages 8 and 9.

Qualified Opinion – Our work was limited over the carrying value of airport assets and related financial information in the statement of service performance

In our opinion, except for the effects of the matter described in the *Basis for our qualified opinion* section of our report:

- the financial statements of the company on pages 4 to 7 and 10 to 24:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of service performance of the company on pages 8 and 9 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2019.

Our audit was completed on 27 September 2019. This is the date at which our qualified opinion is expressed.

The basis for our qualified opinion is explained below and we highlight a matter in relation to the going concern assumption. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis for our qualified opinion

As set out in note 9 to the financial statements, the company holds airport related property, plant and equipment assets. These assets consist of runway, roading, drainage and lighting assets with a reported carrying value of $1,878,000. These assets are measured at cost less accumulated depreciation and impairment losses.

As disclosed in the accounting policies on page 12, the company reviews the carrying amount of its property, plant and equipment at each reporting date to determine whether there is any indication that an asset is impaired. If any such indicators exist then, the asset's recoverable amount should be estimated by reference to forecast future cash flows and fair value less costs to sell. If the recoverable amount of the asset is less than its carrying value, the asset's carrying value should be reduced and an impairment expense recognised.

There is evidence that airport related assets included in property, plant and equipment may be impaired. Because the company has not determined the recoverable amount of the relevant assets, we are unable to determine whether the carrying value of these assets should be reduced and a corresponding impairment expense recognised. Consequently, we are also unable to determine whether any adjustments are required to the financial related performance measures presented in the statement of service performance on page 8.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Support for the going concern basis of accounting

Without further modifying our qualified opinion, we draw your attention to the disclosures made on page 10 that outline that the Board of Directors, in reaching the conclusion that the company is a going concern, has taken into consideration the letter of support received from its parent Westland Holdings Limited. The letter confirms that Westland Holdings Limited will undertake to make funds available as required to ensure the company remains a going concern for the foreseeable future. We consider the disclosure to be adequate.

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance for the company.

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

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company’s ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors’ responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General’s Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 3, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for our qualified opinion* section above, we could not obtain sufficient evidence to confirm the carrying value of the airport related property, plant and equipment assets. Accordingly, we are unable to conclude whether or not the other information that includes financial information about the company is materially misstated with respect to this matter.

Independence

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

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

Chantelle Gernetzky
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

DESTINATION WESTLAND LIMITED
DIRECTORS REPORT & DECLARATION FOR THE YEAR ENDED 30 JUNE 2019

The Directors of Destination Westland 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 2019.

Type of entity and legal basis

The Company is incorporated in New Zealand under the Companies Act 1993. The Company is a wholly owned subsidiary of Westland Holdings Limited which is controlled by the Westland District Council and is a council-controlled organisation as defined in section 6 of the Local Government Act 2002. The Company was founded in December 2001 and commenced operation on 1 July 2002. The registered office of the Company is at the offices of Cuffs Ltd, 51 Tancred Street, HOKITIKA.

The Company's purpose or mission

The primary objectives of the Company are to maximise opportunities for the development of commercial and tourism-based aviation in Westland, manage the ownership and operation of property activities in a commercial and strategic manner and to be involved in strategic projects which will benefit the Westland District and provide a commercial return to its shareholders. And the promotion of Westland as a destination.

Structure of the Company's operations, including governance arrangements

The Company comprises of a Board of four Directors who oversee the objectives of the Company, a Chief Executive and an Operations Manager who is responsible for its day to day operations.

Principal Activities

The Company's principal activities during the year were:

- Operation of Aerodrome and Cafe at Hokitika Airport;
- Management of Land & Buildings surrounding the Airport as Landlord;
- Operation of Helipads at Franz Josef;
- Management of Company & Westland District Council owned property including
  - Pensioner Housing
  - Hokitika Swimming Pool
  - Baches on Road Reserves
  - Jacksons Bay Wharf
  - Carnegie Building
  - iSite Centre
  - Museum

REVIEW OF OPERATIONS

Results for the Year Ended 30 June 2019	**$000**
Net Surplus before Taxation	(200)
Taxation	3
Net Surplus after Taxation	**(203)**

Movements in Equity

Equity (opening balance)	4,398
Dividends Paid to Owners	-
Issue of Equity to Owners	-
Surplus after Taxation	(203)
Equity (closing balance)	4,195

Directors' interest

Directors have had no interests in transactions with the company during the year.

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

P M Cox retired 30 April 2019
C J Rea was appointed 27 June 2019
There were no other retirements or appointments of directors during the year

Remuneration of Directors

The Directors received the following remuneration during the year:-

I W Hustwick	$33,000
R E C Benton	$21,000
L J Martin	$21,000
P M Cox	$17,500
C J Rea	$NIL

Remuneration of employees

Two employee's remuneration and benefits totalled more than $100,000, the combined total of these three employees was $264,877 broken into the following bands.

Salary Range	Employees
100,000 – 110,000	1
150,000 – 160,000	1

There were no other employees or former employees that earned more than $100,000 during the year.

Indemnity & Insurance

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 $1,500 (2018: $NIL)

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 Destination Westland Ltd, the financial statements and notes on pages 4 to 24

- 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 2018 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 Tier 2 For Profit Accounting Standards.

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

L J Martin
Director
Date 27 September 2019

C J Rea
Director
Date 27 September 2019

DESTINATION WESTLAND LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Actual 2019 $000	Actual 2018 $000
Revenue			
Lease Income		880	*772*
Services		774	*165*
Revenue from Contracts with Customers	1a	1,461	*923*
Subvention Income		50	*21*
Change in Fair Value of Investment Property		-	*112*
Total Revenue		3,165	*1,993*
Less Expenditure			
Administrative Expenses		1,080	*815*
Depreciation & Impairment Losses	9	198	*172*
Change in Fair Value of Investment Property		7	
Loss of Dispoal of Investment Property		55	-
Loss on Disposal		18	-
Interest Expense		59	*53*
Service Delivery Costs		1,522	*594*
Occupancy Costs		426	*404*
Total Expenses	1b	3,365	*2,038*
Profit before Income Tax		(200)	*(45)*
Income Tax Expense	2	3	*(26)*
Profit for the Period		**(203)**	*(19)*
Other Comprehensive Income		-	-
Total Comprehensive Income		**(203)**	*(19)*

DESTINATION WESTLAND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Share Capital	Retained Earnings	Total
		$000	$000	$000
Balance 1 July 2018		5,345	(947)	4,398
Profit/(loss) for the period			(203)	(203)
Other Comprehensive Income		-		-
Balance 30 June 2019		**5,345**	**(1,150)**	**4,195**
Balance 1 July 2017		*5,345*	*(928)*	*4,417*
Profit/(loss) for the period and				
Total comprehensive income		-	*(19)*	*(19)*
Dividends to equity holders	3	-	-	-
Balance 30 June 2018		*5,345*	*(947)*	*4,398*

DESTINATION WESTLAND LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Actual 2019 $000	*Actual 2018 $000*
EQUITY			
Share capital	3	5,345	*5,345*
Retained Earnings		(1,150)	*(947)*
Total Equity		4,195	*4,398*
represented by:			
CURRENT ASSETS			
Bank accounts and Cash		59	*29*
Subvention Receivable		50	*21*
Inventory		52	*-*
Prepayments		31	*-*
Debtors and other receivables	4	191	*137*
Total current assets		383	*187*
CURRENT LIABILITIES			
Bank Overdraft		20	*9*
Creditors and other payables		571	*590*
Employee Entitlements	8	122	*56*
Loans	10	331	*560*
Tax Payable		-	*6*
Income in advance		20	*43*
Total Current Liabilites		1,064	*1,264*
Working Capital		**(681)**	***(1,077)***
NON-CURRENT ASSETS			
Property Plant & Equipment	9	4,536	*4,484*
Investment Property	12	1,260	*1,607*
Term Inventory	15	122	*122*
Total Non-Current Assets		5,918	*6,213*
NON-CURRENT LIABILITIES			
Loans	10	758	*473*
Deferred Tax Liability	2	284	*265*
Total Non-Current Liabilities		1,042	*738*
Net Assets		*4,195*	*4,398*

DESTINATION WESTLAND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual 2019 $000	*Actual 2018 $000*
Cash flows from operating activities			
Receipts from customers and other sources		3,045	*1,910*
Subvention payments received		21	*-*
Interest received		-	*-*
Income taxes refund		13	
Payments to suppliers & employees		(3,048)	*(1,686)*
Interest Paid		(59)	*(53)*
Income taxes paid		-	*(13)*
Net GST Movement		-	*(3)*
Net cash flow from operating activities	13	(28)	*155*
Cash flows from investing activities			
Proceeds from sale of investment property		285	*-*
Payments to acquire property, plant and equipment		(294)	*(213)*
Payments to acquire investment property		-	*(247)*
Net cash flow from investing activties		**(9)**	***(460)***
Cash flows from financing activities			
Loan Advances		284	*273*
Purchase of term deposits		-	*-*
Loan Repayments		(228)	*(117)*
Net cash flow from finanicng activties		**56**	***156***
Net increase/(decrease) in cash for the year		19	*(149)*
Add opening bank accounts and cash		20	*169*
Closing bank accounts and cash		**39**	***20***
Made up of:			
Current Accounts		59	*29*
Bank Overdraft		(20)	*(9)*
		39	***20***

DESTINATION WESTLAND LIMITED
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	ACTUAL 2019 $000	*BUDGET 2019 $000*
Gross revenue	3,165	*3,280*
less operating expenditure	3,365	*3,272*
Net surplus before taxation	(200)	*8*
Taxation expense	3	*2*
Net surplus/(loss) after taxation	**(203)**	***6***
Opening Equity at 1 July	4,398	*4,417*
Net surplus after taxation	(203)	*6*
Asset Revaluaton Reserve	-	*-*
Total Equity at 30 June	4,195	*4,423*
RETURN ON AVERAGE SHAREHOLDERS FUNDS PRE TAX	-4.7%	*1-6%*
RETURN ON AVERAGE TOTAL ASSETS PRE TAX	-3.1%	*1.0%*
RETURN ON AVERAGE SHAREHOLDERS FUNDS AFTER TAX	-4.7%	*1.7%*
PERCENTAGE OF SHAREHOLDERS FUNDS TO TOTAL ASSETS	66.6%	*>60%*
PERCENTAGE OF TOTAL LIABILITIES TO TOTAL ASSETS	*33.4%*	*<30%*

DESTINATION WESTLAND LIMITED
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

DESTINATION WESTLAND

Performance Target	Outcome
AVIATION:	**ACHIEVED**
Annual CAA Audit & Findings to be NIL	No findings reported
Aircraft Movement Statistics to be within 5% of previous year	4,177 aircraft movements (2018: 4,066)
Passenger numbers through the terminal to be with 5% of previous year	45,577 (2018: 41,873)
AGED CARE OCCUPANCY:	**ACHIEVED:**
annual percentage occupancy to be no less than 95%.	99.6% (2018: 100%)
SWIMMING POOL:	**ACHIEVED:**
annual total admissions to be not less than 95% those of the previous year.	20,306 includes 4,506 free swims (2018: 20,384 – note: Greymouth Pool was shut for 3 months. Grey swimmers used Hokitika pool)
BACHES ON ROAD RESERVE:	**ACHIEVED:**
annual number of licenses to occupy to be greater than 70.	86 Signed agreement to occupy. (2018: 85) 14 signed agreements seasons sites: (2018: 11) 20 signed agreements - other occupations (2018: 14)
JACKSONS BAY WHARF:	**ACHIEVED:**
annual percentage of commercial fishing vessels who use the wharf with Licenses to occupy >= 90%	100% of the major fishing vessels: (2018 100%). This excludes casual users.
LEASEHOLD PROPERTIES:	**ACHIEVED:**
annual percentage of leasehold properties fully leased >= 80%	18 WDC properties are managed: 15 (83%) properties are leased (2018: 84%)
TENANT SATISIFICATION:	**ACHIEVED:**
Tenant satisfaction with the provision of the company's aged care rental housing greater than or equal to 90%.	98% satisfaction: August 2019 survey. (2018: 100%)
TIME LOST THROUGH INJURY:	**ACHIEVED:**
Loss Time injuries will be ZERO	Zero time lost (2018: 0)

DESTINATION WESTLAND LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2019

REPORTING ENTITY

Destination Westland Limited is registered under the Companies Act 1993 and is domiciled in New Zealand. Destination Westland 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 and the Local Government Act 2002.

From its inception the Company has been designated as a 'for-profit' entity for purposes of the New Zealand equivalents to International Financial Reporting Standards. In 2019 Destination Westland Limited reviewed its operations and objectives and with significant judgements made we have determined that the Company shall continue to be designated as a For-Profit entity. This designation is based on our judgements that:
Our primary objective is to generate a commercial rate of return, rather than to provide goods or services for community or social benefit.
Generating a commercial rate of return is a key consideration when determining what goods or services we provide, and how those goods or services are provided.
While we have not generated a commercial rate of return over the last financial year, we are reviewing our operations and re-negotiating our contracts to ensure the activities which we will provide in the coming financial years will generate a commercial rate of return to Westland Holdings Limited.
This will be reviewed again for the year ended 30 June 2020.

ACCOUNTING POLICIES APPLIED
BASIS OF PREPARATION

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 Reduced Disclosure Regime ("NZIFRS RDR") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The company has elected to report in accordance with Tier 2 For-Profit Accounting Standards and has applied disclosure concessions. The company is eligible to report in accordance with Tier 2 For-Profit Accounting Standards as it is not publically accountable and has expenses of less than $30 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Company will continue to operate in the foreseeable future.

To support the Company and the implementation of the new business plan, the Directors of the Company have received a letter of support from Westland Holdings Limited. The letter confirms that Westland Holdings Limited will continue to support the Company in their capacity as owners.

Specifically, Westland Holdings Limited have undertaken to make funds available as required to ensure that Destination Westland Limited remains a going concern, for the foreseeable future, which will not be less than 12 months from the signing date of the Company's financial statements for the year ending 30 June 2019. The Directors of the Company consider the letter of support from Westland Holdings Limited to provide reasonable assurance that the Company will have adequate resources to continue to operate for a period of at least 12 months following the signing of the Company's financial statements.

The financial statements were approved by the board of directors on 27 September 2019

Measurement Base
The financial statements have been prepared on a historical cost basis.

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.

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.
There are no material judgements or estimates applied in these Financial Statements.

Goods and Services Tax (GST)
The Company is registered for GST. All amounts in the financial statements are exclusive of goods and services tax (GST) with the exception of Debtors & other receivables and Creditors & other 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.

CHANGES IN ACCOUNTING POLICIES

Except for the new standards adopted (as described below) there have been no changes in the accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these Financial Statements.

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SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

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.

PROPERTY, PLANT & EQUIPMENT

Recognition and measurement
All items of property, plant and equipment is recorded 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.

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.

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:

	2019	2018
o buildings	3-50years	12-50 years
o plant and equipment	1.5-25 years	2-25 years
o runway	2-50 years	2-50 years

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.

Impairment of Debtors & other receivables
The recoverable amount of the Company's investments in Debtors & other 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). Debtors & other 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 Debtors & other 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.

Inventories
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.

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 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.

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

Financial Assets and Liabilities
Financial assets and liabilities are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The company's financial assets and liabilities comprise: Bank accounts and cash and Debtors & other receivables, Trade and other payables and Loans.

Financial assets and liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

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

Bank accounts and cash
Bank accounts and cash comprise cash on hand, cheque or savings accounts and call deposits held with banks. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of Bank accounts and cash for the purpose of the statement of cash flows.

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

Loans
Loans are classified as other non-derivative financial instruments.

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, except for investment property, the leased assets are not recognised on the Company's balance sheet. Investment property held under an operating lease is recognised on the Company's balance sheet at its fair value.

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.

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

Services
Revenue from services is recognised either at a point in time or over time, when (or as) the company satisfies performance obligations by transferring the promised goods or services to its customer. If the company satisfies a performance obligation before it received the consideration, the company recognises a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue from Contracts with Customers

a. **Management Fees**
   Revenue is recognised over time as the contract and is paid monthly. An obligation to exists to meet key performance indicators each year. (see note 4 for the payment terms)
b. **Landing Fees**
   Revenue arises at the point of time when the associated aircraft takes off or lands. Payment is due monthly (see note 4 for the payment terms)
c. **Marketing Revenue**
   Revenue is recognised at the point in time that the required number of performed hours is reached. (see note 4 for the payment terms)

Interest
Interest income is recorded as it is earned during the year.

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.

INCOME TAX PAYMENTS
Income tax expense includes components relating to both current tax and deferred tax.
Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

NEW STANDARDS ADOPTED

Standards	Periods beginning or after	Effective date
NZ IFRS 9 Financial Instruments	1 January 2018	30 June 2019
NZ IFRS 15 Revenue from contracts with customers	1 January 2018	30 June 2019

NZ IFRS 9 Financial Instruments

NZ IFRS 9 Financial Instruments (NZ IFRS 9) set out requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets and
- General hedge account (Hedge accounting is not relevant to Destination Westland Limited)

The primary change relates to provision for potential future credit losses. In accordance with transitional provisions in IFRS, comparative figures have not been restated in these financial statements. Apart from changes to the financial disclosures, the adoption of NZ IFRS 9 has had no impact on the financial position and financial statement of Destination Westland Limited.

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. For those revenue streams that fall under the scope of NZ IFRS 15, the timing of revenue recognition has been assessed to be in line with the satisfaction of performance obligations. Apart from changes to the financial disclosures, the adoption of NZ IFRS 15 has had no impact on the financial position and financial performance of Destination Westland Limited.

NEW STANDARDS & INTERPRETATIONS NOT YET ADOPTED

Destination Westland Limited has not applied the following new and revised standards that have been issued but are not yet effective:

Standard	**Periods Beginning on or after**	**Effective Date**
NZ IFRS 16: Leases	1 January 2019	30 June 2020

NZ IFRS will primarily affect the accounting treatment of leases by non-cancellable lessees and will result in the recognition of all leases, subject to limited exceptions for short-term leases and wholly variable leases, on the balance sheet, as a "right to use" asset. A liability will also be recorded to reflect the obligation to pay lease costs in the future. Destination Westland Limited is continuing to analyse the impact of these changes.

1. From Operations

a Revenue from Contracts with Customers

The Company derives Revenue from the transfer of services over time and at a point in time through three major revenue categories:

	Timing of Revenue Recognition	2019 $000	*2018 $000*
Management Fees	Over Time	901	*378*
Landing Fees	At a point in time	555	*545*
Marketing Revenue	At a point in time	5	-
		1,461	*923*

b Nature of Expenses

The following items are included in the expenditure of the company:

	2019	2018
Audit fees to Audit NZ comprising audit of financial statements	44	*30*
Directors' Fees	93	*101*
Donations	-	-
Movement in Provision for Doubtful Debts	2	*3*
Bad Debts Written off	5	*2*
Personnel Expenses		
Wages & Salaries	1,432	*737*
Contributions to defined contribution plans	34	*13*
	1,466	*750*

2. Income Tax

	2019 $000	*2018 $000*
Surplus/(deficit) before taxation	(200)	(45)
Prima facie taxation @ 28%	*(56)*	*(11)*
Plus tax effect of group loss offset	36	*15*
Plus/(less) taxation effect of permanent differences	23	*(30)*
Income Tax Expense	3	*(26)*
Income Tax expense is represented by		
Current tax	-	*16*
Prior Period Adjustment	(16)	
Deferred taxation	19	*(42)*
	3	*(26)*
Deferred Taxation Liability		
Balance as at 1 July	265	*307*
Movement Recognised in surplus or deficit	19	*(42)*
Balance as at 30 June	284	*265*
Deferred tax assets and liabilities are attributable to the following:		
Property, Plant & Equipment (Liability)	317	*317*
Accruals (Asset)	*(20)*	*(24)*
Receivables Impairment	*(2)*	*(1)*
Tax Losses carried forward	*(11)*	*(27)*
	284	*265*

3. Share Capital

At 30 June 2019 the company has issued 100 shares which are fully paid. Value per share is $53,449.48 with total share value being $5,344,948.

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.

No dividends were declared during the year ended 30 June 2019 (2018: NIL)

4. Debtors and Other Receivables

	2019 $000	2018 *$000*
Trade Debtors	65	*70*
Contract Receivables	40	*41*
Related Party Debtors	81	*22*
GST Receivable	-	*8*
Contra Accounts	11	-
Provision for Doubtful Debts	(6)	*(4)*
	191	*137*

All receivables relate to New Zealand and their status at the reporting date is as follows:-

	Gross Receivable 2019 $000	Provision for Doubtful Debts 2019 $000	Gross Receivable 2018 $000	Provision for Doubtful Debts 2018 $000
Not past due	44	-	87	-
Past due 0-30 days	99	-	23	-
Past due 31-120 days	8	*1*	7	*2*
Past due 121-360 days	32	*5*	15	*1*
Past due more than 1 year	3	*1*	1	*1*

Trade receivables have a general payment terms of the 20th of the month following invoice.

5. Contingent Liabilities & Contingent Assets

At 30 June 2018, Destination Westland Ltd had the following contingent liabilities.

	2019 $000	2018 *$000*
Guarantees: Ministry of Economic Development	10	*10*

The Contingent Liability is a bond for the mining licence held for the extraction of gravel.

At balance date the company is involved in litigation involving an employee related matter arising about events prior to 30 June. We are not in a position to disclose further information as this is sitting with lawyers and still in early days. Any further disclosure may seriously prejudice the outcome.

The company has no contingent assets at balance date (2018: NIL)

6. Commitments

Capital Commitments: The company has no capital commitments at 30 June 2019 (2018 Nil).

Other Commitments: The company has a contract for painting work on the airport building until 2021. The value of the work contracted that has not yet been performed as at 30 June is $5,000 (2018: $8,000).

7. Post Balance Date Events

Loans of $600,000 were refinanced to take advantage of the drop in fixed interest rates

8. Employee Disclosure

Destination Westland has the following current employee entitlements

	2019 $000	2018 *$000*
Holiday Pay Accrued	71	*35*
Wages Accrued	51	*21*
	122	*56*

Destination Westland has no non current employee entitlements (2018: Nil)

9. Property, plant and equipment

	Land Improvement & Buildings $000	Plant & Equipment $000	Runways, Roading, Drainage & Lighting $000	Under Construction $000	Total $000
Cost or deemed cost					
Balance at 1 July 2017	2,844	323	2,433	25	5,625
Additions	91	102	4	58	255
Transfer to Land & Buildings	-	-	-	-	-
Disposals	-	(5)	-	-	(5)
Balance at 30 June 2018	2,935	420	2,437	83	5,875
Balance at 1 July 2018	2,935	420	2,437	83	5,875
Additions	146	112	-	18	276
Transfer to Land & Buildings	41			(41)	-
Disposals	(26)	(30)	-	-	(56)
Balance at 30 June 2019	3,096	502	2,437	60	6,095
Depreciation and impairment losses					
Balance at 1 July 2017	547	206	471	-	1,224
Depreciation for the year	82	46	44	-	172
Disposals	-	(5)	-	-	(5)
Balance at 30 June 2018	629	247	515	-	1,391
Balance at 1 July 2018	629	247	515	-	1,391
Depreciation for the year	91	63	44	-	198
Impairment Loss	-	-	-	-	-
Disposals	-	(30)	-	-	(30)
Balance at 30 June 2019	720	280	559	-	1,559
Carrying Amounts					
At 1 July 2017	2,297	117	1,962	25	4,401
At 30 June 2018	2,306	173	1,922	83	4,484
At 1 July 2018	2,306	173	1,922	83	4,484
At 30 June 2019	2,376	222	1,878	60	4,536

Security

At 30 June 2019 properties with a carrying calue of $900,000 are subject to a registered mortgage to secure Westpac bank loans plus all assets are subject to a general registered security (2018: $816,000, all assets).

10. Loans

	2019 $000	*2018 $000*
Term Loan	1,039	*1,033*
Finance Lease	10	-
Parent Advance	40	-
	1,089	*1,033*

The term loan is split as follows:-		
Current Bank Term Loan	286	*560*
Current Finance Lease	5	-
Current Parent Advance	40	-
Non-current Bank Term Loan	753	*473*
Non-current Finance Lease	5	-
	1,089	1,033

Not later than 1 year	331	*560*
Later than 1 year and not later than 2 years	82	*244*
Later than 2 years and not later than 5 years	309	*48*
Later than 5 years	367	*181*

A General Security exists over the assets and undertakings of Destination Westland Ltd. The security is held by Westpac Banking Corporation (NZ Division) and the security interest amounts to $350,0000 (2018: $350,000).

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

	Maturing	2019 $000	*2018 $000*
Westpac Term Loan - Interest Rate N/A (LY: 6.7%)	2019	-	*73*
Westpac Term Loan - Interest Rate N/A (LY:6.2%)	2021	-	*26*
Westpac Term Loan - Interest Rate 4.85% (LY:5.3%)	2023	200	*200*
Westpac Term Loan - Interest Rate 4.9% (LY:5.3%)	2023	220	*238*
Westpac Term Loan - Interest Rate 5.1% (LY: 5.1%)	2019	212	*233*
Westpac Term Loan - Interest Rate 6.5% (LY:6.5%)	2020	13	*22*
Westpac Term Loan - Interest Rate 6.09% (LY: 6.09%)	2022	231	*242*
Westpac Term Loan - Interest Rate 5.95% (LY: N/A)	2023	163	-

(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 2019 it is estimated that a 1% increase in interest rates would decrease the Company's 2019 profit before tax by $7,000 (2018: $8,000)

The company has no formal interest rate hedging policy.

11. Operating Leases

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2019 $000	2018 *$000*
Not Later than one year	30	*23*
Later than one year and not later than five years	44	*56*
Later than five years	5	*10*

The company has 3 leases, one is an access lease at Kwitchatown, one is a vehicle lease and the other is for their office building in Hamilton Street

Operating leases as lessor

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows

	2019 $000	2018 $000
Not later than one year	140	144
Later than one year and not later than five years	287	300
Later than five years	156	149
Total non-cancellable operating leases	583	593

The company leases land, buildings, terminal area, carparks & storage units with varying terms that are negotiated with individual tenants at market rates. Significant leases include a 10 year lease of land & Buildings to Westroads Ltd for $17,000 annually, plus land and buildings for a period of 2 years with 1 3 year right of renewal with annual lease amount of $18,000, and land for a period of 30 years (no right of renewal) with annual lease amount of $3,000

No contingent rents have been recognised during the period.

12. Investment property

Opening Balance 1 July	1,607	*1,248*
Additions from acquisitions	-	247
Disposals	(285)	-
Gain (loss) on disposal	(55)	-
Fair value gains/(losses) on valuation	(7)	112
Balance at 30 June	1,260	1,607

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.

13. Reconciliation of Net Surplus after Taxation to Net Cashflows from Operating Activities

	2019 $000	2018 *$000*
Cash Inflow from Operating Activities		
Net (loss)/profit after taxation	(203)	(19)
Add/(less) non cash items:		
Depreciation and impairment losses	198	*172*
Increase (decrease) in provision for doubtful debts	2	*3*
Change in fair value of investment properties	7	*(112)*
Increase/(decrease) in deferred tax liability	19	*(42)*
Total Non-Cash Items	226	*21*
Add/(less) items classified as investment activity:		
Net loss (gain) on sale of fixed assets	18	-
Net loss/(gain) on sale of investment property	55	-
Capital creditors	27	*(33)*
Total Investing Activity Items	100	*(33)*
Add/(less) movements in working capital items:		
Increase/(decrease) in accounts payable and accruals	(22)	*92*
Increase/(decrease) in employee entitlements	66	*13*
Increase/(decrease) in income received in advance	(23)	*2*
Increase/(decrease) in taxation payable	(6)	*(7)*
Decrease/(increase) in taxation refundable	-	*10*
Decrease/(increase) in inventory	(52)	-
Decrease/(increase) in subvention payment receivable	(29)	*(21)*
Decrease/(increase) in receivables and prepayments	(85)	*97*
Working Capital Movement - Net	(151)	*186*
Net Cash Inflows/(Outflows) from Operating Activities	**(28)**	**155**

14. Transactions with Related Parties

During the year the Company transacted 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
		1 July 2018 to 30 June 2019		
WDC	Westroads Ltd	Purchase - Maintenancy Contracting Services	35	*13*
WDC	Westroads Ltd	Sale - Royalties received	24	*27*
WDC	Westroads Ltd	Sale - Lease Receipts	17	*3*
WDC	Westroads Ltd	Subvention Payment	50	*50*
WDC	Westroads Ltd	Group Tax Loss Offset	130	*130*
WDC	Westland Holdings Ltd	Loan - Advance	90	*40*
WDC	Westland District Council	Purchase - Occupancy costs & Oncharges	307	*202*
WDC	Westland District Council	Sales & Lease receipts	1,163	*52*
WDC	Westland District Council	Sale - Land	285	-
L Martin	Westland High School	Sales - Maintainance & Swimming Pool Hire	4	*3*
		1 July 2017 to 30 June 2018		
WDC	Westroads Ltd	Purchase - Runway Repairs	4	-
WDC	Westroads Ltd	Purchase - Maintenancy Contracting Services	20	*12*
WDC	Westroads Ltd	Sale - Royalties received	15	*16*
WDC	Westroads Ltd	Sale - Lease Receipts	18	*3*
WDC	Westroads Ltd	Subvention Payment	21	*21*
WDC	Westland District Council	Purchase - Occupancy costs & Oncharges	196	*271*
WDC	Westland District Council	Purchase - Licenses, Levies & Consents	7	-
WDC	Westland District Council	Sale - Lease receipts	344	-
WDC	Westland District Council	Sale - Land	11	-
WDC	Westland District Council	Sale - Recoveries	61	*4*

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

Key Management Personnel

Key management personnel of the company comprises of the directors, the Chief Executive and Operations Manager

Key management personnel compensation comprised	2019 $000	2018 $000
Short-term employee benefits	340	263
Termination benefits	-	-
	340	263

There are no loans to or from key management personnel.

15. Inventory

At 30 June 2019 the company had term trading stock relating to land & buildings held for subdivision and sale purposes of $122,000 (2018: 122,000). This is held as tenants in common with Westroads Ltd. This property is being developed and funded by Westroads with Westroads receving 75% of any profits and the company receiving the other 25%

At 30 June 2019 inventory with a carrying value of $Nil was subject to a registered mortgage to secure bank loans (2018: Nil)

16. Financial Instruments

	2019 $000	2018 $000
The accounting policy for financial instruments has been applied to the items below:		
Financial assets at amortised cost		
Bank accounts and Cash	39	20
Debtors and other receivables	191	137
Financial liabilities at amortised cost		
Creditors and other payables	571	590
Loans	1,089	1,033

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 except loans:

	2019 $000	2018 $000
Loan Balance	1,089	1033

	2019 $000	2018 $000
1 Year	380	603
1 - 2 years	116	260
3 - 5 years	398	85
Greater than 5 years	424	239
Total Cashflow	1,318	1,187

The company has no significant exposure to credit risk, where other receivables are due from government organisations and bank accounts and cash are held with a reputable organisation.

The approximate weighted average effective interest rate of the financial instruments is as follows:

	2019 %	2018 %
Bank accounts and cash	0.00	0.00
Bank overdrafts	7.20	7.20
Trade and other receivables	0.0	0.00
Trade and other payables	0.0	0.00
Loans	5.38	5.59

The Directors do not consider there is any significant exposure to interest rate risk.

There are no interest rate options or interest rate swap agreements in place as at 30 June 2019. (2018: NIL.)

Comparative Carrying Value of Financial Assets & Liabilities under the old NZ IAS 39 and the new NZIFRS 9 – Financial Instruments

	NZ IFRS 9	NZ IAS 39
Debtors and other receivables	191	191
Creditors and other payables	571	571
Current Loans	331	331
Non-Current Loans	758	758

Currency Risk

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

Destination Westland Ltd has no exposure to currency risk.

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.

Financial instruments which potentially subject the company to risk consist principally of bank accounts & cash, debtors & other receivables and various off-balance sheet instruments. Concentrations of credit respect with respect to accounts receivable are high due to the reliance on the Westland District Council for a high proportion of the Company's revenue. However the Council is considered a high credit quality entity.

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.

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 in the ratio of 50-100% of total assets.